

FINANCIAL STATEMENTS

**CITY OF PARK RIVER
Park River, North Dakota**

For the Year Ended
DECEMBER 31, 2017

Prepared By

MORTENSON & RYGH
Certified Public Accountants
PO Box 287
Park River, North Dakota 58270

CITY OF PARK RIVER
Park River, North Dakota
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December 31, 2017

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CITY OF PARK RIVER
Park River, North Dakota
LIST OF OFFICIALS
December 31, 2017

Dan Stenvold	Mayor
Robert Lundquist III	Council Member
Arvid Knutson	Council Member
Dwight Byron	Council Member
Mike Lorton	Council Member
Kyle Halvorson	Council Member
Keith Anderson	Council Member
Nancy Thompson	Auditor
Ann Berg	Deputy Auditor
Tracy Laaveg	City Attorney



Accounting For Success INDEPENDENT AUDITOR'S REPORT

To the Governing Board
City of Park River, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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.

<p>CAVALIER</p> <p>206 Dakota Street West P.O. BOX 33 Cavalier, ND 58220 (701) 265-8644</p>	<p>PARK RIVER</p> <p>1203 Park Street East P.O. BOX 287 Park River, ND 58270 (701) 284-7616</p>	<p>LANGDON</p> <p>817 3rd Street FM Mall Langdon, ND 58249 (701) 256-3559</p>	<p>STEPHEN</p> <p>413 5th Street P.O. BOX 45 Stephen, MN 56757 (218) 478-2880</p>
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of December 31, 2017, and the respective changes modified cash basis financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, and Schedules of Employer's Contributions as listed on 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 Park River, North Dakota's basic financial statements. The combining and individual non-major fund financial statement is presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of fund activity – modified cash basis, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019 on our consideration of the City of Park River, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Park River, North Dakota's internal control over financial reporting and compliance.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

February 4, 2019

BASIC FINANCIAL STATEMENTS

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2017

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Housing	
	Activities	Activities		Authority	Airport
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 788,307	\$ 2,709,208	\$ 3,497,515	\$ 8,205	\$ 22,170
Certificates of Deposits	571,094	-	571,094	34,005	-
Total Current Assets	1,359,401	2,709,208	4,068,609	42,210	22,170
CAPITAL ASSETS:					
Capital Assets net of Accumulated Depreciation	3,328,978	11,671,949	15,000,926	865,336	1,562,111
Total Capital Assets	3,328,978	11,671,949	15,000,926	865,336	1,562,111
OTHER ASSETS:					
Loans Receivable	247,050	-	247,050	-	-
Interfund Balances	(78,484)	78,484	-	-	-
Total Other Assets	168,566	78,484	247,050	-	-
Total Assets	\$ 4,856,945	\$ 14,459,640	\$ 19,316,585	\$ 907,546	\$ 1,584,280
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Customer Deposits	\$ -	\$ 93,853	\$ 93,853	\$ -	\$ -
Current Maturity on Long Term Debt	373,334	312,742	686,076	18,781	-
Total Current Liabilities	373,334	406,595	779,929	18,781	-
NON CURRENT LIABILITIES					
Bonds Payable	3,031,849	4,907,178	7,939,027	965,598	-
Less: Current Maturity on Long Term Debt	(373,334)	(312,742)	(686,076)	(18,781)	-
Total Non Current Liabilities	2,658,515	4,594,436	7,252,951	946,817	-
Total Liabilities	3,031,849	5,001,031	8,032,880	965,598	-
Net Position					
Net investment in capital assets	261,384	6,764,770	7,026,154	(100,262)	1,562,111
Restricted For:					
Debt Service	361,751	1,279,055	1,640,806	34,005	-
Capital Projects	382,194	-	382,194	-	-
Economic Development	689,355	-	689,355	-	-
Equipment Replacement	93,697	361,089	454,785	-	-
Special Revenue Funds	18,547	-	18,547	-	-
Unrestricted	18,168	1,065,630	1,083,799	8,205	22,170
Total Net Position	1,825,096	9,458,609	11,283,705	(58,052)	1,584,280
Total Liabilities & Net Position	\$ 4,856,945	\$ 14,459,640	\$ 19,316,585	\$ 907,546	\$ 1,584,280

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Activities – Modified Cash Basis
December 31, 2017

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Change in Net Position					
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business Type Activities	Total	Housing Authority	Airport	
Government Activities:										
General Government	\$ 134,939	\$ 18,047	\$ -	\$ -	\$ (116,892)	\$ -	\$ (116,892)			
Public Safety	135,858	-	-	-	(135,858)	-	(135,858)			
Public Works	1,070,765	-	84,660	56,281	(929,825)	-	(929,825)			
Economic Development	63,645	-	-	-	(63,645)	-	(63,645)			
Interest Expense & Fees	76,385	-	-	-	(76,385)	-	(76,385)			
Total Government Activities	1,481,591	18,047	84,660	56,281	(1,322,604)	-	(1,322,604)			
Business Type Activities:										
Utility Systems	3,309,973	3,500,734	-	-	-	190,761	190,761			
Total Business Type Activities	3,309,973	3,500,734	-	-	-	190,761	190,761			
Total Primary Government	\$ 4,791,564	\$ 3,518,781	\$ 84,660	\$ 56,281	\$ (1,322,604)	\$ 190,761	\$ (1,131,843)			
Component Units:										
Housing Authority	\$ 88,661	\$ 72,544	\$ -	\$ -				\$ (16,117)	\$ -	
Airport	68,254	-	-	526,140				-	457,886	
Total Component Units	\$ 156,915	\$ 72,544	\$ -	\$ 526,140				\$ (16,117)	\$ 457,886	
General Receipts:										
Taxes:										
Property taxes, levied for general purposes					\$ 165,381	\$ -	\$ 165,381	\$ -	\$ 7,131	
Property taxes, levied for special purposes					283,168	-	283,168	-	-	
Sales taxes					218,642	-	218,642	-	-	
Federal & State Aid not restricted to special purposes					81,116	-	81,116	-	-	
Earnings on Investments					8,863	9,743	18,606	184	1,364	
Gain (Loss) on Sale of Assets					(32,171)	-	(32,171)	-	-	
Other Receipts					11,816	12,837	24,653	2,766	-	
Total General Receipts					736,816	22,580	759,395	2,950	8,495	
Transfers - Net					145,253	(145,253)	-	-	-	
Change in Net Position					(440,535)	68,088	(372,447)	(13,168)	466,381	
Net Position - Beginning					2,265,631	9,390,521	11,656,152	(44,884)	1,117,899	
Net Position - Ending					\$ 1,825,096	\$ 9,458,609	\$ 11,283,704	\$ (58,052)	\$ 1,584,280	

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

CITY OF PARK RIVER
Park River, North Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2017

ASSETS:	General Fund	1% Sales Tax Fund	Hospital Sales Tax Fund	Street Improv 2017 1	Street Improv 2017-2	Other Governmental Funds	Total Governmental Funds
CURRENT ASSETS							
Cash & Cash Equivalents	\$ 18,170	\$ 57,858	\$ 239,905	\$ (339)	\$ -	\$ 472,713	\$ 788,307
Certificates of Deposits	-	420,249	150,845	-	-	-	571,094
Total Current Assets	18,170	478,107	390,750	(339)	-	472,713	1,359,401
OTHER ASSETS							
Loan Receivable	-	247,050	-	-	-	-	247,050
Interfund Balances	-	445,636	-	-	-	-	445,636
Total Other Assets & Debits	-	692,686	-	-	-	-	692,686
Total Assets	\$ 18,170	\$ 1,170,793	\$ 390,750	\$ (339)	\$ -	\$ 472,713	\$ 2,052,087
LIABILITIES AND FUND BALANCE:							
LONG-TERM LIABILITIES							
Interfund balance	\$ -	\$ -	\$ -	\$ 47,366	\$ 312,151	\$ 164,603	\$ 524,120
Total Long-Term Liabilities	-	-	-	47,366	312,151	164,603	524,120
FUND BALANCE							
Non-Spendable							
Loans Receivable	-	247,050	-	-	-	-	247,050
Restricted For							
Debt Service	-	-	150,845	-	-	284,567	435,412
Capital Projects	-	502,144	239,905	-	-	-	742,049
Economic Development	-	421,598	-	-	-	20,707	442,305
Equipment Replacement	-	-	-	-	-	93,697	93,697
Special Revenue Funds	-	-	-	-	-	18,547	18,547
Unassigned, Reported In:							
General Fund	18,170	-	-	-	-	0	18,170
Negative	-	-	-	(47,705)	(312,151)	(109,406)	(469,262)
Total Fund Balance	18,170	1,170,793	390,750	(47,705)	(312,151)	308,111	1,527,967
Total Liabilities & Fund Balance	\$ 18,170	\$ 1,170,793	\$ 390,750	\$ (339)	\$ -	\$ 472,713	\$ 2,052,087

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position –
Modified Cash Basis
December 31, 2017

Total *Fund Balance* for Governmental Funds \$ 1,527,967

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

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

Cost of Capital Assets	4,182,616	
Less: Accumulated Depreciation	<u>(853,638)</u>	
Net Capital Assets		3,328,978

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.

Bonds Payable	<u>(3,031,849)</u>	
Total Long-Term Liabilities		(3,031,849)

Total Net Position - Governmental Activities		<u><u>\$ 1,825,096</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2017

	General Fund	1% Sales Tax Fund	Hospital Sales Tax Fund	Street Improv 2017 1	Street Improv 2017-2	Other Governmental Funds	Total Governmental Funds
Receipts:							
Taxes	\$ 157,234	\$ 109,321	\$ 109,321	\$ -	\$ -	\$ 291,315	\$ 667,191
Licenses & Permits	10,706	-	-	-	-	-	10,706
Intergovernmental Sources	81,116	-	-	-	-	140,941	222,057
Earnings on Investments	1,157	6,193	843	9	-	661	8,863
Other Sources	10,927	2,785	-	-	-	5,445	19,157
Total Receipts	\$ 261,140	\$ 118,299	\$ 110,164	\$ 9	\$ -	\$ 438,362	\$ 927,974
Disbursements:							
Current:							
General Government	\$ 110,565	\$ -	\$ -	\$ -	\$ -	\$ 456	\$ 111,022
Public Safety	124,620	-	-	-	-	-	124,620
Public Works	150,384	-	-	-	-	167,934	318,318
Economic Development	-	42,028	-	-	-	-	42,028
Capital Outlay	500	43,962	-	669,839	312,151	90,800	1,117,253
Debt Service:							
Principal	-	-	89,644	-	-	253,579	343,223
Interest	-	-	2,908	-	-	73,477	76,385
Total Disbursements	386,069	85,990	92,552	669,839	312,151	586,247	2,132,848
Excess Receipts over (under) Disbursements	(124,929)	32,309	17,612	(669,831)	(312,151)	(147,884)	(1,204,874)
Other Financing Sources (Uses):							
Sale of Capital Assets	7,740	40,215	-	-	-	-	47,955
Transfers In	140,972	-	-	-	-	57,462	198,433
Bond Proceeds	-	-	-	634,341	-	-	634,341
Transfers Out	(20,000)	(2,385)	-	-	-	(30,795)	(53,180)
Total Other Financing Sources (Uses)	128,712	37,830	-	634,341	-	26,666	827,548
Net Change in Fund Balances	\$ 3,783	\$ 70,139	\$ 17,612	\$ (35,490)	\$ (312,151)	\$ (121,218)	\$ (377,326)
Fund Balance - January 1	14,387	1,104,454	373,137	(12,215)	-	425,529	1,905,293
Restatements	-	(3,800)	-	-	-	3,800	-
Fund Balance - January 1 as Restated	14,387	1,100,654	373,137	(12,215)	-	429,329	1,905,293
Fund Balance - December 31	\$ 18,170	\$ 1,170,793	\$ 390,750	\$ (47,705)	\$ (312,151)	\$ 308,111	\$ 1,527,967

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities – Modified Cash Basis
December 31, 2017

Net change in *Fund Balance* - Total Governmental Funds \$ (377,326)

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

Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 *are* capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlays exceeded depreciation in the current period.

Capital Asset Additions	345,671	
Current Year Depreciation Expense	<u>(117,763)</u>	227,908

Governmental funds report proceeds from issuance of bonds as a revenue. However, in the statement of activities bond proceeds are not recognized as they are recognized as an increase in debt on the statement of Net Position. This is the amount of bonds issued in the current year. (634,341)

Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt principal paid during the year. 343,223

Change in Governmental Activities \$ (440,535)

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2017

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Assets						
Current Assets						
Cash & Cash Equivalents	\$ 299,066	\$ 1,594,659	\$ 98,926	\$ 525,187	\$ 191,370	\$ 2,709,208
Due from Other Funds	-	17,728	78,484	3,869	-	100,081
Total Current Assets	299,066	1,612,387	177,410	529,056	191,370	2,809,289
Noncurrent Assets						
Capital Assets net of Accumulated Depreciation	1,068,899	9,928,211	-	674,838	-	11,671,949
Total Noncurrent Assets	1,068,899	9,928,211	-	674,838	-	11,671,949
Total Assets	\$ 1,367,966	\$ 11,540,597	\$ 177,410	\$ 1,203,895	\$ 191,370	\$ 14,481,237
Liabilities & Net Position:						
Current Liabilities						
Due to Other Funds	\$ -	\$ 19,410	\$ -	\$ 2,187	\$ -	\$ 21,597
Customer Deposits	24,419	69,434	-	-	-	93,853
Current Portion of Long Term Debt	75,000	188,880	-	48,862	-	312,742
Total Current Liabilities	99,419	277,724	-	51,049	-	428,192
Non-Current Liabilities						
Bonds Payable	525,000	3,826,331	-	555,847	-	4,907,178
Less: Current Portion of Long Term Debt	(75,000)	(188,880)	-	(48,862)	-	(312,742)
Total Non Current Liabilities	450,000	3,637,451	-	506,985	-	4,594,436
Total Liabilities	549,419	3,915,175	-	558,034	-	5,022,628
Net Position:						
Invested in Capital Assets, net of related debt	543,899	6,101,880	-	118,991	-	6,764,770
Restricted For Debt Service	92,381	1,108,790	-	77,884	-	1,279,055
Restricted for Equipment Replacement	-	204,553	-	-	156,536	361,089
Unrestricted Net Position	182,266	222,136	177,410	448,985	34,835	1,065,630
Total Net Position	818,547	7,625,422	177,410	645,860	191,370	9,458,609
Total Liabilities & Net Position	\$ 1,367,966	\$ 11,540,597	\$ 177,410	\$ 1,203,895	\$ 191,370	\$ 14,481,237

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2017

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Operating Receipts						
Charges for Services	\$2,164,205	\$ 895,268	\$215,682	\$ 165,086	\$ -	\$ 3,440,240
Other Operating Revenue	1,353	354	20,166	15	38,605	60,493
Total Operating Receipts	2,165,558	895,622	235,848	165,101	38,605	3,500,734
Operating Disbursements						
Salaries & Benefits	178,773	201,455	26,581	45,868	2,429	455,106
Purchased Power/Contract Services	1,679,432	-	208,056	-	-	1,887,488
Depreciation	50,128	300,149	-	18,412	-	368,689
Miscellaneous	89,545	334,256	2,270	18,746	5,449	450,267
Total Operating Disbursements	1,997,878	835,860	236,907	83,027	7,877	3,161,549
Operating Income	167,680	59,762	(1,059)	82,074	30,728	339,185
Nonoperating Receipts (Disbursements)						
Interest on Investments	271	7,696	211	1,028	536	9,743
Joint Powers Reserve Reimbursements	-	10,318	-	-	-	10,318
Rental Income	-	-	-	2,519	-	2,519
Interest Expense	(13,538)	(122,788)	-	(12,098)	-	(148,424)
Total Nonoperating Receipts (Disbursements)	(13,267)	(104,774)	211	(8,551)	536	(125,844)
Income (Loss) Before Transfers	154,413	(45,012)	(848)	73,524	31,264	213,341
Interfund Transfers In	129,415	25,502	-	5,187	45,000	205,104
Interfund Transfers (Out)	(211,379)	(82,663)	-	(5,864)	(50,450)	(350,356)
Change in Net Position	\$ 72,449	\$ (102,173)	\$ (848)	\$ 72,847	\$ 25,814	\$ 68,088
Net Position - January 1	746,098	7,727,595	178,258	573,014	165,556	9,390,521
Net Position - December 31	\$ 818,547	\$7,625,422	\$ 177,410	\$ 645,860	\$ 191,370	\$ 9,458,609

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds
December 31, 2017

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Cash Flows from Operating Activities						
Receipts from Customers	\$ 2,167,361	\$ 895,622	\$ 235,848	\$ 165,101	\$ 38,605	\$ 3,502,537
Payments to Suppliers	(1,768,977)	(330,010)	(210,326)	(18,746)	(5,448)	(2,333,508)
Payments to Employees	(178,773)	(201,455)	(26,581)	(45,868)	(2,429)	(455,105)
Total Cash Flows from Operating Act.	219,611	364,157	(1,059)	100,486	30,728	713,924
Cash Flows from Noncapital						
Financing Activities						
Transfers In	129,415	25,502	-	5,187	45,000	205,104
Other Sources/(Uses)	-	10,318	-	-	-	10,318
(Inc.)/Decrease in Interfund Balances	40,000	(74,948)	(78,484)	1,658	(40,000)	(151,774)
Transfers (Out)	(211,379)	(82,663)	-	(5,864)	(50,450)	(350,356)
Total Cash Flows from Noncapital						
Financial Activities	(41,965)	(121,791)	(78,484)	981	(45,450)	(286,709)
Cash Flows from Capital and Related						
Financing Activities						
Interest Expense	(13,538)	(122,788)	-	(12,098)	-	(148,424)
Inc./(Decrease) in Bonds Payable	(75,000)	(178,858)	-	(47,448)	-	(301,307)
Total Cash Flows from Capital, Related Financing Activities, and Equity Changes	(88,538)	(301,646)	-	(59,546)	-	(449,730)
Cash Flows From Investing Activities						
Earnings on Investments	271	7,696	211	3,547	536	12,262
Purchases of Capital Assets	(62,062)	(5,000)	-	0	-	(67,062)
Total Cash Flows From Investing Act.	(61,791)	2,696	211	3,547	536	(54,800)
Net Increase (Decrease) in Cash & Cash Equivalents	27,318	(56,584)	(79,332)	45,468	(14,186)	(77,316)
Cash and Cash Equivalents - January 1	\$ 271,748	\$ 1,651,243	\$ 178,258	\$ 479,719	\$ 205,556	\$ 2,786,524
Cash and Cash Equivalents - Dec. 31	\$ 299,066	\$ 1,594,659	\$ 98,926	\$ 525,187	\$ 191,370	\$ 2,709,208
Reconciliation of Operating Income to Net						
Cash Provided by Operating Activities						
Operating Income	167,680	59,762	(1,059)	82,074	30,728	339,185
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense	50,128	300,149	-	18,412	-	368,689
Inc./(Decrease) in Deposits Payable	1,803	4,246	-	-	-	6,050
Total Adjustments	\$ 51,931	\$ 304,395	\$ (0)	\$ 18,412	\$ (0)	\$ 374,739
Net Cash Provided/(Used) by						
Operating Activities	\$ 219,611	\$ 364,157	\$ (1,059)	\$ 100,486	\$ 30,728	\$ 713,923

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Assets and Liabilities – Fiduciary Funds
December 31, 2017

	<u>Joint Powers Reserve</u>
Assets:	
Cash and Investments	<u>\$ 94,176</u>
Liabilities	
Due to Fiduciary	<u>\$ 94,176</u>

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

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the City of Park River, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Park River. For financial reporting purposes, the City of Park River's primary government includes all funds, account groups, elected officials, departments, boards, commissions, and authorities that make up the city's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria includes appointing a voting majority of an organization's governing board and (1) the ability of the city to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the city.

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

BLENDDED COMPONENT UNITS – None

DISCRETELY PRESENTED COMPONENT UNITS – The component unit columns in the basic financial statements include the financial data of the City's two component units. These units are reported in separate columns to emphasize that they are legally separate from the City.

Park River Housing Authority – The Park River Housing Authority provides affordable housing for City residents. The authority's board is appointed the City Council and the City holds title to the Authority's real estate.

Park River Airport Authority – The Park River Airport Authority manages the local airport facility. The authority's board is appointed by the City Council. The authority is fiscally dependent upon the city because the City Council levies taxes.

EXCLUDED ORGANIZATIONS – The following governmental entities are not included in these financial statements since they do not meet the criteria contained in Statement 14:

Park River Public School District #78 - With different boundaries than the City, the school district does not entirely or exclusively benefit City residents. The City has no authority to appoint board members and has no fiscal responsibilities. The school district can levy taxes and issue debt in its own name.

Park River Park District – The Park District elects its own governing body, levies its own taxes, and approves its own budget and authorizes debt. The City has no authority to govern, and has no fiscal responsibility for the Park Board.

The City's basic financial statements include all of City operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from City of Park River.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to entities or individuals 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 properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

The fund financial statements provide information about the City's funds. Separate financial statements for each fund category, governmental, proprietary, and fiduciary funds, are presented. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only cash and cash equivalents, long term notes receivable and inter-fund balances are generally included on their balance sheets; however, the governmental funds do recognize liabilities for payroll withholding. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

If the City utilized the basis of accounting recognized as generally accepted, the government-wide financials would be presented on the accrual basis of accounting. The fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for business-like fund types would use the accrual basis of accounting. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts

receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The City reports the following major governmental funds:

Governmental Funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

1% Sales Tax Fund – This fund accounts for sales tax money for the City that is used for various economic development and city improvement projects.

Hospital Sales Tax Fund – This fund is a debt service funds used to account for the collection of sales tax revenues designated to service the Sales Tax Hospital Bonds of 2005. Sales tax revenue received in this fund is restricted for payment of principal and interest payments.

Proprietary Funds:

Enterprise Funds – This account group provides basic utility service to the City residents. The fund group operates utility systems and borrows money for capital improvements through revenue bonds. Enterprise funds use the modified cash basis of accounting as defined below.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing or delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating receipts of the City’s proprietary funds are charges to customers for goods and services. Operating disbursements for proprietary funds include the cost of sales and services, salaries, administrative expenses and depreciation on capital assets. All other receipts or disbursements not meeting this definition are reported as non-operating.

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

D. Cash and Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less.

E. Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment. Capital assets are reported in the government-wide financial statements and in the proprietary funds. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings & improvements, furniture & equipment, distribution systems and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-40
Infrastructure	40
Distribution systems	40
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

F. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

G. Fund Balances and Net Position

Government-wide Financial Statements

Prior to GASB 63, amounts were reported as equity on the statement of net assets in three primary categories, invested in capital assets net of related debt, restricted and unrestricted. Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in three primary categories:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Restrictions of net position shown in the statement of net positions are due to constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Fund Financial Statement

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports non-spendable balances, then restricted, then committed, and so forth. The City’s governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or

laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the City Council. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the town intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City’s administration comprised of the City administrative council.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

H. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Use of Estimates in Preparing Financial Statements

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.

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City’s governing board approved the following amendments to the city budget:

Budget Amendments:	Original Budget	Amendment	Amended Budget
	Expenditures		
Major Funds:			
1% Sales Tax	386,250	\$ 242,000	\$ 628,250
Hospital Sales Tax	-	3,000	3,000
Municipal Street	55,047	150,000	205,047
Street Improv 2017-1	-	594,000	594,000
Street Improv 2017-2	-	312,000	312,000
Non-Major Funds:			
Library Fund	13,500	7,100	20,600
Special Assessment	-	500	500
Funded Depreciation	-	23,000	23,000
Southview TIF	11,075	8,000	19,075
Water & Sewer Improv 2012-1	-	-	8,400

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota statutes, the City maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the City to invest in:

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

The City's deposits at balance sheet date were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the City's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

Credit Risk - Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended December 31, 2017, the City's carrying amount of cash & equivalents totaled \$4,227,165 and the bank balances totaled \$4,231,792. Of the bank balances, \$2,097,298 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,134,494 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

The City has the following interfund balances:

Fund	1/1/2017 Receivable (Payable)	Change	12/31/2017 Receivable (Payable)
Municipal Highway Fund	\$ (12,215)	\$ (66,269)	(78,484)
Sales Tax Fund	146,499	299,137	445,636
St Improv Dist 2017-2		(312,151)	(312,151)
Southview TIF	(14,875)	14,875	-
North Star TIF	(46,119)	(40,000)	(86,119)
St Improv Dist 2017-1		(47,366)	(47,366)
Water Fund	94,624	(114,034)	(19,410)
Electrical Fund	(8,000)	8,000	-
Sewer Fund	58,201	(60,388)	(2,187)
Garbage Fund	-	78,484	78,484
Water Bond Fund 2005	-	4,830	4,830
Depreciation Fund	(40,000)	40,000	-
Water & Sewer Improv Dist 2015-1	(2,500)	2,500	-
Water & Sewer Improv Dist 2016-1	(216,687)	233,454	16,767
Water Tower Fund	(6,929)	6,929	-
Electric Revenue Bonds 2016	48,000	(48,000)	-
	-	0	0

The Street Improvement Districts 2017-1 and 2017-2 owe the 1% Sales Tax fund \$359,517 for capital improvement expenditures. The amounts are expected to be repaid when funding for the projects is received.

The North Star Addition TIF funds owe \$86,119 to the 1% Sales Tax fund for debt service requirements. The amount is expected to be repaid upon final payment of debt service.

The Municipal Highway fund borrowed \$78,484 from the Garbage fund to purchase street sweeper. The amount will be repaid to the garbage fund in five annual installments.

Other interfund balances are allocations of utility revenue to the debt service funds and are expected to be repaid during 2018.

NOTE 5 INTERFUND TRANSFERS***Inter-fund Transfers:***

The inter-fund transfers for the year ended December 31, 2017, were as follows:

Fund Name	AFTER AJE'S	
	IN	OUT
General Fund	\$ (140,972)	\$ 20,000
Municipal Highway	(22,862)	-
1% Sales Tax	-	2,385
Funded Depreciation	(20,000)	22,862
Street Improv Dist #7	(14,600)	-
Southview TIF	-	7,934
Water Fund	(20,199)	74,481
Electrical Fund	(129,415)	211,379
Sewer Fund	(5,187)	5,000
Water Surcharge	-	5,303
Depreciation Fund	(45,000)	50,450
Water Repair and Replacement	(5,303)	-
Water and Sewer Improv Dist 2016-1	-	3,743
	<u>\$ (403,537)</u>	<u>\$ 403,537</u>

Transfers were made for cash management, fixed asset management needs, and debt service requirements.

NOTE 6 LOANS RECEIVABLE

The city offers loans and grants to businesses for either startup costs or expansion costs. May of these loans are interest buy downs on Bank of North Dakota FlexPACE loans and payments begin after the Bank of North Dakota PACE loan is paid in full. No allowance has been established for estimated uncollectible loans.

The following summaries loan receivable activity for the year ended December 31, 2017:

	Balance 1/1/2017	Loans Issued	Loan Forgiveness	Payments Received	Balance 12/31/2017
Walsh Grain, LLC	\$ 132,631	\$ -		\$ (22,105)	\$ 110,526
Economic Development Loans	47,508	91,217	(1,500)	(700)	136,525
Total Loans Receivable	<u>\$ 180,139</u>	<u>\$ 91,217</u>	<u>\$ (1,500)</u>	<u>\$ (22,805)</u>	<u>\$ 247,050</u>

During 2013, the City of Park River, along with the Red River Regional Council, Walsh County JDA, The City of Grafton, and Polar Communication granted a loan to Walsh Grain, LLC. The total loan amount is \$760,000 of which \$200,000 was the City of Park River's participation. The loan will be repaid over 10 years in annual installments. The City will receive future principal & interest payments as follows:

Year	Principal	Interest
2018	22,105	3,316
2019	22,105	2,653
2020	22,105	1,989
2021	22,105	1,326
2022	22,104	663
Total	<u>\$ 110,526</u>	<u>\$ 9,947</u>

NOTE 7 CAPITAL ASSETS

The following schedule shows capital asset activity of governmental funds during 2017:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Governmental Type Assets:				
Non-depreciated assets				
Land	\$ 160,250	\$ -	\$ (80,125)	\$ 80,125
Total non-depreciated assets	160,250	-	(80,125)	80,125
Depreciable assets				
Equipment	468,856	90,800	(70,267)	489,389
Buildings	376,960	22,845	-	399,805
Infrastructure	2,901,146	312,151	-	3,213,297
Total depreciable assets	3,746,962	425,796	(70,267)	4,102,491
Less: accumulated depreciation for:				
Equipment	(366,891)	(29,983)	70,267	(326,607)
Buildings & Infrastructure	(439,251)	(87,780)	-	(527,031)
Total accumulated depreciation	(806,142)	(117,763)	70,267	(853,638)
Net depreciable assets	<u>2,940,820</u>	<u>308,033</u>	<u>-</u>	<u>3,248,853</u>
Net Governmental-Type assets	<u>\$ 3,101,070</u>	<u>\$ 308,033</u>	<u>\$ (80,125)</u>	<u>\$ 3,328,978</u>

Depreciation expense was charged to the functions/programs of the City as follows:

General Government	\$ 23,917
Public Works	82,608
Public Safety	<u>11,238</u>
Total Depreciation Expense	<u>\$ 117,763</u>

The following schedule shows capital asset activity of business type funds during 2017:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Business Type Assets:				
Non-depreciated assets				
Land	\$ 17,400	\$ 5,000	\$ -	\$ 22,400
Construction in process	2,358,717	-	(2,358,717)	-
Total non-depreciated assets	2,376,117	5,000	(2,358,717)	22,400
Depreciable assets				
Equipment	971,499	34,450	-	1,005,949
Buildings & Distribution Systems	12,368,060	2,386,328	-	14,754,389
Total depreciable assets	13,339,560	2,420,778	-	15,760,338
Less: accumulated depreciation for:				
Equipment	(329,201)	(52,164)	-	(381,365)
Buildings & Distribution Systems	(3,412,898)	(316,525)	-	(3,729,423)
Total accumulated depreciation	(3,742,099)	(368,689)	-	(4,110,788)
Net depreciable assets	9,597,460	2,052,089	-	11,649,549
Net Business-Type asset	\$ 11,973,577	\$ 2,057,089	\$ (2,358,717)	\$ 11,671,949

Depreciation expense was charged to the functions/programs of the City as follows:

Water	\$ 300,149
Electric	50,128
Sewer	18,412
Total Depreciation Expense	<u>\$ 368,689</u>

The following schedule shows capital asset activity of the City's component units during 2017:

Component Units	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Airport Fixed Assets				
Construction in Progress	\$ 25,597		\$ (25,597)	\$ -
Equipment	114,530	-	-	114,530
Buildings & Infrastructure	1,329,874	598,029	-	1,927,903
Total Assets	1,470,002	598,029	(25,597)	2,042,433
Airport Accumulated Depreciation				
Equipment	(100,213)	(9,545)	-	(109,758)
Buildings & Infrastructure	(319,054)	(51,510)	-	(370,564)
Total accumulated depreciation	(419,267)	(61,055)	-	(480,322)
Net Airport Assets	1,050,735	536,974	(25,597)	1,562,111
Housing Authority Fixed Assets				
Furniture & Fixtures	\$ 40,610	\$ -	\$ -	\$ 40,610
Buildings & Infrastructure	1,100,000	-	-	1,100,000
Total Assets	1,140,610	-	-	1,140,610
Housing Authority Accumulated Depreciation				
Furniture & Fixtures	(40,610)	-	-	(40,610)
Buildings & Infrastructure	(207,193)	(27,471)	-	(234,664)
Total accumulated depreciation	(247,803)	(27,471)	-	(275,274)
Net Housing Authority Assets	892,807	(27,471)	-	865,336
Net Component Unit Assets	\$ 1,943,542	\$ 509,503	\$ (25,597)	\$ 2,427,447

NOTE 8 LONG TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities of the city:

Governmental Activities:	1/1/2017	Issued	Paid	12/31/2017	Due Within One Year
Sales Tax Revenue Bonds	\$ 259,652	\$ -	\$ (89,644)	\$ 170,008	\$ 87,790
Special Assessment Bonds	1,732,500	634,341	(210,000)	2,156,841	256,544
Tax Increment Revenue Bonds	733,000	-	(28,000)	705,000	29,000
Capital Lease	15,579	-	(15,579)	-	-
Total Governmental Activities	\$ 2,740,731	\$ 634,341	\$ (343,223)	\$ 3,031,849	\$ 373,334

Business-Type Activities:	1/1/2017	Issued	Paid	12/31/2017	Due Within One Year
Revenue Bonds	\$ 5,208,485	\$ -	\$ (301,307)	\$ 4,907,178	\$ 312,742
Total Business-Type Activities	\$ 5,208,485	\$ -	\$ (301,307)	\$ 4,907,178	\$ 312,742

Component Unit	1/1/2017	Issued	Paid	12/31/2017	Due Within One Year
Revenue Bonds	\$ 983,452	\$ -	\$ (17,854)	\$ 965,598	\$ 18,781

The City of Park River is obligated to the following bond issues:

GOVERNMENTAL ACTIVITIES:**Sales Tax Revenue Bonds****Sales Tax Hospital Bonds of 2005**

The city issued revenue bonds in the amount of \$1,215,000 to help finance construction of a new clinic and remodel the existing hospital, both owned by the First Care Health System, a local non-profit corporation. Bond proceeds were advanced to First Care Health System for construction costs. The bond issue is to be paid with the pledge of a 1% sales tax on all taxable sales in the city.

On May 15, 2015 the City refunded these bonds by issuing Sales Tax Revenue Refunding Bonds Series 2015. The City anticipates net present value savings of \$192,109. The interest rate of the refunding bonds ranges from 1.00% to 1.55%. Annual principal payments starting in 2016 at \$86,471 until final maturity in 2019 of \$82,218. As of December 31, 2017, the City holds \$150,845 in a debt payment reserve for this issue.

Outstanding December 31, 2017

\$170,008

Special Assessment Bonds

Street Improvement District #7

The city issued special assessment bonds in the amount of \$450,000 to finance the Kensington street project. The bonds are due in annual installments of \$15,000 to \$35,000 through 2019. The interest rate ranges from 4.0% to 5.0%.

Outstanding December 31, 2017 \$70,000

Water & Sewer Improvement District 2012-1

\$275,000 Refunding Improvement Bonds, Series 2013 were issued to finance water & sewer improvements to the North Star Addition. The bonds are due in annual installments of \$13,750 through 2033. Interest rates range from 2.0% to 4.65%.

Outstanding December 31, 2017 \$220,000

Street Improvement District #2013-1

\$1,600,000 Refunding Improvement Bonds, Series 2014B were issued to finance street improvements made to 135th Ave NE. The City received bond proceeds of \$1,355,000 during 2013 and \$245,000 during 2014. The bonds are due in annual installments of \$160,000 through 2024. Interest rates range from 1.25% to 3.0%.

Outstanding December 31, 2017 \$1,120,000

Refunding Improvement Bonds Series 2015

\$125,000 Refunding Improvement Bonds, Series 2015 were issued to finance street improvements made to the North Star Addition. The bonds are due in annual installments of \$6,250 through 2035. Interest rates range from 2.00% to 4.65%.

Outstanding December 31, 2017 \$112,550

Street Improvement District #2017-1

The city issued special assessment bonds in the amount of \$634,341 to finance pavement improvements made to Rail Road, Wadge, Code, Harris, and Vivian Avenues. The bonds are due in annual installments of \$28,075 through 2030. The bonds bear an interest rate of 2.00%.

Outstanding December 31, 2017 \$634,341

Total Special Assessment Bonds \$2,156,841

Tax Increment Revenue Bonds

Street Improvement District 2012-2

\$760,000 Tax Increment Revenue Bonds were issues to finance street improvements to the North Star Addition. During 2014 the City drew \$420,306 of temporary warrants and the remaining \$339,691 was drawn in 2015. Principal payments started in 2016 at \$27,000 and increase annually until final maturity with a principal payment of \$52,000 in 2035. Interest rates range from 2.0% to 4.65%.

Total Tax Increment Bonds Outstanding December 31, 2017

\$705,000

Capital Leases

The City entered into a capital lease to finance the purchase of a John Deere Motor Grader. The lease is for 5 years at a 2.75% interest rate. The last payment was due in 2017.

Outstanding December 31, 2017

\$0

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds

Water Revenue Bonds of 2005

The City issued bonds to finance a water pipeline and well system. The bond issue was for \$746,100 and bears interest at 2.5%. Principal payments started in 2006 at \$5,000 and increase throughout the issue to a final payment of \$47,000 in 2025. As of December 31, 2017, the City has \$97,810 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2017

\$355,000

Water Revenue Bonds Series 2006

The City authorized a bond issue to finance Phase II of the water pipeline and well system described above. Phase II consists primarily of improvements to the existing water plant. The bond issue was for \$517,600 and bears interest at 2.5%. Maturity of the issue is September 1, 2026. As of December 31, 2017, the City has \$77,861 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2017

\$285,000

Water Revenue Bonds Series 2014

The City authorized a bond issue to finance the construction of a water tower. The bond issue was for \$2,045,000 and bears interest at .75% to 4.25%. Principal payments started in 2015 at \$55,000 and increase throughout the issue to a final payment of \$80,000 in 2036. As of December 31, 2017, the City has \$291,928 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2017

\$1,900,000

Sewer Revenue Bonds Series 2016

The City authorized a bond issue to finance sewer improvements in Green Acres. The bond issue was for \$413,485 and bears interest at 2.00%. Principal and interest payments of \$31,860 started in 2017. Maturity of the issue is December 2023.

Outstanding December 31, 2017

\$357,178

Electric Revenue Bonds Series 2016

The City authorized a bond issue to finance the remodel of the substation circuit exit. The bond issue was for \$600,000 and bears interest at 1.50% to 3.00%. Principal payments of \$75,000 started in 2017. Maturity of the issue is September 2024.

Outstanding December 31, 2017

\$525,000

Refunding Improvement Bonds Series 2016

\$1,545,000 Refunding Improvement Bonds, Series 2016 were issued to finance utility improvements made to multiple neighborhoods in the City. The bonds are due in annual installments of \$60,000 to \$100,000 through 2036. Interest rates range from 1.00% to 3.00%.

Outstanding December 31, 2017 \$1,485,000

Total Revenue Bonds – Business-Type Activities \$4,907,178

Component Unit – Park River Housing Authority

The City’s component unit, The Park River Housing Authority, issued housing revenue bonds to finance construction of city-owned condominiums through the creation of the Park River Housing Authority. The units will be rented primarily to retired city residents. The rents collected are expected to cover operating expenses and debt service on the revenue bonds. The bonds were issued in the amount of \$1,100,000 payable at an initial interest rate of 5% payable over 35 years. The rate is reset every five years.

Outstanding December 31, 2017 \$965,598

The annual requirement to amortize all bonds outstanding as of December 31, 2017, including interest payments are as follows:

Governmental Activities

Year Ending December 31	Sales Tax Revenue Bonds		Special Assessment Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	87,790	1,867	256,544	56,136	29,000	25,981
2019	82,218	637	259,515	47,712	30,000	25,391
2020	-	-	225,410	41,828	31,000	24,664
2021	-	-	226,323	36,406	32,000	23,798
2022	-	-	227,254	40,136	33,000	22,904
2023-2027	-	-	670,903	68,905	183,000	97,843
2028-2032	-	-	258,392	24,257	217,000	59,326
2033-2037	-	-	32,500	1,569	150,000	10,649
2038-2042	-	-	-	-	-	-
Total	\$ 170,008	\$ 2,504	\$ 2,156,841	\$ 316,950	\$ 705,000	\$ 290,554

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2018	312,742	142,973
2019	314,898	137,494
2020	317,065	131,057
2021	324,282	124,425
2022	331,511	117,261
2023-2027	1,106,680	479,369
2028-2032	730,000	351,433
2033-2037	765,000	234,228
2038-2042	590,000	126,675
2043-2047	115,000	5,175
2048-2052	-	-
Total	\$ 4,907,178	\$ 1,850,089

Component Unit

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2018	18,781	47,837
2019	19,742	46,877
2020	20,752	45,867
2021	21,814	44,805
2022	22,930	43,689
2023-2027	133,495	199,599
2028-2032	171,321	161,772
2033-2037	219,867	113,227
2038-2042	282,168	50,926
2043-2047	54,727	1,257
Total	\$ 965,598	\$ 755,855

NOTE 9 OPERATING LEASE

In 2016, the City entered into a five year lease agreement to lease a New Holland tractor with a purchase option of \$78,594 in December of 2020. Operating lease payments totaled \$12,062 during 2017. The future lease payments are as follows:

Year Ending December 31	Total Payments
2018	12,062
2019	12,062
Total	\$ 24,123

NOTE 10 CONTINGENT LIABILITIES

The City has sponsored municipal leases on behalf of local non-profits because the non-profits are unable to enter into leases on their own. The City is contingently liable for the lease should the non-profit default on payment. The leases are as follows:

	<u>Outstanding December 31, 2017</u>
Hillcrest Golf Course to finance the purchase a John Deere Mower	\$20,301

NOTE 11 COMPENSATED ABSENCES

The City does not account for compensated absences. The amount of liability cannot be readily ascertained.

NOTE 12 PENSION PLAN

Because the City reports its financial statements on the modified cash basis, as described in Note 1, the net pension liability and related deferred inflows and outflows are not required to be reported in the basic financial statements. The following information is for informational purposes.

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net

position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly

disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Employer reported a liability of \$706,598 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017, the Employer's proportion was 0.043961 percent, which was an increase of 0.001116 from its proportion measured as of July 1, 2016.

For the year December 31, 2017, the Employer recognized pension expense of \$70,045. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 4,200	\$ 3,443
Changes of assumptions	289,753	15,937
Net difference between projected and actual earnings on pension plan investments	9,503	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,537	20,986
*Employer contributions subsequent to the measurement date of July 1, 2017	16,198	-
Total	\$ 326,191	\$ 40,366

*\$16,198 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31

2018	\$ 56,967
2019	70,006
2020	60,193
2021	52,483
2022	29,978
Thereafter	-
Total	\$ 269,627

Actuarial Assumption

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	<u>Service at Beginning of Year</u>	<u>Increase Rate</u>
	0	15.00%
	1	10.00%
	2	8.00%
	<u>Age*</u>	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

*Aged-based salary increase rates apply for employees with three or more years of service.

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Income	5.00%	-0.45%
Global Real Estate	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	959,228	706,598	496,420

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Payables to the Pension Plan

As of December 31, 2017, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2017.

NOTE 13 PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 14 RISK MANAGEMENT

The City of Park River is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance

Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. The City of Park River also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Park River 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 Park River with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The City of Park River also participates in the North Dakota Worker's Compensation Bureau. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 15 RELATED PARTY TRANSACTIONS

During 2015, the City granted an interest buy down loan of \$4,934 to Lundquist Enterprises, LLP, which is owned and operated by council member Robert Lundquist III. The amount owed by Lundquist Enterprises, LLP on December 31, 2017 was \$4,934.

NOTE 16 PRIOR PERIOD ADJUSTMENTS

Fund balance and/or net position as of December 31, 2017 has been restated as noted below:

Governmental Funds

Sales Tax Fund	\$ (3,800)
Southview TIF	3,800
Total Governmental Funds	<u><u>\$ -</u></u>

The restatement was made to correct the interfund balance between the funds.

NOTE 17 DEFICIT FUND BALANCE

The fund balance in the Municipal Highway Fund was (\$35,745) and \$61,425 at December 31, 2017 and 2016 respectively. The cause of the deficit is the Municipal Highway Fund borrowed from the Sanitation fund to purchase equipment. The amount borrowed will be repaid in annual installments over five years.

The fund balance in the North Star TIF was (\$73,661) and (\$45,576) at December 31, 2017 and 2016 respectively. The cause of the deficit is a timing difference between debt service obligations and tax receipts. The deficit fund balance is expected to be relieved from future tax revenues.

The fund balance in Street Improvement District 2017-1 was (\$47,705) and (\$12,215) at December 31, 2017 and 2016 respectively. The cause of this deficit is a timing difference between project expenditures and the receipt of project funding. The deficit fund balance is expected to be relieved when financing for the project is completed.

The fund balance in Street Improvement District 2017-2 was (\$312,151) at December 31, 2017. The cause of this deficit is a timing difference between project expenditures and the receipt of project funding. The deficit fund balance is expected to be relieved when financing for the project is completed.

NOTE 18 SUBSEQUENT EVENT

In June 2018, the City issued \$400,000 Refunding Improvement Bonds, Series 2018. The bonds were issued to finance street improvements west of Wadge Ave N and S, Briggs Ave N, and Kensington Ave. The bonds are due in annual installments ranging from \$15,000 to \$35,000, beginning in 2019 until 2033. The interest rate varies from 2.5% to 3.9%. Future principal and interest payments are as follows:

Subsequent Event

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	15,000	9,651
2020	25,000	12,493
2021	25,000	11,868
2022	25,000	11,243
2023	25,000	10,555
2024-2028	130,000	41,938
2029-2033	155,000	18,165
Total	\$ 400,000	\$ 115,911

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
General Fund
December 31, 2017

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 172,400	\$ 157,234	\$ (15,166)
Licenses & Permits	10,075	10,706	631
Intergovernmental Sources	63,130	81,116	17,986
Earnings on Investments	70	1,157	1,087
Sale of Property	-	7,740	7,740
Other Sources	7,250	10,927	3,677
Total Receipts	252,925	268,880	15,955
Disbursements:			
General Government	178,998	110,565	68,433
Public Safety	191,081	124,620	66,461
Public Service	120,425	150,384	(29,959)
Capital Outlay	-	500	(500)
Total Disbursements	490,504	386,069	104,435
Excess Receipts over (under) Disbursements	(237,579)	(117,189)	(88,480)
Interfund Transfers In (Out)	194,700	120,972	(73,728)
Excess Receipts over (under) Expenditures after Interfund Transfers	\$ (42,879)	\$ 3,783	\$ 46,661
Fund Balance - January 1	14,387	14,387	
Fund Balance - December 31	\$ (28,492)	\$ 18,170	

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
1% Sales Tax Fund
December 31, 2017

	<u>1% Sales Tax Fund</u>			
	Original Budget	Final Budget	Actual	Variance
Receipts:				
Taxes	\$ 175,000	\$ 175,000	\$ 109,321	\$ (65,679)
Earnings on Investments	500	500	6,193	5,693
Sale of Property	-	-	40,215	40,215
Other Sources	8,450	8,450	2,785	(5,665)
Total Receipts	183,950	183,950	158,513	(25,437)
Disbursements:				
Capital Improvements	100,000	342,000	43,962	298,038
Economic Development	21,250	21,250	42,028	(20,778)
Debt Service	-	-	-	-
Total Disbursements	121,250	363,250	85,990	277,260
Excess Receipts over (under) Disbursements	62,700	(179,300)	72,524	(9,824)
Interfund Transfers (Out)	65,000	65,000	(2,385)	(67,385)
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ 127,700	\$ (114,300)	\$ 70,139	\$ (57,561)
Beginning Fund Balance	1,104,454	14,387	1,104,454	
Restatements	(3,800)	(3,800)	(3,800)	
Beginning Fund Balance as Restated	1,100,654	10,587	1,100,654	
Ending Fund Balance	\$ 1,228,354	\$ (103,713)	\$ 1,170,793	

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
Hospital Sales Tax Fund
December 31, 2017

	<u>Hospital Sales Tax Fund</u>			
	Original Budget	Final Budget	Actual	Variance
Receipts:				
Taxes	\$ 175,000	\$ 175,000	\$ 109,321	\$ (65,679)
Earnings on Investments	500	500	843	343
Total Revenues	<u>175,500</u>	<u>175,500</u>	<u>110,164</u>	<u>(65,336)</u>
Disbursements:				
Debt Service	200,000	200,000	92,552	107,448
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>92,552</u>	<u>107,448</u>
Excess Receipts over (under) Disbursements	<u>(24,500)</u>	<u>(24,500)</u>	<u>17,612</u>	<u>42,112</u>
Beginning Fund Balance	373,137	373,137	373,137	
Ending Fund Balance	<u>\$ 348,637</u>	<u>\$ 348,637</u>	<u>\$ 390,750</u>	

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended December 31	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2014	0.047808%	303,448	402,720	75.3%	77.70%
2015	0.045151%	307,019	402,237	76.3%	77.15%
2016	0.042845%	417,566	431,772	96.7%	70.46%
2017	0.043961%	706,598	448,778	157.4%	61.98%

*Complete data for this schedule is not available prior to 2014.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	28,674	28,674	0	402,720	7.12%
2015	30,553	30,216	337	402,237	7.51%
2016	31,260	31,440	(180)	431,772	7.28%
2017	32,541	31,692	849	448,778	7.06%

*Complete data for this schedule is not available prior to 2014.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2017

NOTE 1 BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statement:

- a) The final budget must be adopted on or before October 7, and must be filed with the County Auditor by October 10. The budget may be amended during the year, except no amendment changing the taxes levied can be made after October 7.
- b) The City Council approves total budget appropriations only. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.)
- c) The budget amounts shown in the financial statements are the final authorized amounts.

The city does not prepare budgets for special assessment debt service funds. Assessments are certified to the county for collection. The city also has some non-major special revenue funds that do not have a tax levy and very minimal expenditures that are not budgeted. Management therefore does not prepare budget to actual comparisons for either the debt service or non-major special revenue fund groups.

The city auditor prepares a preliminary budget for the general and some of the special revenue funds on the cash basis of accounting. Because not all special revenue funds are budgeted, a budget to actual comparison of non-major special revenue funds is not done. The preliminary budget includes proposed expenditures and the means of financing them. The governing body reviews the preliminary budget, may make revisions and approve it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items.

The governing body reviews the preliminary budget at the hearing, and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget is sent to the county auditor by October 10. No expenditure shall be made or liability incurred in excess of the appropriation, except for transfers as authorized by North Dakota Century Code Section 40-40-21. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 7. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance, except for a special appropriation that does not lapse until the work is completed.

Budgets are prepared on the cash basis of accounting which does not differ significantly from the modified cash method used for financial reporting.

No fund's expenditures exceeded budgeted amounts.

NOTE 2 ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2017, the most recent measurement date.

Changes of Assumptions

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTAL INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Fund Activity
For the Year Ended December 31, 2017

Governmental Funds	Balance	Receipts	Transfers	Other	Transfers	Disbursements	Balance
	1/1/17		In	Financing	Out		12/31/17
				Sources			
Major Funds							
General	\$ 14,387	\$ 261,140	\$ 140,972	\$ 7,740	\$ (20,000)	\$ (386,069)	\$ 18,170
1% Sales Tax Fund	1,100,654	118,299	-	40,215	(2,385)	(85,990)	1,170,793
Hospital Sales Tax Fund	373,137	110,164	-	-	-	(92,552)	390,750
Street Improv Dist 2017-1	(12,215)	634,350	-	-	-	(669,839)	(47,705)
Street Improvement 2017-2	-	-	-	-	-	(312,151)	(312,151)
Total Major Funds	\$ 1,475,964	\$ 1,123,953	\$ 140,972	\$ 47,955	\$ (22,385)	\$ (1,546,601)	\$ 1,219,856
Non-major Funds							
Library Fund	25,580	13,543	-	-	-	(20,576)	18,547
Municipal Highway Fund	61,425	84,820	22,862	-	-	(204,852)	(35,745)
Economic Development	14,362	4,960	-	-	-	(420)	18,902
Special Assessments	2,826	575	-	-	-	(456)	2,945
Special Assessments Deficiency	6,858	-	-	-	-	-	6,858
Funded Depreciation	96,511	47	20,000	-	(22,862)	-	93,697
Street Improv Dist 7	3,429	16,879	14,600	-	-	(34,350)	558
135th St Improv Dist 2013-1	225,173	180,960	-	-	-	(189,647)	216,486
Southview TIF	(10,210)	18,144	-	-	(7,934)	-	0
North Star TIF	(45,576)	26,466	-	-	-	(54,551)	(73,661)
N Star Improv Dist 2012-2	21,302	12,535	-	-	-	(10,338)	23,499
Water & Sewer Improv 2012-1	27,649	29,101	-	-	-	(22,529)	34,222
Community Development	-	50,333	-	-	-	(48,528)	1,805
Total Non-major Funds	\$ 429,329	\$ 438,362	\$ 57,462	\$ -	\$ (30,795)	\$ (586,247)	\$ 308,111
Total Governmental Funds	\$ 1,905,293	\$ 1,562,315	\$ 198,433	\$ 47,955	\$ (53,180)	\$ (2,132,848)	\$ 1,527,967
Enterprise Funds							
Major Funds							
Electric Fund	\$ 746,098	\$ 2,165,558	\$ 129,415	\$ 271	\$ (211,379)	\$ (2,011,416)	\$ 818,547
Water Fund	7,727,595	895,622	25,502	18,014	(82,663)	(958,648)	7,625,422
Garbage Fund	178,258	235,848	-	211	-	(236,907)	177,410
Sewer Fund	573,014	165,101	5,187	3,547	(5,864)	(95,125)	645,860
Total Major Funds	\$ 9,224,965	\$ 3,462,128	\$ 160,104	\$ 22,043	\$ (299,906)	\$ (3,302,095)	\$ 9,267,239
Non-major Funds							
Mosquito Spraying Fund	\$ 4,107	\$ 38,605	\$ -	\$ -	\$ -	\$ (7,877)	\$ 34,835
Depreciation Fund	161,449	-	45,000	536	(50,450)	-	156,536
Total Non-major Funds	\$ 165,556	\$ 38,605	\$ 45,000	\$ 536	\$ (50,450)	\$ (7,877)	\$ 191,370
Total Enterprise Funds	\$ 9,390,521	\$ 3,500,734	\$ 205,104	\$ 22,580	\$ (350,356)	\$ (3,309,973)	\$ 9,458,609
Agency Funds							
Joint Powers Reserve	\$ 86,514	\$ 17,890	\$ -	\$ 90	\$ -	\$ (10,318)	\$ 94,176
Total Agency Funds	\$ 86,514	\$ 17,890	\$ -	\$ 90	\$ -	\$ (10,318)	\$ 94,176
Component Units							
Airport	\$ 1,117,899	\$ 7,131	\$ -	\$ 527,504	\$ -	\$ (68,254)	\$ 1,584,280
Housing Authority	(44,884)	72,544	-	2,950	-	(88,661)	(58,052)
Total Component Units	\$ 1,073,015	\$ 79,675	\$ -	\$ 530,454	\$ -	\$ (156,915)	\$ 1,526,229
Total Reporting Entity	\$ 12,455,343	\$ 5,160,614	\$ 403,537	\$ 601,077	\$ (403,537)	\$ (5,610,054)	\$ 12,606,981

Accounting For Success

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER REPORTING
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMANCE IN
 ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
 City of Park River
 Park River, 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, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Park River, North Dakota’s basic financial statements and have issued our report thereon dated February 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Park River, North Dakota’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Park River, North Dakota’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Park River, North Dakota’s internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2017-1 and 2017-3, as described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2017-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Park River, North Dakota's financial statements are free from 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 Park River, North Dakota's Response to Findings

The City of Park River, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Park River, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Mortenson & Rygh
Park River, North Dakota
February 4, 2019

CITY OF PARK RIVER
Park River, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2017-1 Segregation of Duties

Condition:

The City of Park River, North Dakota has a limited number of office administrators for accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the City of Park River exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is limited segregation of duties due to the small number of personnel responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. One individual is responsible for issuing utility bills, receiving payments from customers, and making the bank deposit. This increases the risk of misstatement of the City of Park River's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the City of Park River.

Recommendation:

Due to the size and funding limitations of the entity, we understand that it is not feasible to obtain proper segregation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the City of Park River do so. We further recommend that the entity implement any controls possible to separate the functions of approval of posting of transactions, reconciliation of accounts, and custody of assets.

Client Response:

The city auditor agrees with the recommendation. The city council and mayor do approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the city council.

2017-2 **Financial Statement Preparation**

Condition:

Mortenson & Rygh assists the City's management in preparing financial statements and disclosures that are presented in accordance with the modified cash basis of accounting.

Effect:

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause:

The City's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with the modified cash basis of accounting.

Recommendation:

Due to the size and funding limitations of the entity, we understand that it is not feasible for the City to prepare its own financial statements. We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The City Council is aware of this condition, and will consider the risks and costs associated with the financial statement preparation. The City will continue to request that Mortenson & Rygh assist with preparation of financial statements.

2017-3 **Out of Balance Reconciliations of Cash and Interfund Activity**

Condition:

Several of the bank statement reconciliations of the City of Park River, North Dakota had errors, and several of the bank reconciliations did not balance with the City's balance sheet. Additionally, cash transfers and/or interfund activity received into the various funds did not match cash transfers out and/or interfund activity leaving the various funds. In several instances, activity that should have been reported as transfers or interfund loans was inaccurately coded revenues or expenditures, and activity that should have been reported as revenues or expenditures was inaccurately coded as transfers. Management did identify and correct all material errors before the issuance of our report.

Effect:

The City's ability to detect material misstatements to the financial statements in a timely manner could be adversely affected by the lack of accurate monthly or periodic bank reconciliations and interfund activity reconciliations. Prior to the correction of the bank reconciliations, cash and cash equivalents stated on the City's bookkeeping software was understated by \$21,802, so the City Council may have relied on misstated amounts while planning or making financial decisions. Interfund payables exceeded interfund receivables by \$308,050, so interfund activity was incorrectly posted to revenues or expenditures. Transfer receipts exceeded transfer disbursements by \$131,960, so transfer activity between the funds was incorrectly posted as revenues or expenditures.

Criteria:

A strong system of internal control includes timely and accurately prepared monthly or periodic financial statements. The financial statements are not accurately prepared if transfers, interfund activity, and cash reconciliations are out of balance.

Recommendation:

It is already the City's policy to reconcile all cash accounts on a monthly or periodic basis. We recommend that in addition to cash reconciliations, the City also implement a policy to reconcile all CD balances, transfers, and all interfund receivables and payables on a monthly basis.

Client Response:

Management has since reviewed and corrected the cash reconciliations and interfund activity for the audit year. A policy has been implemented to reconcile interfund activity on a monthly basis.