

**CITY OF MAYVILLE  
MAYVILLE, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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\* \* \* \* \*

**CITY OF MAYVILLE**  
**ROSTER OF CITY OFFICIALS**  
**AS OF DECEMBER 31, 2017**

| <u>Names</u>         | <u>Office</u>     |
|----------------------|-------------------|
| Donald Moen          | Mayor             |
| William Bohnsack     | Alderman          |
| Ray Peterson         | Alderman          |
| Larry O'Brien        | Alderman          |
| Kim Meshefski-LaBine | Alderman          |
| Steve Bensen         | Alderman          |
| Mike Car             | Alderman          |
| Gail Olstad          | Auditor Treasurer |
| Julie Christianson   | Deputy Auditor    |

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Mayville  
Mayville, 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 Mayville, as of and for the year ended December 31, 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mayville, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as indicated in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mayville's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The roster of city officials has 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 this schedule.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of the City of Mayville'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 an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mayville's internal control over financial reporting and compliance.



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

December 5, 2018

**CITY OF MAYVILLE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

As management of the City of Mayville, North Dakota, we offer readers of the City of Mayville's financial statements, this narrative overview and analysis of the financial activities of the City of Mayville for the fiscal year ended December 31, 2017.

**FINANCIAL HIGHLIGHTS**

The assets of the City of Mayville exceeded its liabilities at the close of the most recent fiscal year by \$12,231,220 (net position). Of this amount, \$2,891,778 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position decreased by \$401,069.

As of the close of the current fiscal year, the City of Mayville's governmental activities reported combined ending net position of \$597,755.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$385,178 or 55 percent of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Mayville's basic financial statements. The City of Mayville's basic financial statements are comprised of three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Additional explanation of these sections of the financial statements follows.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Mayville's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Mayville's assets, deferred outflows of resources and liabilities, deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mayville is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).



**CITY OF MAYVILLE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017

Both of the government-wide financial statements distinguish functions of the City of Mayville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Mayville include general government, public safety, public works, culture and recreation and debt service. The business-type activities of the City of Mayville include the water utility, sewer utility, sanitation and recycling.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mayville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mayville can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds.* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Mayville adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

*Proprietary Funds.* The City of Mayville maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Mayville uses enterprise funds to account for its water and sewer utilities, as well as the sanitation and recycling operations.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, sanitation, and recycling utilities, all of which are considered to be major funds of the City of Mayville.

The basic proprietary fund financial statements can be found on pages 17 through 20 of this report.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF MAYVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

*Other information.* The combining statements referred to earlier in connection with non-major governmental funds can be found on pages 45 through 48 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mayville, assets exceeded liabilities by \$12,231,220 at the close of the most recent fiscal year.

The unrestricted portion of the City of Mayville's net position (24 percent) represents its unrestricted net position available for use within the City's designations and policies. The City of Mayville's net position invested in capital assets (69 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Mayville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Mayville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mayville's Net Position

|                                  | Governmental Activities |                   | Business-Type Activities |                      | Total                |                      |
|----------------------------------|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
|                                  | 2017                    | 2016              | 2017                     | 2016                 | 2017                 | 2016                 |
| <b><u>Assets</u></b>             |                         |                   |                          |                      |                      |                      |
| Current Assets                   | \$ 495,340              | \$ 567,939        | \$ 3,300,469             | \$ 3,925,095         | \$ 3,795,809         | \$ 4,493,034         |
| Capital Assets, Net              | 1,960,161               | 2,110,297         | 13,948,138               | 14,498,119           | 15,908,299           | 16,608,416           |
| Long-Term Assets                 | -                       | -                 | 312,994                  | 913,182              | 312,994              | 913,182              |
| Total Assets                     | <u>2,455,501</u>        | <u>2,678,236</u>  | <u>17,561,601</u>        | <u>19,336,396</u>    | <u>20,017,102</u>    | <u>22,014,632</u>    |
| <b><u>Liabilities</u></b>        |                         |                   |                          |                      |                      |                      |
| Current Liabilities              | 324,112                 | 373,705           | 693,472                  | 1,053,574            | 1,017,584            | 1,427,279            |
| Long-Term Liabilities            | 1,533,634               | 1,727,063         | 5,234,664                | 6,228,000            | 6,768,298            | 7,955,063            |
| Total Liabilities                | <u>1,857,746</u>        | <u>2,100,768</u>  | <u>5,928,136</u>         | <u>7,281,574</u>     | <u>7,785,882</u>     | <u>9,382,342</u>     |
| <b><u>Net Position</u></b>       |                         |                   |                          |                      |                      |                      |
| Net Investment in Capital Assets | 233,098                 | 187,100           | 8,147,968                | 7,748,298            | 8,381,066            | 7,935,398            |
| Restricted                       | 18,736                  | 10,065            | 939,640                  | 1,557,055            | 958,376              | 1,567,120            |
| Unrestricted                     | 345,921                 | 380,303           | 2,545,857                | 2,749,469            | 2,891,778            | 3,129,772            |
| Total Net Position               | <u>\$ 597,755</u>       | <u>\$ 577,468</u> | <u>\$ 11,633,465</u>     | <u>\$ 12,054,822</u> | <u>\$ 12,231,220</u> | <u>\$ 12,632,290</u> |

\$958,376 of the City of Mayville's net position represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* of \$2,891,778 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Mayville is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

**CITY OF MAYVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Governmental activities increased the City of Mayville's net position by \$20,287 compared to a decrease of \$106,467 in 2016. The increase in the current year was due to higher levels of income taxes.

Business-type activities decreased the City of Mayville's net position by \$421,356 compared to a decrease of \$27,614 in 2016.

A condensed version of the statement of activities follows:

|                                    | <u>Governmental Activities</u> |                          | <u>Business-Type Activities</u> |                             | <u>Total</u>                |                             |
|------------------------------------|--------------------------------|--------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                    | <u>2017</u>                    | <u>2016</u>              | <u>2017</u>                     | <u>2016</u>                 | <u>2017</u>                 | <u>2016</u>                 |
| <u>Revenues:</u>                   |                                |                          |                                 |                             |                             |                             |
| <u>Program Revenues:</u>           |                                |                          |                                 |                             |                             |                             |
| Charges for Services               | \$ 71,220                      | \$ 53,693                | \$ 1,276,209                    | \$ 1,255,185                | \$ 1,347,429                | \$ 1,308,878                |
| Capital Grants and Contributions   | -                              | -                        | 48,115                          | 178,961                     | 48,115                      | 178,961                     |
| Operating Grants and Contributions | 50,951                         | 8,000                    | -                               | -                           | 50,951                      | 8,000                       |
| <u>General Revenues:</u>           |                                |                          |                                 |                             |                             |                             |
| Property Taxes                     | 408,284                        | 371,007                  | -                               | -                           | 408,284                     | 371,007                     |
| Other Taxes                        | 249,556                        | 227,105                  | -                               | -                           | 249,556                     | 227,105                     |
| State Aid                          | 106,346                        | 134,548                  | -                               | -                           | 106,346                     | 134,548                     |
| Other                              | 81,400                         | 122,391                  | 25,909                          | 196,589                     | 107,309                     | 318,980                     |
| <b>Total Revenues</b>              | <b><u>967,757</u></b>          | <b><u>916,744</u></b>    | <b><u>1,350,233</u></b>         | <b><u>1,630,735</u></b>     | <b><u>2,317,990</u></b>     | <b><u>2,547,479</u></b>     |
| <u>Expenses:</u>                   |                                |                          |                                 |                             |                             |                             |
| General Government                 | 252,130                        | 374,888                  | -                               | -                           | 252,130                     | 374,888                     |
| Public Safety                      | 253,071                        | 216,736                  | -                               | -                           | 253,071                     | 216,736                     |
| Public Works                       | 308,411                        | 305,438                  | -                               | -                           | 308,411                     | 305,438                     |
| Culture and Recreation             | 86,859                         | 75,822                   | -                               | -                           | 86,859                      | 75,822                      |
| Interest and Fees                  | 46,999                         | 50,327                   | -                               | -                           | 46,999                      | 50,327                      |
| Water                              | -                              | -                        | 978,754                         | 791,835                     | 978,754                     | 791,835                     |
| Sewer                              | -                              | -                        | 488,559                         | 563,139                     | 488,559                     | 563,139                     |
| Sanitation                         | -                              | -                        | 304,141                         | 303,375                     | 304,141                     | 303,375                     |
| Recycling                          | -                              | -                        | 135                             | -                           | 135                         | -                           |
| <b>Total Expenses</b>              | <b><u>947,470</u></b>          | <b><u>1,023,211</u></b>  | <b><u>1,771,589</u></b>         | <b><u>1,658,349</u></b>     | <b><u>2,719,059</u></b>     | <b><u>2,681,560</u></b>     |
| <b>Change in Net Position</b>      | <b>20,287</b>                  | <b>(106,467)</b>         | <b>(421,356)</b>                | <b>(27,614)</b>             | <b>(401,069)</b>            | <b>(134,081)</b>            |
| <b>Net Position - Beginning</b>    | <b><u>577,468</u></b>          | <b><u>683,935</u></b>    | <b><u>12,054,821</u></b>        | <b><u>12,082,436</u></b>    | <b><u>12,632,289</u></b>    | <b><u>12,766,371</u></b>    |
| <b>Net Position - Ending</b>       | <b><u>\$ 597,755</u></b>       | <b><u>\$ 577,468</u></b> | <b><u>\$ 11,633,465</u></b>     | <b><u>\$ 12,054,822</u></b> | <b><u>\$ 12,231,220</u></b> | <b><u>\$ 12,632,290</u></b> |

Property taxes and state aid accounted for 53 percent in 2017 and 55 percent in 2016 of the total governmental activities revenues.

Charges for services were 95 percent in 2017 and 77 percent in 2016 of the total revenues for business-type activities.

Government activities expenses were primarily for general government, public safety, and public works which comprised 27, 27 and 33 percent each in 2017 and 37, 21 and 30 percent each in 2016, respectively.

Water, sewer, and sanitation were 55, 28, and 17 percent in 2017 and 48, 34, and 18 percent in 2016 of the total business-type activities expenses, respectively.

**CITY OF MAYVILLE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Analysis of the Government's Funds

As noted earlier, the City of Mayville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of Mayville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Mayville's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Mayville's governmental funds reported combined ending fund balances of \$371,996, a decrease of \$22,297. The balance of \$371,996 includes \$352,562 of *unassigned fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City of Mayville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$385,178. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55 percent of total General Fund expenditures.

The Tax Increment District – Improvement District #25 was established to create an upscale housing development and annex neighboring areas into the City as adopted in a General Development plan for the City and a Renewal and Development Plan of 2006 for the City of Mayville in accordance with the provisions of Section 40-58-06, ND Century Code. The financing cost of this project will be paid by future tax collections.

*Proprietary Funds.* The City of Mayville's proprietary funds statements found on pages 17-20 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective Proprietary Funds are:

|            |             |
|------------|-------------|
| Water      | \$983,123   |
| Sewer      | \$1,110,562 |
| Sanitation | \$203,800   |
| Recycling  | \$248,372   |

The changes in net position of the Proprietary Funds are as follows:

|            |             |
|------------|-------------|
| Water      | \$(351,717) |
| Sewer      | \$(121,516) |
| Sanitation | \$22,731    |
| Recycling  | \$29,146    |

General Fund Budgetary Highlights

Over the course of the year, the City did not revise the general fund budget.

The City's actual expenditures are \$259,683 less than budgeted.

**CITY OF MAYVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Capital Asset and Debt Administration

*Capital assets.* The City of Mayville's investment in capital assets for its governmental and business-type activities as of December 31, 2017 and 2016, amounts to \$15,908,299 and \$16,608,416, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and plant and equipment.

City of Mayville's Capital Assets  
(Net of Depreciation)

|                | Governmental<br>Activities |                     | Business-Type<br>Activities |                      | Total                |                      |
|----------------|----------------------------|---------------------|-----------------------------|----------------------|----------------------|----------------------|
|                | 2017                       | 2016                | 2017                        | 2016                 | 2017                 | 2016                 |
| Land           | \$ 190,666                 | \$ 190,666          | \$ 421,810                  | \$ 421,810           | \$ 612,476           | \$ 612,476           |
| Buildings      | 281,803                    | 263,350             | 446,334                     | 472,392              | 728,137              | 735,742              |
| Equipment      | 327,596                    | 367,838             | 292,184                     | 311,012              | 619,780              | 678,850              |
| Vehicles       | 358,222                    | 426,758             | 2                           | 654                  | 358,224              | 427,412              |
| Infrastructure | 801,874                    | 861,685             | 12,787,808                  | 13,292,251           | 13,589,682           | 14,153,936           |
| Total          | <u>\$ 1,960,161</u>        | <u>\$ 2,110,297</u> | <u>\$ 13,948,138</u>        | <u>\$ 14,498,119</u> | <u>\$ 15,908,299</u> | <u>\$ 16,608,416</u> |

Additional information on the City of Mayville's capital assets can be found in Note 5 of this report.

*Long-term debt.* At the end of the current fiscal year, the City of Mayville had \$7,527,233 in bonds, notes, and capital lease obligations outstanding. Issuance of long-term debt totaled \$2,276,000 and payments made on long-term debt obligations totaled \$3,421,785 during 2017. Additional information on the City of Mayville's debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

Minimal changes were made to Rates in 2018 until refinancing is completed and the impacts known – Sewer Base was increased 1.00 to 10.50 and Street Lighting was increased 1.00.

The refinancing was completed as well as pay downs on several loans to net a savings of \$660k.

Planning to begin to move the City Offices to the Armory now that the Guard is no longer leasing it. Looking to complete in 2019.

The City is looking to increase efficiencies and cut costs at the WTP, this will include upgrade of 30 year old high service pumps and cross training with the Street Department to cover WTP shifts.

The City will continue to look at their participation regarding LAWA and water supply during drought conditions.

Requests for Information

This financial report is designed to provide a general overview of the City of Mayville's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Gail Olstad, Auditor Treasurer, 21 First St. NE, PO Box 220, Mayville, ND 58257.

**CITY OF MAYVILLE**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**

|   | <b>Primary Government</b>          |                                     |                      |
|---|------------------------------------|-------------------------------------|----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
| <b>ASSETS</b>   |                                    |                                     |                      |
| Current Assets  |                                    |                                     |                      |
| Cash and Cash Equivalents   | \$ 412,572                         | \$ 2,293,348                        | \$ 2,705,920         |
| Accounts Receivable   | 74,192                             | 111,433                             | 185,625              |
| Joint Powers Receivable   | -                                  | 10,500                              | 10,500               |
| Taxes Receivable  | 6,776                              | -                                   | 6,776                |
| Special Assessments Receivable  | -                                  | 875,046                             | 875,046              |
| Inventory   | -                                  | 10,142                              | 10,142               |
| Prepaid Expenses  | 1,800                              | -                                   | 1,800                |
| <b>Total Current Assets</b>   | <b>495,340</b>                     | <b>3,300,469</b>                    | <b>3,795,809</b>     |
| Non-Current Assets  |                                    |                                     |                      |
| Restricted Cash   | -                                  | 64,594                              | 64,594               |
| Joint Powers Receivable   | -                                  | 248,400                             | 248,400              |
| Capital Assets:   |                                    |                                     |                      |
| Land  | 190,666                            | 421,810                             | 612,476              |
| Buildings   | 677,619                            | 1,305,000                           | 1,982,619            |
| Equipment   | 898,478                            | 607,442                             | 1,505,920            |
| Vehicles  | 885,995                            | 100,720                             | 986,715              |
| Infrastructure  | 1,884,490                          | 19,110,645                          | 20,995,135           |
| Less Accumulated Depreciation   | <u>(2,577,087)</u>                 | <u>(7,597,479)</u>                  | <u>(10,174,566)</u>  |
| <b>Total Capital Assets (Net of<br/>    Accumulated Depreciation)</b> | <b>1,960,161</b>                   | <b>13,948,138</b>                   | <b>15,908,299</b>    |
| <b>Total Non-Current Assets</b>                                       | <b>1,960,161</b>                   | <b>14,261,132</b>                   | <b>16,221,293</b>    |
| <b>Total Assets</b>   | <b>2,455,501</b>                   | <b>17,561,601</b>                   | <b>20,017,102</b>    |
| <b>LIABILITIES</b>  |                                    |                                     |                      |
| Current Liabilities   |                                    |                                     |                      |
| Accounts Payable  | 115,961                            | 76,501                              | 192,462              |
| Due to Other Governments  | 43                                 | -                                   | 43                   |
| Accrued Expenditures  | 4,310                              | 8,291                               | 12,601               |
| Accrued Vacation Payable  | 1,219                              | 2,053                               | 3,272                |
| Meter Deposits Payable  | -                                  | 11,800                              | 11,800               |
| Accrued Interest Payable  | 9,150                              | 29,321                              | 38,471               |
| Bonds and Capital Lease Payable                                       | 193,429                            | 565,506                             | 758,935              |
| Noncurrent Liabilities:   |                                    |                                     |                      |
| Long-term Bonds and Capital Lease Payable                             | <u>1,533,634</u>                   | <u>5,234,664</u>                    | <u>6,768,298</u>     |
| <b>Total Liabilities</b>  | <b>1,857,746</b>                   | <b>5,928,136</b>                    | <b>7,785,882</b>     |
| <b>NET POSITION</b>   |                                    |                                     |                      |
| Net Investment in Capital Assets                                      | 233,098                            | 8,147,968                           | 8,381,066            |
| Restricted for:   |                                    |                                     |                      |
| Emergency   | 2,101                              | -                                   | 2,101                |
| Cemetary  | 1,881                              | -                                   | 1,881                |
| Library   | 2,568                              | -                                   | 2,568                |
| Fire Department Reserve   | 12,186                             | -                                   | 12,186               |
| Debt Service  | -                                  | 939,640                             | 939,640              |
| Unrestricted  | <u>345,921</u>                     | <u>2,545,857</u>                    | <u>2,891,778</u>     |
| <b>Total Net Position</b>   | <b>\$ 597,755</b>                  | <b>\$ 11,633,465</b>                | <b>\$ 12,231,220</b> |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| <u>Functions/Programs</u>        | <u>Program Revenues</u> |                             |                                 |                                 | <u>Net (Expense) Revenue and Changes in Net Position</u> |                                 |                      |
|----------------------------------|-------------------------|-----------------------------|---------------------------------|---------------------------------|--|---------------------------------|----------------------|
|                                  | <u>Expenses</u>         | <u>Charges for Services</u> | <u>Operating</u>                | <u>Capital</u>                  | <u>Primary Government</u>                                |                                 |                      |
|                                  |                         |                             | <u>Grants and Contributions</u> | <u>Grants and Contributions</u> | <u>Governmental Activities</u>                           | <u>Business-type Activities</u> | <u>Total</u>         |
| <b>Primary Government:</b>       |                         |                             |                                 |                                 |  |                                 |                      |
| Governmental Activities:         |                         |                             |                                 |                                 |  |                                 |                      |
| General Government               | \$ 252,130              | \$ 71,220                   | \$ 50,951                       | \$ -                            | \$ (129,959)   | \$ -                            | \$ (129,959)         |
| Public Safety                    | 253,071                 | -                           | -                               | -                               | (253,071)  | -                               | (253,071)            |
| Public Works                     | 308,411                 | -                           | -                               | -                               | (308,411)  | -                               | (308,411)            |
| Culture and Recreation           | 86,859                  | -                           | -                               | -                               | (86,859)   | -                               | (86,859)             |
| Interest and Fees                | 46,999                  | -                           | -                               | -                               | (46,999)   | -                               | (46,999)             |
| Total Governmental Activities    | <u>947,470</u>          | <u>71,220</u>               | <u>50,951</u>                   | <u>-</u>                        | <u>(825,299)</u>   | <u>-</u>                        | <u>(825,299)</u>     |
| Business-type Activities:        |                         |                             |                                 |                                 |  |                                 |                      |
| Water                            | 978,754                 | 694,587                     | -                               | -                               | -  | (284,167)                       | (284,167)            |
| Sewer                            | 488,559                 | 235,337                     | -                               | 48,115                          | -  | (205,107)                       | (205,107)            |
| Sanitation                       | 304,141                 | 317,004                     | -                               | -                               | -  | 12,863                          | 12,863               |
| Recycling                        | 135                     | 29,281                      | -                               | -                               | -  | 29,146                          | 29,146               |
| Total Business-type Activities   | <u>1,771,589</u>        | <u>1,276,209</u>            | <u>-</u>                        | <u>48,115</u>                   | <u>-</u>   | <u>(447,265)</u>                | <u>(447,265)</u>     |
| Total Primary Government         | <u>\$ 2,719,059</u>     | <u>\$ 1,347,429</u>         | <u>\$ 50,951</u>                | <u>\$ 48,115</u>                | <u>(825,299)</u>   | <u>(447,265)</u>                | <u>(1,272,564)</u>   |
| General Revenues:                |                         |                             |                                 |                                 |  |                                 |                      |
| Property Taxes                   |                         |                             |                                 |                                 | 408,284  | -                               | 408,284              |
| Sales and Other Taxes            |                         |                             |                                 |                                 | 249,556  | -                               | 249,556              |
| State Aid Distribution           |                         |                             |                                 |                                 | 106,346  | -                               | 106,346              |
| Other Revenues                   |                         |                             |                                 |                                 | 79,774   | 23,855                          | 103,629              |
| Unrestricted Investment Earnings |                         |                             |                                 |                                 | 1,626  | 2,054                           | 3,680                |
| Total General Revenues           |                         |                             |                                 |                                 | <u>845,586</u>   | <u>25,909</u>                   | <u>871,495</u>       |
| Change in Net Position           |                         |                             |                                 |                                 | <u>20,287</u>  | <u>(421,356)</u>                | <u>(401,069)</u>     |
| Net Position - Beginning         |                         |                             |                                 |                                 | <u>577,468</u>   | <u>12,054,821</u>               | <u>12,632,289</u>    |
| Net Position - Ending            |                         |                             |                                 |                                 | <u>\$ 597,755</u>  | <u>\$ 11,633,465</u>            | <u>\$ 12,231,220</u> |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2017**

|   | General    | Improvement<br>District #25 - TIF | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|------------|-----------------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |            |                                   |                                   |                                |
| Cash and Cash Equivalents   | \$ 388,155 | \$ -                              | \$ 24,417                         | \$ 412,572                     |
| Receivables   | 53,834     | 19,999                            | 360                               | 74,193                         |
| Taxes Receivable  | 2,988      | 1,983                             | 1,805                             | 6,776                          |
| Due from Other Funds  | 54,366     | -                                 | -                                 | 54,366                         |
| Prepaid Expenses  | 1,800      | -                                 | -                                 | 1,800                          |
| Total Assets  | \$ 501,143 | \$ 21,982                         | \$ 26,582                         | \$ 549,707                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> |            |                                   |                                   |                                |
| Liabilities   |            |                                   |                                   |                                |
| Accounts Payable  | \$ 44,300  | \$ -                              | \$ 7,333                          | \$ 51,633                      |
| Accrued Expenditures  | 3,613      | -                                 | 697                               | 4,310                          |
| Due to Other Governments  | 64,372     | -                                 | -                                 | 64,372                         |
| Due to Other Funds  | -          | 34,199                            | 20,166                            | 54,365                         |
| Total Liabilities   | 112,285    | 34,199                            | 28,196                            | 174,680                        |
| Deferred Inflows of Resources   |            |                                   |                                   |                                |
| Unavailable Revenue - Taxes Receivable                                  | 1,880      | -                                 | 1,151                             | 3,031                          |
| Total Deferred Inflows<br>of Resources                                  | 1,880      | -                                 | 1,151                             | 3,031                          |
| <b>FUND BALANCES</b>  |            |                                   |                                   |                                |
| Nonspendable  | 1,800      | -                                 | -                                 | 1,800                          |
| Restricted  | -          | -                                 | 17,634                            | 17,634                         |
| Unassigned  | 385,178    | (12,217)                          | (20,399)                          | 352,562                        |
| Total Fund Balances   | 386,978    | (12,217)                          | (2,765)                           | 371,996                        |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances   | \$ 501,143 | \$ 21,982                         | \$ 26,582                         | \$ 549,707                     |

See Notes to the Financial Statements



**CITY OF MAYVILLE**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**AS OF DECEMBER 31, 2017**

Total Governmental Funds Balances \$ 371,996

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

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

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital Assets           | \$ 4,537,248       |           |
| Accumulated Depreciation | <u>(2,577,087)</u> | 1,960,161 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.

|                |       |
|----------------|-------|
| Property taxes | 3,030 |
|----------------|-------|

Long-term liabilities not due and payable in the current period and, therefore, are not included in the governmental funds:

|                          |                |                    |
|--------------------------|----------------|--------------------|
| Accrued Vacation Payable | (1,219)        |                    |
| Bonds Payable            | (1,493,997)    |                    |
| Capital Lease Payable    | (233,066)      |                    |
| Interest Payable         | <u>(9,150)</u> | <u>(1,737,432)</u> |

Net Position of Governmental Activities \$ 597,755

**CITY OF MAYVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | <u>General</u>    | <u>Improvement<br/>District #25 - TIF</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|---|--|---|
| <b>REVENUES</b>  |                   |   |  |   |
| Property Taxes   | \$ 154,892        | \$ 164,892                                | \$ 92,473                                  | \$ 412,257                              |
| Sales and Other Taxes  | 249,556           | -   | -  | 249,556                                 |
| Intergovernmental  | 112,890           | 19,621                                    | 4,787                                      | 137,298                                 |
| Charges for Services   | 71,222            | -   | -  | 71,222                                  |
| Fines and Forfeitures  | 1,823             | -   | -  | 1,823                                   |
| Interest Earnings  | 1,626             | -   | -  | 1,626                                   |
| Sale of Lots   | -                 | 695                                       | -  | 695                                     |
| Other Revenue  | 70,372            | 18,000                                    | 8,881                                      | 97,253                                  |
| Total Revenues   | <u>662,381</u>    | <u>203,208</u>                            | <u>106,141</u>                             | <u>971,730</u>                          |
| <b>EXPENDITURES</b>  |                   |   |  |   |
| Current:   |                   |   |  |   |
| General Government   | 222,118           | -   | 8,217                                      | 230,335                                 |
| Public Safety  | 198,048           | -   | 6,668                                      | 204,716                                 |
| Public Works   | 181,284           | -   | -  | 181,284                                 |
| Culture and Recreation                                       | 11,789            | -   | 66,048                                     | 77,837                                  |
| Capital Outlay   | 55,864            | -   | -  | 55,864                                  |
| Debt Service:  |                   |   |  |   |
| Principal Retirement   | 21,872            | 157,000                                   | 17,262                                     | 196,134                                 |
| Interest and Fees  | 4,039             | 36,088                                    | 7,730                                      | 47,857                                  |
| Total Expenditures   | <u>695,014</u>    | <u>193,088</u>                            | <u>105,925</u>                             | <u>994,027</u>                          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(32,633)</u>   | <u>10,120</u>                             | <u>216</u>                                 | <u>(22,297)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |   |  |   |
| Transfers In   | -                 | -   | 10,000                                     | 10,000                                  |
| Transfers Out  | (10,000)          | -   | -  | (10,000)                                |
| Total Other Financing Sources (Uses)                         | <u>(10,000)</u>   | <u>-</u>                                  | <u>10,000</u>                              | <u>-</u>                                |
| Net Change in Fund Balances                                  | (42,633)          | 10,120                                    | 10,216                                     | (22,297)                                |
| Fund Balances - Beginning                                    | <u>429,611</u>    | <u>(22,337)</u>                           | <u>(12,981)</u>                            | <u>394,293</u>                          |
| Fund Balances - Ending                                       | <u>\$ 386,978</u> | <u>\$ (12,217)</u>                        | <u>\$ (2,765)</u>                          | <u>\$ 371,996</u>                       |

See Notes to the Financial Statements

**CITY OF MAYVILLE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (22,297)

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

Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital Outlays      | \$ 37,914        |           |
| Depreciation Expense | <u>(188,050)</u> | (150,136) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

|                |  |         |
|----------------|--|---------|
| Property Taxes |  | (3,974) |
|----------------|--|---------|

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                        |               |         |
|------------------------|---------------|---------|
| Bond Payments          | \$ 164,563    |         |
| Capital Lease Payments | <u>31,571</u> | 196,134 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

|                          |            |       |
|--------------------------|------------|-------|
| Accrued Vacation Payable |            | (300) |
| Interest Payable         | <u>860</u> |       |

|                         |  |                         |
|-------------------------|--|-------------------------|
| Changes in Net Position |  | <u><u>\$ 20,287</u></u> |
|-------------------------|--|-------------------------|

**CITY OF MAYVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2017**

|  | Business-type Activities - Enterprise Funds |                     |                   |                        | Totals<br>Current Year |
|--|---|---------------------|-------------------|------------------------|------------------------|
|  | Water                                       | Sewer               | Sanitation        | Non-Major<br>Recycling |                        |
| <b>ASSETS</b>  |   |                     |                   |                        |                        |
| Current Assets:  |   |                     |                   |                        |                        |
| Cash and Cash Equivalents                              | \$ 728,905                                  | \$ 1,112,155        | \$ 205,081        | \$ 247,207             | \$ 2,293,348           |
| Accounts Receivable                                    | 58,736                                      | 25,511              | 26,021            | 1,165                  | 111,433                |
| Joint Powers Receivable                                | 10,500                                      | -                   | -                 | -                      | 10,500                 |
| Special Assessments Receivable                         | -   | 875,046             | -                 | -                      | 875,046                |
| Inventory  | 10,142                                      | -                   | -                 | -                      | 10,142                 |
| Total Current Assets                                   | <u>808,283</u>                              | <u>2,012,712</u>    | <u>231,102</u>    | <u>248,372</u>         | <u>3,300,469</u>       |
| Non-Current Assets:                                    |   |                     |                   |                        |                        |
| Restricted Cash  | 64,594                                      | -                   | -                 | -                      | 64,594                 |
| Joint Powers Receivable                                | 248,400                                     | -                   | -                 | -                      | 248,400                |
| Capital Assets   |   |                     |                   |                        |                        |
| Land   | 26,000                                      | 383,810             | 12,000            | -                      | 421,810                |
| Buildings  | 1,300,000                                   | -                   | 5,000             | -                      | 1,305,000              |
| Equipment  | 475,477                                     | 131,965             | -                 | -                      | 607,442                |
| Vehicles   | -   | 15,740              | 84,980            | -                      | 100,720                |
| Infrastructure   | 10,331,878                                  | 8,778,767           | -                 | -                      | 19,110,645             |
| Less Accumulated Depreciation                          | <u>(3,785,209)</u>                          | <u>(3,722,290)</u>  | <u>(89,980)</u>   | <u>-</u>               | <u>(7,597,479)</u>     |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>8,348,146</u>                            | <u>5,587,992</u>    | <u>12,000</u>     | <u>-</u>               | <u>13,948,138</u>      |
| Total Non-Current Assets                               | <u>8,661,140</u>                            | <u>5,587,992</u>    | <u>12,000</u>     | <u>-</u>               | <u>14,261,132</u>      |
| Total Assets   | <u>9,469,423</u>                            | <u>7,600,704</u>    | <u>243,102</u>    | <u>248,372</u>         | <u>17,561,601</u>      |
| <b>LIABILITIES</b>                                     |   |                     |                   |                        |                        |
| Current Liabilities:                                   |   |                     |                   |                        |                        |
| Accounts Payable                                       | 33,971                                      | 15,486              | 27,044            | -                      | 76,501                 |
| Accrued Expenses                                       | 7,656                                       | 512                 | 123               | -                      | 8,291                  |
| Accrued Vacation Payable                               | 1,121                                       | 797                 | 135               | -                      | 2,053                  |
| Meter Deposit Payable                                  | 11,800                                      | -                   | -                 | -                      | 11,800                 |
| Accrued Interest Payable                               | 19,012                                      | 10,309              | -                 | -                      | 29,321                 |
| Bonds Payable  | <u>189,506</u>                              | <u>376,000</u>      | <u>-</u>          | <u>-</u>               | <u>565,506</u>         |
| Total Current Liabilities                              | <u>263,066</u>                              | <u>403,104</u>      | <u>27,302</u>     | <u>-</u>               | <u>693,472</u>         |
| Non-Current Liabilities:                               |   |                     |                   |                        |                        |
| Long-term Bonds Payable                                | <u>2,849,664</u>                            | <u>2,385,000</u>    | <u>-</u>          | <u>-</u>               | <u>5,234,664</u>       |
| Total Non-Current Liabilities                          | <u>2,849,664</u>                            | <u>2,385,000</u>    | <u>-</u>          | <u>-</u>               | <u>5,234,664</u>       |
| Total Liabilities                                      | <u>3,112,730</u>                            | <u>2,788,104</u>    | <u>27,302</u>     | <u>-</u>               | <u>5,928,136</u>       |
| <b>NET POSITION</b>                                    |   |                     |                   |                        |                        |
| Net Investment in Capital Assets                       | 5,308,976                                   | 2,826,992           | 12,000            | -                      | 8,147,968              |
| Restricted   | 64,594                                      | 875,046             | -                 | -                      | 939,640                |
| Unrestricted   | <u>983,123</u>                              | <u>1,110,562</u>    | <u>203,800</u>    | <u>248,372</u>         | <u>2,545,857</u>       |
| Total Net Position                                     | <u>\$ 6,356,693</u>                         | <u>\$ 4,812,600</u> | <u>\$ 215,800</u> | <u>\$ 248,372</u>      | <u>\$ 11,633,465</u>   |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | Business-type Activities - Enterprise Funds |                     |                   |                        | Totals<br>Current Year |
|---|---|---------------------|-------------------|------------------------|------------------------|
|   | Water                                       | Sewer               | Sanitation        | Non-Major<br>Recycling |                        |
| <b>OPERATING REVENUES:</b>                |   |                     |                   |                        |                        |
| Water Sales                               | \$ 694,587                                  | \$ -                | \$ -              | \$ -                   | \$ 694,587             |
| Sewer Charges                             | -   | 235,337             | -                 | -                      | 235,337                |
| Sanitation Charges                        | -   | -                   | 317,004           | -                      | 317,004                |
| Recycling Charges                         | -   | -                   | -                 | 29,281                 | 29,281                 |
| Total Operating Revenues                  | <u>694,587</u>                              | <u>235,337</u>      | <u>317,004</u>    | <u>29,281</u>          | <u>1,276,209</u>       |
| <b>OPERATING EXPENSES:</b>                |   |                     |                   |                        |                        |
| Professional Services                     | 40,717                                      | 11,497              | 2,478             | -                      | 54,692                 |
| Insurance                                 | 2,410                                       | 1,794               | 856               | -                      | 5,060                  |
| Travel                                    | 1,260                                       | 250                 | -                 | -                      | 1,510                  |
| Utilities                                 | 72,640                                      | 16,125              | 1,137             | -                      | 89,902                 |
| Printing and Postage                      | 1,861                                       | 1,284               | 1,903             | -                      | 5,048                  |
| Supplies and Maintenance                  | 66,681                                      | 16,386              | 3,270             | -                      | 86,337                 |
| Salaries                                  | 126,492                                     | 44,057              | 12,879            | 135                    | 183,563                |
| Employee Benefits                         | 17,845                                      | 9,422               | 6,475             | -                      | 33,742                 |
| Miscellaneous                             | 78,806                                      | 7,611               | 271,651           | -                      | 358,068                |
| Depreciation                              | 293,740                                     | 259,475             | 943               | -                      | 554,158                |
| Total Operating Expenses                  | <u>702,452</u>                              | <u>367,901</u>      | <u>301,592</u>    | <u>135</u>             | <u>1,372,080</u>       |
| Operating Income (Loss)                   | <u>(7,865)</u>                              | <u>(132,564)</u>    | <u>15,412</u>     | <u>29,146</u>          | <u>(95,871)</u>        |
| <b>NON-OPERATING REVENUES (EXPENSES):</b> |   |                     |                   |                        |                        |
| Loss on Disposal of Equipment             | -   | -                   | (2,549)           | -                      | (2,549)                |
| Interest Income                           | 247   | 1,797               | 10                | -                      | 2,054                  |
| Special Assessments                       | -   | 48,115              | -                 | -                      | 48,115                 |
| Miscellaneous Revenues                    | 5,837                                       | 8,160               | 9,858             | -                      | 23,855                 |
| Joint Powers                              | (180,369)                                   | -                   | -                 | -                      | (180,369)              |
| Interest Expense                          | (95,933)                                    | (120,658)           | -                 | -                      | (216,591)              |
| Total Non-Operating Revenues (Expenses)   | <u>(270,218)</u>                            | <u>(62,586)</u>     | <u>7,319</u>      | <u>-</u>               | <u>(325,485)</u>       |
| Income (Loss) before Transfers            | <u>(278,083)</u>                            | <u>(195,150)</u>    | <u>22,731</u>     | <u>29,146</u>          | <u>(421,356)</u>       |
| Transfers In                              | -   | 73,634              | -                 | -                      | 73,634                 |
| Transfers Out                             | (73,634)                                    | -                   | -                 | -                      | (73,634)               |
| Changes in Net Position                   | <u>(351,717)</u>                            | <u>(121,516)</u>    | <u>22,731</u>     | <u>29,146</u>          | <u>(421,356)</u>       |
| Total Net Position - Beginning            | <u>6,708,410</u>                            | <u>4,934,116</u>    | <u>193,069</u>    | <u>219,226</u>         | <u>12,054,821</u>      |
| Total Net Position - Ending               | <u>\$ 6,356,693</u>                         | <u>\$ 4,812,600</u> | <u>\$ 215,800</u> | <u>\$ 248,372</u>      | <u>\$ 11,633,465</u>   |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | Business-type Activities - Enterprise Funds |                     |                   |                        | Totals<br>Current Year |
|--|---|---------------------|-------------------|------------------------|------------------------|
|  | Water                                       | Sewer               | Sanitation        | Non-Major<br>Recycling |                        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |   |                     |                   |                        |                        |
| Receipts from Customers and Users                                    | \$ 847,547                                  | \$ 230,307          | \$ 313,756        | \$ 33,305              | \$ 1,424,915           |
| Payments to Suppliers  | (277,507)                                   | (53,060)            | (282,710)         | -                      | (613,277)              |
| Payments to Employees  | (140,338)                                   | (53,257)            | (19,174)          | (135)                  | (212,904)              |
| Net Cash Provided (Used) by Operating Activities                     | <u>429,702</u>                              | <u>123,990</u>      | <u>11,872</u>     | <u>33,170</u>          | <u>598,734</u>         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |   |                     |                   |                        |                        |
| Miscellaneous Revenues   | 5,837                                       | 8,160               | 9,858             | -                      | 23,855                 |
| Transfer to/from Other Funds   | (73,634)                                    | 73,634              | -                 | -                      | -                      |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(67,797)</u>                             | <u>81,794</u>       | <u>9,858</u>      | <u>-</u>               | <u>23,855</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |   |                     |                   |                        |                        |
| Acquisition and Construction of Capital Assets                       | (6,726)                                     | -                   | -                 | -                      | (6,726)                |
| Proceeds from Special Assessments                                    | -   | 294,338             | -                 | -                      | 294,338                |
| Proceeds from the Joint Powers Agreement                             | 151,426                                     | -                   | -                 | -                      | 151,426                |
| Issuance of Long-Term Debt   | 2,276,000                                   | -                   | -                 | -                      | 2,276,000              |
| Principal Payments on Long-Term Debt                                 | (2,585,218)                                 | (640,433)           | -                 | -                      | (3,225,651)            |
| Interest and Fiscal Charges on Debt                                  | (100,099)                                   | (158,932)           | -                 | -                      | (259,031)              |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(264,617)</u>                            | <u>(505,027)</u>    | <u>-</u>          | <u>-</u>               | <u>(769,644)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |   |                     |                   |                        |                        |
| Interest Income  | 247   | 1,797               | 10                | -                      | 2,054                  |
| Net Cash Provided (Used) by Investing Activities                     | <u>247</u>                                  | <u>1,797</u>        | <u>10</u>         | <u>-</u>               | <u>2,054</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | 97,535                                      | (297,446)           | 21,740            | 33,170                 | (145,001)              |
| Cash and Cash Equivalents, January 1                                 | <u>695,964</u>                              | <u>1,409,601</u>    | <u>183,341</u>    | <u>214,037</u>         | <u>2,502,943</u>       |
| Cash and Cash Equivalents, December 31                               | <u>\$ 793,499</u>                           | <u>\$ 1,112,155</u> | <u>\$ 205,081</u> | <u>\$ 247,207</u>      | <u>\$ 2,357,942</u>    |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | Business-type Activities - Enterprise Funds |                     |                   |                        |                        |
|---|---|---------------------|-------------------|------------------------|------------------------|
|   | Water                                       | Sewer               | Sanitation        | Non-Major<br>Recycling | Totals<br>Current Year |
| <b>Reconciliation of Operating Income to<br/>Net Cash Provided (Used) by Operating<br/>Activities:</b>      |   |                     |                   |                        |                        |
| Operating Income (Loss)   | \$ (7,865)                                  | \$ (132,564)        | \$ 15,412         | \$ 29,146              | \$ (95,871)            |
| Adjustments to Reconcile Operating<br>Income (Loss) to Net Cash Provided (Used)<br>by Operating Activities: |   |                     |                   |                        |                        |
| Depreciation Expense  | 293,740                                     | 259,475             | 943               | -                      | 554,158                |
| Changes in Assets and Liabilities:  |   |                     |                   |                        |                        |
| Accounts Receivable   | 152,960                                     | (5,030)             | (3,248)           | 4,024                  | 148,706                |
| Inventory   | (2,435)                                     | -                   | -                 | -                      | (2,435)                |
| Accounts Payable  | (10,397)                                    | 1,887               | (1,415)           | -                      | (9,925)                |
| Accrued Expenses  | 4,115                                       | 259                 | 88                | -                      | 4,462                  |
| Accrued Vacation Payable  | (116)                                       | (37)                | 92                | -                      | (61)                   |
| Meter Deposits Payable  | (300)                                       | -                   | -                 | -                      | (300)                  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 429,702</u>                           | <u>\$ 123,990</u>   | <u>\$ 11,872</u>  | <u>\$ 33,170</u>       | <u>\$ 598,734</u>      |
| <b>Reconciliation of Cash and Cash Equivalents</b>  |   |                     |                   |                        |                        |
| Cash and Cash Equivalents   | \$ 728,905                                  | \$ 1,112,155        | \$ 205,081        | \$ 247,207             | \$ 2,293,348           |
| Restricted Cash   | 64,594                                      | -                   | -                 | -                      | 64,594                 |
| <b>Total Cash and Cash Equivalents</b>  | <u>\$ 793,499</u>                           | <u>\$ 1,112,155</u> | <u>\$ 205,081</u> | <u>\$ 247,207</u>      | <u>\$ 2,357,942</u>    |
| <b>SCHEDULE OF NONCASH INVESTING,<br/>CAPITAL AND FINANCING ACTIVITIES</b>                                  |   |                     |                   |                        |                        |
| Trail Rural Water Agreement Amendment   | \$ 180,369                                  | \$ -                | \$ -              | \$ -                   | \$ 180,369             |

See Notes to the Financial Statements

**CITY OF MAYVILLE**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**AS OF DECEMBER 31, 2017**

|                           | <u>CDBG Rehab</u> | <u>Mayville<br/>RFO</u> | <u>Total</u> |
|---------------------------|-------------------|-------------------------|--------------|
| <b>ASSETS</b>             |                   |                         |              |
| Current Assets:           |                   |                         |              |
| Cash and Cash Equivalents | \$ 541            | \$ 127,117              | \$ 127,658   |
| Total Current Assets      | \$ 541            | \$ 127,117              | \$ 127,658   |
| <b>LIABILITIES</b>        |                   |                         |              |
| Current Liabilities:      |                   |                         |              |
| Due to Other Agencies     | \$ 541            | \$ 127,117              | \$ 127,658   |
| Total Liabilities         | \$ 541            | \$ 127,117              | \$ 127,658   |

See Notes to the Financial Statements



**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Mayville operates under a City Council form of government. The financial statements of the City of Mayville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 financial statements of the City include those of independently administered organizations of which guardianship responsibility falls on the City. Guardianship responsibility is determined on the basis of taxing powers, budget authority, appointment of governing board members, designation of management, and fiscal accountability including a guaranteed or moral responsibility for debt. The criteria used to determine the financial reporting entity were in conformance with GASB Statement 61, *The Financial Reporting Entity*.

Based on the preceding criteria, there are no component units to be reported.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

1) Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

- a) General Fund — The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments such as public safety is accounted for in this fund.
- b) TIF District #25 — The TIF District #25 Fund is a fund set up for the financing of a city sewer and water project.

The other governmental funds of the City are considered nonmajor.

2) Proprietary Fund Types

Proprietary fund types are used to account for a government's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows.

**Enterprise Funds** are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services, which are supported primarily by user charges. The following comprise the City's major enterprise funds:

- a) Water Fund – To account for the operation and maintenance of the City's Water Utility.
- b) Sewer System Fund – To account for the operation and maintenance of the City's Sanitary Sewer System.
- c) Sanitation Fund – To account for the operation of the City's Sanitation.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**Agency Funds** are used to account for assets held by the City as an agent for other individuals, private organizations, or other governmental units and/or funds. The City acts as an agent in collecting monies on behalf of CDBG Rehab and Mayville RFO. No liability exists on behalf of the City beyond the extent of revenue received for these agency funds.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. Property taxes are considered available if received within 60 days of year-end.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Budgets**

The City management submits a proposed budget and levy to the City Council. The Council shall adopt the budget no later than the first day of October by resolution, which shall set forth the total for each budget fund. The proposed levies must be adopted and certified to the County by October 10<sup>th</sup> of each year.

### **Cash and Investments**

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

Investments for the City are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchanges rates.

Fair Value Measurements – The City accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less.

### **Accounts Receivable**

Utility billings receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Utility billings receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A utility billing receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**Capital Assets**

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Mayville as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, improvements, infrastructure, equipment, and vehicle assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

|                     |             |
|---------------------|-------------|
| Buildings           | 50 Years    |
| Plant and Equipment | 5-15 Years  |
| Vehicles            | 5-15 Years  |
| Infrastructure      | 20-50 Years |

The City's collection of works of art, library books, and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

**Encumbrances**

Appropriations in the Governmental Funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

**Inventories**

Inventories are stated at the lower of cost or market and consist of consumable supplies. The cost of these supplies is recorded as an expense at the time they are relieved from inventory for use. Inventories are determined by actual count and priced on the first-in, first-out basis.

**Inter-fund Transactions**

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term inter-fund loan receivables are reported as advances within the Governmental Funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

**Fund Balance**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

*Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

*Committed* – consists of internally imposed constraints. These constraints are established by formal action of the City Council.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council. Pursuant to Council resolution, the City's Clerk-Treasurer is authorized to establish assignments of fund balance.

*Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**Net Position**

Net Position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – taxes receivable*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deficit Fund Equity**

The City has three funds in a deficit position at December 31, 2017. The Unterseher Acquisition fund has a deficit of \$20,166, the Special City Lots fund has a deficit of \$233 and the Improvement District #25 – TIF fund has a deficit of \$12,217. These balances will be eliminated through future transfers and property tax collections.

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

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

At December 31, 2017, the City's carrying amount of deposits was \$2,898,172 and the bank balance was \$2,907,673. The City's balances were fully collateralized as of December 31, 2017.

The City considers certificates of deposits to be cash.

**Credit Risk**

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

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

**NOTE 4 TAXES RECEIVABLE**

Property tax levies are set by the City Council in October each year and are certified to the county for collection the following year. In North Dakota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15.



**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

The county remits the collections to the City and other taxing districts on a monthly basis.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with North Dakota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

|                    |  |
|--------------------|--|
| <u>Unremitted:</u> | Amounts collected by Traill County and not remitted to the City.                 |
| <u>Delinquent:</u> | Amounts billed to property owners but not paid.                                  |
| <u>Deferred:</u>   | Assessment installments which will be billed to property owners in future years. |

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

**NOTE 5 CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended December 31, 2017:

|  | <b>Primary Government</b>    |                     |                    |                           |
|--|------------------------------|---------------------|--------------------|---------------------------|
|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Retirements</b> | <b>Ending<br/>Balance</b> |
| <b><u>Governmental Activities</u></b>  |                              |                     |                    |                           |
| Capital Assets, Non-Depreciable:   |                              |                     |                    |                           |
| Land   | \$ 190,666                   | \$ -                | \$ -               | \$ 190,666                |
| Capital Assets, Depreciable:   |                              |                     |                    |                           |
| Buildings  | 639,705                      | 37,914              | -                  | 677,619                   |
| Equipment  | 898,478                      | -                   | -                  | 898,478                   |
| Vehicles   | 885,995                      | -                   | -                  | 885,995                   |
| Infrastructure   | 1,884,490                    | -                   | -                  | 1,884,490                 |
| <b>Totals at Historical Cost</b>   | <b>4,499,334</b>             | <b>37,914</b>       | <b>-</b>           | <b>4,537,248</b>          |
| Less Accumulated Depreciation for:   |                              |                     |                    |                           |
| Buildings  | (376,355)                    | (19,461)            | -                  | (395,816)                 |
| Equipment  | (530,640)                    | (40,242)            | -                  | (570,882)                 |
| Vehicles   | (459,237)                    | (68,536)            | -                  | (527,773)                 |
| Infrastructure   | (1,022,805)                  | (59,811)            | -                  | (1,082,616)               |
| <b>Total Accumulated Depreciation</b>  | <b>(2,389,037)</b>           | <b>(188,050)</b>    | <b>-</b>           | <b>(2,577,087)</b>        |
| <b>Total Governmental Activities Capital Assets, Net</b>                       | <b>\$ 2,110,297</b>          | <b>\$ (150,136)</b> | <b>\$ -</b>        | <b>\$ 1,960,161</b>       |
| <b><u>Business-type Activities</u></b>   |                              |                     |                    |                           |
| Capital Assets, Non-Depreciable:   |                              |                     |                    |                           |
| Land   | \$ 421,810                   | \$ -                | \$ -               | \$ 421,810                |
| Capital Assets, Depreciable:   |                              |                     |                    |                           |
| Buildings  | 1,305,000                    | -                   | -                  | 1,305,000                 |
| Equipment  | 642,421                      | 6,726               | (41,705)           | 607,442                   |
| Vehicles   | 100,720                      | -                   | -                  | 100,720                   |
| Infrastructure   | 19,110,645                   | -                   | -                  | 19,110,645                |
| <b>Totals at Historical Cost</b>   | <b>21,580,596</b>            | <b>6,726</b>        | <b>(41,705)</b>    | <b>21,545,617</b>         |
| Less Accumulated Depreciation for:   |                              |                     |                    |                           |
| Buildings  | (832,608)                    | (26,058)            | -                  | (858,666)                 |
| Equipment  | (331,409)                    | (23,005)            | 39,156             | (315,258)                 |
| Vehicles   | (100,066)                    | (652)               | -                  | (100,718)                 |
| Infrastructure   | (5,818,394)                  | (504,443)           | -                  | (6,322,837)               |
| <b>Total Accumulated Depreciation</b>  | <b>(7,082,477)</b>           | <b>(554,158)</b>    | <b>39,156</b>      | <b>(7,597,479)</b>        |
| <b>Total Business-type Activities Capital Assets, Net</b>                      | <b>\$ 14,498,119</b>         | <b>\$ (547,432)</b> | <b>\$ (2,549)</b>  | <b>\$ 13,948,138</b>      |
| <b>Depreciation expense was charged to Governmental functions as follows:</b>  |                              |                     |                    |                           |
| General Government   |                              |                     |                    | \$ 11,746                 |
| Public Works   |                              |                     |                    | 119,794                   |
| Public Safety  |                              |                     |                    | 48,355                    |
| Culture and Recreation   |                              |                     |                    | 8,155                     |
| <b>Total Depreciation Expense</b>  |                              |                     |                    | <b>\$ 188,050</b>         |
| <b>Depreciation expense was charged to Business Type functions as follows:</b> |                              |                     |                    |                           |
| Water  |                              |                     |                    | \$ 293,740                |
| Sewer  |                              |                     |                    | 259,475                   |
| Sanitation   |                              |                     |                    | 943                       |
| <b>Total Depreciation Expense</b>  |                              |                     |                    | <b>\$ 554,158</b>         |

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The City had the following transfers or due to/from other funds at December 31, 2017:

|                     |                              |                  |
|---------------------|------------------------------|------------------|
| <u>Receivable</u>   | <u>Payable</u>               | <u>Amount</u>    |
| General Fund        | Improvement District #25 TIF | \$ 34,199        |
|                     |                              |                  |
| <u>Transfer Out</u> | <u>Transfer In</u>           | <u>Amount</u>    |
| General Fund        | Nonmajor Governmental Funds  | \$ 10,000        |
| Water Fund          | Sewer Fund                   | 73,634           |
|                     |                              | <u>\$ 83,634</u> |

Receivables and payables were made to cover the City's cash flow needs as of December 31, 2017.

Transfers were made for the City's debt compliance requirements for the year ended December 31, 2017.

**NOTE 7 LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2017, was as follows:

| <u>Governmental Activities:</u>                      | <u>Balance</u><br><u>12/31/2016</u> | <u>Debt</u><br><u>Issued</u> | <u>Principal</u><br><u>Retirements</u><br><u>2017</u> | <u>Balance</u><br><u>12/31/2017</u> | <u>Due Within</u><br><u>One Year</u> |
|--|-------------------------------------|------------------------------|---|-------------------------------------|--------------------------------------|
| Refunding Improvement Bonds of 2012 - District #25   | \$ 1,390,000                        | \$ -                         | \$ 140,000  | \$ 1,250,000                        | \$ 135,000                           |
| Improvement Bond - Water Treatment #25               | 195,000                             | -                            | 17,000  | 178,000                             | 18,000                               |
| Capital Lease - Payloader                            | 59,588                              | -                            | 14,309  | 45,279                              | 14,694                               |
| Capital Lease - Firetruck                            | 205,049                             | -                            | 17,262  | 187,787                             | 17,912                               |
| Goose River Armory Bond                              | <u>73,560</u>                       | <u>-</u>                     | <u>7,563</u>  | <u>65,997</u>                       | <u>7,823</u>                         |
| Governmental Activities<br>Long-Term Liabilities     | <u>\$ 1,923,197</u>                 | <u>\$ -</u>                  | <u>\$ 196,134</u>                                     | <u>\$ 1,727,063</u>                 | <u>\$ 193,429</u>                    |
|  |                                     |                              |   |                                     |                                      |
| <u>Business-Type Activities:</u>                     |                                     |                              |   |                                     |                                      |
| Improvement Bond-Sewer Replacement #16               | \$ 315,000                          | \$ -                         | \$ 315,000  | \$ -                                | \$ -                                 |
| Improvement Bond-Water Main Replacement #16          | 300,000                             | -                            | 60,000  | 240,000                             | 60,000                               |
| Improvement Bond-Sewer Replacement #17               | 350,000                             | -                            | 65,000  | 285,000                             | 150,000                              |
| Improvement Bond-Sewer Replacement #19, #20, #21     | 1,090,000                           | -                            | 170,000   | 920,000                             | 175,000                              |
| Bank of North Dakota                                 | 198,312                             | -                            | 913   | 197,399                             | 13,400                               |
| USDA Rural Development Loan - Sewer #24              | 1,646,433                           | -                            | 1,646,433   | -                                   | -                                    |
| DWSRF Water Treatment Revenue Bond-District #23 DW89 | -                                   | 1,556,000                    | -   | 1,556,000                           | 51,000                               |
| Water Treatment Revenue Bond - District #23          | 180,000                             | -                            | 15,000  | 165,000                             | 15,000                               |
| Bank of North Dakota Water Main #19 & #20            | 170,000                             | -                            | 10,000  | 160,000                             | 10,000                               |
| Refunding Rural Development Loan                     | 1,220,000                           | -                            | 55,000  | 1,165,000                           | 60,000                               |
| USDA Rural Development - Water #26                   | 877,496                             | -                            | 877,496   | -                                   | -                                    |
| DWSRF Refunding Bond #26                             | -                                   | 720,000                      | -   | 720,000                             | 20,000                               |
| USDA Rural Development -Sewer #26 Part 2             | <u>402,580</u>                      | <u>-</u>                     | <u>10,809</u>   | <u>391,771</u>                      | <u>11,106</u>                        |
| Business-Type Activity<br>Long-Term Liabilities      | <u>\$ 6,749,821</u>                 | <u>\$ 2,276,000</u>          | <u>\$ 3,225,651</u>                                   | <u>\$ 5,800,170</u>                 | <u>\$ 565,506</u>                    |

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

Capital lease payments and the Goose River Armory bond are typically paid by the general fund and the Fire Relief fund. The Refunding Improvement Bonds are typically paid by the TIF fund.

|  | Date of Issue | Net Interest Rate | Maturity Dates | Original Amount      | Current Year Retired | Balance 2017        | Amounts Due in 2018 |                   |
|--|---------------|-------------------|----------------|----------------------|----------------------|---------------------|---------------------|-------------------|
|  |               |                   |                |                      |                      |                     | Principal           | Interest          |
| <b>Governmental Activities:</b>        |               |                   |                |                      |                      |                     |                     |                   |
| Refunding Improvement Bonds            | 2012          | 0.7-3.25%         | 2018/27        | \$ 1,950,000         | \$ 140,000           | \$ 1,250,000        | \$ 135,000          | \$ 27,540         |
| North Dakota Public Finance            | 2007          | 2.50%             | 2018/26        | 305,725              | 17,000               | 178,000             | 18,000              | 4,450             |
| Bank Loan                              | 2010          | 3.40%             | 2018/25        | 118,000              | 7,563                | 65,997              | 7,823               | 2,177             |
| <b>Total Governmental Activities:</b>  |               |                   |                | <u>\$ 2,373,725</u>  | <u>\$ 164,563</u>    | <u>\$ 1,493,997</u> | <u>\$ 160,823</u>   | <u>\$ 34,167</u>  |
| <b>Business Type:</b>                  |               |                   |                |                      |                      |                     |                     |                   |
| Revenue Bond                           | 2007          | 2.50%             | 2018/26        | \$ 275,300           | \$ 15,000            | \$ 165,000          | \$ 15,000           | \$ 4,125          |
| Refunding Bonds                        | 2012          | 3.50%             | 2018/33        | 1,430,000            | 55,000               | 1,165,000           | 60,000              | 35,725            |
| State Revolving Loan Funds:            |               |                   |                |                      |                      |                     |                     |                   |
| Improvement Bonds                      | 2002          | 2.50%             | 2018/21        | 3,269,393            | 440,000              | 525,000             | 210,000             | 11,775            |
| Improvement Bonds                      | 2003          | 2.50%             | 2018/22        | 3,075,000            | 170,000              | 920,000             | 175,000             | 23,000            |
| Improvement Bonds                      | 2017          | 1.50%             | 2018/42        | 1,556,000            | -                    | 1,556,000           | 51,000              | 15,884            |
| Improvement Bonds                      | 2017          | 1.50%             | 2018/47        | 720,000              | -                    | 720,000             | 20,000              | 7,350             |
| Total State Revolving Loan Funds:      |               |                   |                | <u>8,620,393</u>     | <u>610,000</u>       | <u>3,721,000</u>    | <u>456,000</u>      | <u>58,009</u>     |
| Bank of North Dakota                   |               |                   |                |                      |                      |                     |                     |                   |
| Water                                  | 2002          | 3.00%             | 2018/32        | 400,000              | 913                  | 197,399             | 13,400              | 5,922             |
| Water                                  | 2003          | 3.00%             | 2018/33        | 300,000              | 10,000               | 160,000             | 10,000              | 4,800             |
| Total Bank of North Dakota:            |               |                   |                | <u>700,000</u>       | <u>10,913</u>        | <u>357,399</u>      | <u>23,400</u>       | <u>10,722</u>     |
| USDA Rural Development:                |               |                   |                |                      |                      |                     |                     |                   |
| Sewer                                  | 2009          | 4.13%             | 2018/38        | 1,964,000            | 1,646,433            | -                   | -                   | -                 |
| Water                                  | 2013          | 3.00%             | 2018/42        | 934,000              | 888,305              | 391,771             | 11,106              | 10,774            |
| Total USDA Rural Development:          |               |                   |                | <u>2,898,000</u>     | <u>2,534,738</u>     | <u>391,771</u>      | <u>11,106</u>       | <u>10,774</u>     |
| <b>Total Business Type Activities:</b> |               |                   |                | <u>\$ 13,923,693</u> | <u>\$ 3,225,651</u>  | <u>\$ 5,800,170</u> | <u>\$ 565,506</u>   | <u>\$ 119,355</u> |

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

The annual requirements to amortize outstanding debt, as of December 31, 2017, are as follows:

**Governmental Activities:**

| Year Ending<br>December 31 | Refunding Bonds of 2012 |                   | Water Treatment Bonds #25 |                  |
|----------------------------|-------------------------|-------------------|---------------------------|------------------|
|                            | #25                     |                   | Principal                 | Interest         |
|                            | Principal               | Interest          | Principal                 | Interest         |
| 2018                       | \$ 135,000              | \$ 27,540         | \$ 18,000                 | \$ 4,450         |
| 2019                       | 135,000                 | 25,617            | 18,000                    | 4,000            |
| 2020                       | 130,000                 | 23,297            | 19,000                    | 3,550            |
| 2021                       | 130,000                 | 21,003            | 20,000                    | 3,075            |
| 2022                       | 125,000                 | 18,447            | 20,000                    | 2,575            |
| 2023-2027                  | 595,000                 | 45,227            | 83,000                    | 5,224            |
| Total                      | <u>\$ 1,250,000</u>     | <u>\$ 161,131</u> | <u>\$ 178,000</u>         | <u>\$ 22,874</u> |

  

| Year Ending<br>December 31 | G.O Armory Bond  |                 | Total Governmental  |                   |
|----------------------------|------------------|-----------------|---------------------|-------------------|
|                            | Principal        | Interest        | Principal           | Interest          |
|                            | 2018             | \$ 7,823        | \$ 2,177            | \$ 160,823        |
| 2019                       | 8,091            | 1,909           | 161,091             | 31,526            |
| 2020                       | 8,364            | 1,636           | 157,364             | 28,483            |
| 2021                       | 8,655            | 1,345           | 158,655             | 25,423            |
| 2022                       | 8,952            | 1,048           | 153,952             | 22,070            |
| 2023-2027                  | 24,112           | 1,261           | 702,112             | 51,712            |
| Total                      | <u>\$ 65,997</u> | <u>\$ 9,376</u> | <u>\$ 1,493,997</u> | <u>\$ 193,381</u> |

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

**Business Type:**

| Year Ending<br><u>December 31</u> | Revenue Bond      |                  | Refunding Bond      |                   | State Revolving Loan |                   |
|-----------------------------------|-------------------|------------------|---------------------|-------------------|----------------------|-------------------|
|                                   | Principal         | Interest         | Principal           | Interest          | Principal            | Interest          |
| 2018                              | \$ 15,000         | \$ 4,125         | \$ 60,000           | \$ 35,725         | \$ 456,000           | \$ 58,009         |
| 2019                              | 15,000            | 3,750            | 60,000              | 33,625            | 354,000              | 59,575            |
| 2020                              | 15,000            | 3,375            | 60,000              | 31,825            | 359,000              | 51,425            |
| 2021                              | 20,000            | 3,000            | 65,000              | 29,950            | 364,000              | 43,150            |
| 2022                              | 20,000            | 2,500            | 65,000              | 28,000            | 268,000              | 34,750            |
| 2023-2027                         | 80,000            | 5,000            | 355,000             | 108,843           | 380,000              | 132,750           |
| 2028-2032                         | -                 | -                | 410,000             | 50,003            | 420,000              | 103,350           |
| 2033-2037                         | -                 | -                | 90,000              | 1,575             | 465,000              | 70,275            |
| 2038-2042                         | -                 | -                | -                   | -                 | 505,000              | 34,350            |
| 2043-2044                         | -                 | -                | -                   | -                 | 150,000              | 6,750             |
| Total                             | <u>\$ 165,000</u> | <u>\$ 21,750</u> | <u>\$ 1,165,000</u> | <u>\$ 319,546</u> | <u>\$ 3,721,000</u>  | <u>\$ 594,384</u> |

| Year Ending<br><u>December 31</u> | Bank of North Dakota |                  | USDA Rural Development |                   | Total               |                     |
|-----------------------------------|----------------------|------------------|------------------------|-------------------|---------------------|---------------------|
|                                   | Principal            | Interest         | Principal              | Interest          | Principal           | Interest            |
| 2018                              | \$ 23,400            | \$ 10,722        | \$ 11,106              | \$ 10,774         | \$ 565,506          | \$ 119,355          |
| 2019                              | 23,400               | 10,020           | 11,412                 | 10,468            | 463,812             | 117,438             |
| 2020                              | 23,400               | 9,318            | 11,726                 | 10,154            | 469,126             | 106,097             |
| 2021                              | 23,400               | 8,616            | 12,048                 | 9,832             | 484,448             | 94,548              |
| 2022                              | 23,400               | 7,914            | 12,379                 | 9,501             | 388,779             | 82,665              |
| 2023-2027                         | 117,000              | 30,040           | 67,195                 | 41,573            | 999,195             | 318,206             |
| 2028-2032                         | 113,399              | 11,490           | 76,956                 | 32,444            | 1,020,355           | 197,287             |
| 2033-2037                         | 10,000               | 300              | 88,135                 | 21,265            | 653,135             | 93,415              |
| 2038-2042                         | -                    | -                | 100,814                | 8,459             | 605,814             | 42,809              |
| 2043-2047                         | -                    | -                | -                      | -                 | 150,000             | 6,750               |
| Total                             | <u>\$ 357,399</u>    | <u>\$ 88,420</u> | <u>\$ 391,771</u>      | <u>\$ 154,470</u> | <u>\$ 5,800,170</u> | <u>\$ 1,178,570</u> |

Rural Development has a reserve requirement of \$64,594 for their debt. The water fund and sewer fund have segregated \$155,650 and \$26,947, respectively, to separate funds within the Water and Sewer funds to meet this requirement. The required \$64,594 has been set aside as restricted cash on the Statement of Net Position – Proprietary Funds.

**NOTE 8 CAPITAL LEASE**

During 2014, the City entered into a lease agreement as lessee for financing the acquisition of a fire truck valued at \$280,817 with financing in the amount of \$237,714. During 2013, the City entered into a lease agreement as a lessee for financing the acquisition of a pay loader valued at \$130,721 with a financed amount of \$100,000. The equipment has a five year estimated useful life. During 2017, \$27,436 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

|   |                   |
|---|-------------------|
| Year Ending<br><u>December 31</u>       |                   |
| 2018                                    | \$ 40,904         |
| 2019                                    | 40,905            |
| 2020                                    | 40,905            |
| 2021                                    | 24,992            |
| 2022                                    | 24,992            |
| 2023-2027                               | <u>99,968</u>     |
| Total Minimum Lease Payments            | 272,666           |
| Less Amount Representing Interest       | <u>(39,600)</u>   |
| Present Value of Minimum Lease Payments | <u>\$ 233,066</u> |

**NOTE 9 FUND BALANCE**

**Minimum Fund Balance Policy**

The City Council has formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target fund balance of 20% of the City's General Fund operating budget, excluding those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned, and Unassigned fund balances.

**Classifications**

At December 31, 2017, a summary of governmental fund balance classifications was as follows:

|                    |  |
|--------------------|--|
|                    | <u>General<br/>Fund</u>                    |
| Nonspendable:      |  |
| Prepaid Expenses   | <u>\$ 1,800</u>                            |
|                    | <u>Nonmajor<br/>Governmental<br/>Funds</u> |
| Restricted for:    |  |
| Emergency          | \$ 2,024                                   |
| Cemetery           | 1,805                                      |
| Library            | 2,064                                      |
| Fire Dept. Reserve | <u>11,741</u>                              |
| Total Restricted   | <u>\$ 17,634</u>                           |

At December 31, 2017, the business type activities reported restricted net position of \$939,640 for debt service.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**NOTE 10 RISK MANAGEMENT**

The City of Mayville 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.

The City of Mayville participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Mayville pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City of Mayville with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The City also carries Inland Marine Insurance with a commercial carrier.

The City of Mayville participates in the North Dakota Worker's Compensation Bureau and participates in the North Dakota Public Employees Retirement System for employee health and accident insurance.

There were no settled claims resulting from these risks that have exceeded insurance coverage in any of the past three fiscal years.

**NOTE 11 PENSION PLAN**

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate the month following six months of full-time employment and have reached their twenty-first birthday. The plan requires that the City contribute an amount equal to 7 percent of the employee's gross salary. The City's contributions for each employee (and interest allocated to the employee's account) are vested at the time of contribution.

The City's total payroll for the year ended December 31, 2017 was \$369,189. The City's contributions were calculated using the base salary amount of \$267,000. The City made the required contribution, amounting to \$18,648.

The plan is sponsored by Edward Jones Company that uses American Funds as the investment vehicle, as directed by the City of Mayville. The plan administrator is Quorum and the City is the trustee.

Benefit and contribution provisions are established by city ordinance and may be amended only by the City Council.



**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**NOTE 12 COMMITMENTS AND CONTINGENCY**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Grant Programs**

The City participates in numerous 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, 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 13 COMPENSATED ABSENCES**

Vacation leave is accrued at a rate of various hours per month for years of continuous service. Beginning in 2013, employees were allowed to have a carryover of up to forty hours. As of December 31, 2017, the total liability to the City is \$3,272.

Sick Leave accrues at a rate of twelve days per year of accumulated service. Sick leave accumulation is limited to forty days per employee. Unused sick leave is not paid out upon termination of employment.

**NOTE 14 CONDUIT DEBT**

From time to time the City has issued Municipal Industrial Development Act Revenue Bonds (MIDA Bonds) to provide financial assistance to private-sector entities for construction projects and renovations and to finance capital equipment purchases. The bonds are secured by mortgage and security agreements, indentures of trust, an irrevocable letter of credit, liquidity facility agreement and by the Municipal Bond Investors Assurance Corporation. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, the aggregate principal amount payable was \$2,941,263.

**NOTE 15 SALES TAX**

The City receives sales tax money on behalf of Mayville State University, the Mayville Economic Development and the Mayville Shopko. During the year ended December 31, 2017, the City collected \$268,638 in sales tax dollars that were subsequently remitted to the University, Economic Development and Shopko.

**CITY OF MAYVILLE**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2017**

**NOTE 16    CONCENTRATION**

Mayville State University accounts for approximately 10% of the utility revenues.

**NOTE 17    JOINT POWERS AGREEMENT**

On January 20th, 2009, a Joint Powers Agreement was signed by the City of Mayville along with Traill Rural Water District and the City of Hillsboro, ND. The agreement was to enter into a Joint Water Improvement Project for the delivery of treated water to the existing and future water users of the district, and the City of Mayville. Per the agreement, Traill Rural Water District is the provider of raw water to Mayville. Mayville will treat the raw water and then Mayville and the Traill Rural Water District will each distribute the water to their respective customers.

The Joint Water Improvement Project was funded by a combination of MR&I grant funding and Section 594 grant funding, with the remaining portion of the construction costs being financed locally by Traill Rural Water District and the City of Mayville.

Total cost share of the project is allocated to the different entities based upon water usage and capacity as calculated by an engineer. Traill Rural Water District is obligated to pay a portion of the local funding loan taken out by the City of Mayville. In addition, the City of Mayville is obligated to make payments to Traill Rural Water District for their locally funded loan.

To pay for the loan taken out by Traill Rural Water District, monthly invoices are sent to the City of Mayville. Each monthly payment is broken out into two portions – debt service and debt service reserve. Debt service funds are used to pay the loan payments to the financial institution, which consist of principal, interest, and an administration fee. Debt service reserve funds are received and maintained to meet the 120% loan coverage requirement. Once the 120% loan coverage is met, reserve payments are no longer required.

Per the joint powers agreement, debt service reserve funds received shall be set up in an account separate and restricted from other funds.

In 2017, the Traill Rural Water District refinanced a majority of the debt, including substantially all of the receivables and payables related to the Joint Powers Agreement. After the refinancing, the only remaining Joint Powers Agreement receivable remaining is a receivable from Traill Rural Water District with a balance of \$258,900 as of December 31, 2017.

The maturities for the accounts receivable related to the joint powers agreement are as follows:

|            | <u>Receivable</u> |
|------------|-------------------|
| 2018       | \$ 10,500         |
| 2019       | 10,500            |
| 2020       | 10,500            |
| 2021       | 10,500            |
| 2022       | 10,500            |
| Thereafter | <u>206,400</u>    |
|            | <u>\$ 258,900</u> |

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

**NOTE 18 NEW PRONOUNCEMENTS**

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.

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.

**CITY OF MAYVILLE**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2017

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves 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.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

**NOTE 19 SUBSEQUENT EVENTS**

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

**CITY OF MAYVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                             | Budgeted<br>Amounts |                   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------|---------------------|-------------------|---|
|                             | Original &<br>Final | Actual<br>Amounts |   |
| <b>REVENUES</b>             |                     |                   |   |
| Property Taxes              | \$ 169,523          | \$ 154,892        | \$ (14,631)   |
| Other Taxes                 | 251,059             | 249,556           | (1,503)   |
| Intergovernmental           | 125,500             | 112,890           | (12,610)  |
| Charges for Services        | 53,751              | 71,222            | 17,471  |
| Fines and Forfeitures       | 1,500               | 1,823             | 323   |
| Interest Earnings           | 1,385               | 1,626             | 241   |
| Other Revenue               | 64,435              | 70,372            | 5,937   |
| Total Revenues              | <u>667,153</u>      | <u>662,381</u>    | <u>(4,772)</u>  |
| <b>EXPENDITURES</b>         |                     |                   |   |
| Current:                    |                     |                   |   |
| General Government          | 273,864             | 222,118           | 51,746  |
| Public Safety               | 277,410             | 198,048           | 79,362  |
| Public Works                | 295,523             | 181,284           | 114,239   |
| Culture and Recreation      | 18,700              | 11,789            | 6,911   |
| Capital Outlay              | 89,200              | 55,864            | 33,336  |
| Debt Service:               |                     |                   |   |
| Principal Retirement        | -                   | 21,872            | (21,872)  |
| Interest and Fees           | -                   | 4,039             | (4,039)   |
| Total Expenditures          | <u>954,697</u>      | <u>695,014</u>    | <u>259,683</u>  |
| Net Change in Fund Balances | <u>(287,544)</u>    | <u>(42,633)</u>   | <u>244,911</u>  |
| Fund Balances - Beginning   | <u>429,611</u>      | <u>429,611</u>    | <u>-</u>  |
| Fund Balances - Ending      | <u>\$ 142,067</u>   | <u>\$ 386,978</u> | <u>\$ 244,911</u>   |

See Note to the Budgetary Comparison Schedule

**CITY OF MAYVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL**  
**TAX INCREMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                             | Budgeted<br>Amounts |                    | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------|---------------------|--------------------|---|
|                             | Original &<br>Final | Actual<br>Amounts  |   |
| <b>REVENUES</b>             |                     |                    |   |
| Property Taxes              | \$ 171,500          | \$ 164,892         | \$ (6,608)  |
| Intergovernmental           | -                   | 19,621             | 19,621  |
| Sale of Lots                | -                   | 695                | 695   |
| Other Revenue               | 18,000              | 18,000             | -   |
| Total Revenues              | <u>189,500</u>      | <u>203,208</u>     | <u>13,708</u>   |
| <b>EXPENDITURES</b>         |                     |                    |   |
| Debt Service:               |                     |                    |   |
| Principal Retirement        | 162,000             | 157,000            | 5,000   |
| Interest and Fees           | 38,838              | 36,088             | 2,750   |
| Total Expenditures          | <u>200,838</u>      | <u>193,088</u>     | <u>7,750</u>  |
| Net Change in Fund Balances | <u>(11,338)</u>     | <u>10,120</u>      | <u>21,458</u>   |
| Fund Balances - Beginning   | <u>(22,337)</u>     | <u>(22,337)</u>    | <u>-</u>  |
| Fund Balances - Ending      | <u>\$ (33,675)</u>  | <u>\$ (12,217)</u> | <u>\$ 21,458</u>  |

See Note to the Budgetary Comparison Schedule

**CITY OF MAYVILLE**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 BUDGETARY COMPARISON**

Budgets are prepared for City funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the City.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The annual appropriated budget is not legally binding on the City unless the City has a deficit fund balance.

**CITY OF MAYVILLE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**AS OF DECEMBER 31, 2017**

| <b>ASSETS</b>   | <u>Emergency</u> | <u>Cemetery</u> | Fire Dept.<br><u>Reserve</u> | <u>Library</u>  |
|---|------------------|-----------------|------------------------------|-----------------|
| Cash and Cash Equivalents   | \$ 2,382         | \$ 1,738        | \$ 13,088                    | \$ 3,634        |
| Accounts Receivable   | 23               | 23              | 137                          | 164             |
| Taxes Receivable  | 121              | 120             | 701                          | 782             |
| Total Assets  | <u>\$ 2,526</u>  | <u>\$ 1,881</u> | <u>\$ 13,926</u>             | <u>\$ 4,580</u> |
| <br>  |                  |                 |                              |                 |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>              |                  |                 |                              |                 |
| Liabilities   |                  |                 |                              |                 |
| Accounts Payable  | \$ -             | \$ -            | \$ 1,740                     | \$ 1,740        |
| Accrued Expenditures  | 425              | -               | -                            | 272             |
| Due to Other Funds  | -                | -               | -                            | -               |
| Total Liabilities   | <u>425</u>       | <u>-</u>        | <u>1,740</u>                 | <u>2,012</u>    |
| <br>  |                  |                 |                              |                 |
| Deferred Inflows of Resources                                     |                  |                 |                              |                 |
| Unavailable Revenue - Taxes Receivable                            | <u>77</u>        | <u>76</u>       | <u>445</u>                   | <u>504</u>      |
| Total Deferred Inflows of Resources                               | <u>77</u>        | <u>76</u>       | <u>445</u>                   | <u>504</u>      |
| <br>  |                  |                 |                              |                 |
| <b>FUND BALANCES</b>  |                  |                 |                              |                 |
| Restricted  | 2,024            | 1,805           | 11,741                       | 2,064           |
| Unassigned  | -                | -               | -                            | -               |
| Total Fund Balances   | <u>2,024</u>     | <u>1,805</u>    | <u>11,741</u>                | <u>2,064</u>    |
| <br>  |                  |                 |                              |                 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 2,526</u>  | <u>\$ 1,881</u> | <u>\$ 13,926</u>             | <u>\$ 4,580</u> |



**CITY OF MAYVILLE**  
**COMBINING BALANCE SHEET - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**AS OF DECEMBER 31, 2017**

|  | Unterseher<br>Acquisition | Specials<br>City Lots | Total Nonmajor<br>Governmental<br>Funds |
|--|---------------------------|-----------------------|---|
| <b>ASSETS</b>  |                           |                       |   |
| Cash and Cash Equivalents  | \$ -                      | \$ 3,575              | \$ 24,417                               |
| Accounts Receivable  | -                         | 13                    | 360                                     |
| Taxes Receivable   | -                         | 81                    | 1,805                                   |
| Total Assets   | <u>\$ -</u>               | <u>\$ 3,669</u>       | <u>\$ 26,582</u>                        |
| <br><b>LIABILITIES AND DEFERRED INFLOWS<br/>OF RESOURCES</b>             |                           |                       |   |
| Liabilities  |                           |                       |   |
| Accounts Payable   | \$ -                      | \$ 3,853              | \$ 7,333                                |
| Accrued Expenditures   | -                         | -                     | 697                                     |
| Due to Other Funds   | <u>20,166</u>             | <u>-</u>              | <u>20,166</u>                           |
| Total Liabilities  | <u>20,166</u>             | <u>3,853</u>          | <u>28,196</u>                           |
| <br>Deferred Inflows of Resources  |                           |                       |   |
| Unavailable Revenue - Taxes Receivable                                   | <u>-</u>                  | <u>49</u>             | <u>1,151</u>                            |
| Total Deferred Inflows<br>of Resources                                   | <u>-</u>                  | <u>49</u>             | <u>1,151</u>                            |
| <br><b>FUND BALANCES</b>   |                           |                       |   |
| Restricted   | -                         | -                     | 17,634                                  |
| Unassigned   | <u>(20,166)</u>           | <u>(233)</u>          | <u>(20,399)</u>                         |
| Total Fund Balances  | <u>(20,166)</u>           | <u>(233)</u>          | <u>(2,765)</u>                          |
| <br>Total Liabilities, Deferred Inflows<br>of Resources and Fund Balance | <u>\$ -</u>               | <u>\$ 3,669</u>       | <u>\$ 26,582</u>                        |

**CITY OF MAYVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | <u>Emergency</u> | <u>Cemetery</u> | <u>Fire Dept.<br/>Reserve</u> | <u>Library</u>  |
|--|------------------|-----------------|-------------------------------|-----------------|
| <b>REVENUES</b>  |                  |                 |                               |                 |
| Property Taxes   | \$ 6,007         | \$ 6,033        | \$ 35,236                     | \$ 41,815       |
| Intergovernmental Aid  | -                | -               | -                             | 4,787           |
| Miscellaneous  | -                | 4,335           | 350                           | 4,196           |
| Total Revenues   | <u>6,007</u>     | <u>10,368</u>   | <u>35,586</u>                 | <u>50,798</u>   |
| <b>EXPENSES</b>  |                  |                 |                               |                 |
| Current  |                  |                 |                               |                 |
| General Government   | 4,341            | -               | -                             | -               |
| Culture and Recreation                                       | -                | 18,994          | -                             | 47,054          |
| Public Safety  | -                | -               | 6,668                         | -               |
| Debt Service:  |                  |                 |                               |                 |
| Principal Retirement   | -                | -               | 17,262                        | -               |
| Interest and Fees  | -                | -               | 7,730                         | -               |
| Total Expenditures   | <u>4,341</u>     | <u>18,994</u>   | <u>31,660</u>                 | <u>47,054</u>   |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>1,666</u>     | <u>(8,626)</u>  | <u>3,926</u>                  | <u>3,744</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                  |                 |                               |                 |
| Transfers In   | -                | 10,000          | -                             | -               |
| Total other financing sources and uses                       | <u>-</u>         | <u>10,000</u>   | <u>-</u>                      | <u>-</u>        |
| Net Change in Fund Balances                                  | <u>1,666</u>     | <u>1,374</u>    | <u>3,926</u>                  | <u>3,744</u>    |
| Fund Balances - Beginning                                    | <u>358</u>       | <u>431</u>      | <u>7,815</u>                  | <u>(1,680)</u>  |
| Fund Balances - Ending                                       | <u>\$ 2,024</u>  | <u>\$ 1,805</u> | <u>\$ 11,741</u>              | <u>\$ 2,064</u> |

**CITY OF MAYVILLE**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|  | <u>Unterseher</u>  | <u>Specials</u>  | <u>Total Nonmajor</u> |
|--|--------------------|------------------|-----------------------|
|  | <u>Acquisition</u> | <u>City Lots</u> | <u>Governmental</u>   |
|  |                    |                  | <u>Funds</u>          |
| <b>REVENUES</b>  |                    |                  |                       |
| Property Taxes   | \$ -               | \$ 3,382         | \$ 92,473             |
| Intergovernmental Aid  | -                  | -                | 4,787                 |
| Miscellaneous  | -                  | -                | 8,881                 |
| Total Revenues   | <u>-</u>           | <u>3,382</u>     | <u>106,141</u>        |
| <b>EXPENSES</b>  |                    |                  |                       |
| Current  |                    |                  |                       |
| General Government   | -                  | 3,876            | 8,217                 |
| Culture and Recreation                                       | -                  | -                | 66,048                |
| Public Safety  | -                  | -                | 6,668                 |
| Debt Service:  |                    |                  |                       |
| Principal Retirement   | -                  | -                | 17,262                |
| Interest and Fees  | -                  | -                | 7,730                 |
| Total Expenditures   | <u>-</u>           | <u>3,876</u>     | <u>105,925</u>        |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | <u>-</u>           | <u>(494)</u>     | <u>216</u>            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                    |                  |                       |
| Transfers In   | <u>-</u>           | <u>-</u>         | <u>10,000</u>         |
| Total other financing sources and uses                       | <u>-</u>           | <u>-</u>         | <u>10,000</u>         |
| Net Change in Fund Balances                                  | <u>-</u>           | <u>(494)</u>     | <u>10,216</u>         |
| Fund Balances - Beginning                                    | <u>(20,166)</u>    | <u>261</u>       | <u>(12,981)</u>       |
| Fund Balances - Ending                                       | <u>\$ (20,166)</u> | <u>\$ (233)</u>  | <u>\$ (2,765)</u>     |

**CITY OF MAYVILLE**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                         | <u>ASSETS</u>                   | <u>LIABILITIES</u>       |
|-------------------------|---------------------------------|--------------------------|
|                         | Cash and<br>Cash<br>Equivalents | Due to Other<br>Agencies |
| <b>CDBG Rehab</b>       |                                 |                          |
| January 1, 2017         | \$          541                 | \$          541          |
| Additions               | -                               | -                        |
| Deletions               | -                               | -                        |
|                         | <u>541</u>                      | <u>541</u>               |
| December 31, 2017       | <u>\$          541</u>          | <u>\$          541</u>   |
| <br><b>Mayville RFO</b> |                                 |                          |
| January 1, 2017         | \$      19,601                  | \$      19,601           |
| Additions               | 107,516                         | 107,516                  |
| Deletions               | -                               | -                        |
|                         | <u>127,117</u>                  | <u>127,117</u>           |
| December 31, 2017       | <u>\$      127,117</u>          | <u>\$      127,117</u>   |

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

To the City Council  
City of Mayville  
Mayville, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Mayville as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Mayville's basic financial statements and have issued our report thereon dated December 5, 2018.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Mayville'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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mayville'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 or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Mayville's Response to Findings**

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

## **Purpose of this Report**

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



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

December 5, 2018

**CITY OF MAYVILLE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-001**

**Criteria**

An appropriate system of internal control requires the City to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the City's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

**Condition**

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the Council. However, the City's auditors assisted in the preparation of the financial statements, including the notes to the financial statements, and proposed material adjusting journal entries to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP).

**Cause**

The City's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

**Effect**

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the City is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

**Recommendation**

For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

**Views of Responsible Officials and Planned Corrective Actions**

Management recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

**CITY OF MAYVILLE**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-002**

**Criteria**

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

**Condition**

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

**Cause**

Size and budget constraints limiting the number of personnel within the City's accounting department.

**Effect**

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

The controls should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

**Views of Responsible Officials and Planned Corrective Actions**

The planned completion for the corrective action plan is when it becomes cost effective.