

**CITY OF MANDAN, NORTH DAKOTA
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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CITY OF MANDAN
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2018

Elected Officials

Tim Helbling	Mayor/President
Dennis Rohr	Vice President
Mike Braun	Commissioner
Amber Larson	Commissioner
Scott Davis	Commissioner
DeNae Kautzman	Municipal Judge

Appointed Officials

Malcolm Brown	City Attorney
Jim Neubauer	City Administrator
Ellen Huber	Business Development and Communications Director
Greg Welch	Finance
Kimberly Markley	Assessing
Justin Froseth	Planning and Engineering
Jason Ziegler	Police
Steve Nardello	Fire
Shawn Ouradnik	Building Inspection
Mitch Bitz	Public Works
Duane Friesz	Water Treatment
Steve Himmelspach	Wastewater Treatment

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of City Commissioners
City of Mandan
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, North Dakota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 17 to the financial statements, the 2017 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and schedules of required pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 Mandan, North Dakota's financial statements. The list of elected and appointed officials and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of elected and appointed officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal controls over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 16, 2019

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

As management of the City of Mandan, we offer readers of the City of Mandan's financial statements this narrative overview and analysis of the financial activities of the City of Mandan for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 16 - 70 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Mandan exceeded its liabilities at the close of the most recent fiscal year by \$163,686,773 (net position).
- The government's total net position increased by \$830,833 (0.51%) during the current fiscal year due to a decrease of \$1,832,171 from governmental activities and an increase of \$2,663,004 from business type activities.
- As of the close of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$19,602,976 an increase of \$747,200 (4%) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,867,661 which is 50% of total General Fund revenues and 35% of total General Fund expenditures.
- Revenue from all sources totaled \$33,197,064 which was a decrease of \$7,941,429 (19%) during the current fiscal year due to a decrease of \$9,155,524 from governmental activities and an increase of \$1,214,095 from business-type activities. Expenses from all activities totaled \$32,366,231 which was a decrease of \$14,495,280 (31%) during the current fiscal year due to a decrease of \$15,045,312 from governmental activities and an increase of \$550,032 from business-type activities.
- The City of Mandan's total capital assets decreased by \$3,602,151 (1.9%) during the current fiscal year due to a decrease of \$4,167,727 from governmental activities and an increase of \$565,576 from business-type activities.
- The City of Mandan's total debt decreased by \$7,198,671 (8%) during the current fiscal year due to a decrease of \$5,360,252 from governmental activities and a decrease of \$1,838,419 from business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mandan's basic financial statements. The City of Mandan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City of Mandan that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mandan include general government, public safety, public works, cemetery, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City of Mandan include the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority.

The government-wide financial statements can be found on pages 16 - 18 of this report.

Fund Financial Statements

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

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

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

The City of Mandan maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mandan adopts an annual appropriated budget for its governmental funds, except for capital projects funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

The basic governmental fund financial statements can be found on pages 19 - 22 of this report.

Proprietary Funds - The City of Mandan maintains two different types of proprietary funds. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide financial statements. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City of Mandan's various functions. The internal service fund is reported with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority which are considered major funds. The internal service fund is also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23 - 24 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mandan's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 - 28 of this report.

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

The notes to the financial statements can be found on pages 29 - 70 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 78 - 85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mandan, assets plus deferred outflows exceeded liabilities and deferred inflows by \$163,686,773 at the close of the most recent fiscal year.

The following table presents condensed financial information on the City's Net Position as of December 31, 2018 and December 31, 2017.

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

TABLE I
NET POSITION
December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	\$ 52,839,241	\$ 16,674,659	\$ 69,513,900
Capital Assets	92,247,567	91,650,433	183,898,000
	<u>145,086,808</u>	<u>108,325,092</u>	<u>253,411,900</u>
 DEFERRED OUTFLOWS	 902,115	 -	 902,115
 LIABILITIES			
Long-term Liabilities Outstanding	52,340,505	26,288,230	78,628,735
Other Liabilities	7,017,483	4,803,639	11,821,122
	<u>59,357,988</u>	<u>31,091,869</u>	<u>90,449,857</u>
 DEFERRED INFLOWS	 177,385	 -	 177,385
 NET POSITION			
Net investment in Capital Assets	70,882,941	66,387,107	137,270,048
Restricted	46,829,063	2,791,722	49,620,785
Unrestricted	(31,258,454)	8,054,394	(23,204,060)
	<u>\$ 86,453,550</u>	<u>\$ 77,233,223</u>	<u>\$ 163,686,773</u>

TABLE I
NET POSITION - AS RESTATED
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	\$ 55,319,290	\$ 16,239,713	\$ 71,559,003
Capital Assets	96,415,291	91,085,357	187,500,648
	<u>151,734,581</u>	<u>107,325,070</u>	<u>259,059,651</u>
 DEFERRED OUTFLOWS	 979,019.00	 -	 979,019
 LIABILITIES			
Long-term Liabilities Outstanding	57,789,847	28,222,207	86,012,054
Other Liabilities	6,636,689	4,532,644	11,169,333
	<u>64,426,536</u>	<u>32,754,851</u>	<u>97,181,387</u>
 DEFERRED INFLOWS	 144,714	 -	 144,714
 NET POSITION			
Net investment in Capital Assets	56,058,735	59,679,896	115,738,631
Restricted	48,486,289	2,759,403	51,245,692
Unrestricted	(16,259,303)	12,130,920	(4,128,383)
	<u>\$ 88,285,721</u>	<u>\$ 74,570,219</u>	<u>\$ 162,855,940</u>

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

A large portion of the City of Mandan's net position (84%) reflects its investment in capital assets (e.g., land, construction work in progress, buildings and improvements, buildings and infrastructure, and machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Mandan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mandan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City of Mandan's ratio of long-term liabilities to capital assets is 43%. The ratio reflects the City of Mandan's strategy of using current resources and cash balance to finance capital assets with the exception of special assessment districts.

An additional portion of the City of Mandan's net position (30%) represents resources that are subject to external restrictions on how they may be used.

As capital projects are finalized and closed, the majority of infrastructure improvements are financed through the issuance of bonds, which are then repaid through special assessments from the benefiting property owners. As the bonds are issued and special assessments are approved, then special assessments are recorded as receivables. However, many infrastructure projects remain open at year-end, resulting in a deficit net position amount.

The City of Mandan's ratio of total assets/total liabilities for the governmental activities is 2.45 and for the business-type activities is 3.48 which represents a strong capacity to meet current obligations.

The following table presents condensed financial information on the City's Changes in Net Position for the fiscal year ending December 31, 2018 and December 31, 2017.

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

Table II
Changes in Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,467,432	\$ 11,195,071	\$ 12,662,503
Operating Grants and Contributions	521,788	-	521,788
Capital Grants and Contributions	2,525,007	3,293,821	5,818,828
General Revenues:			
Property, Delinquent, Mobile Home Taxes	5,099,604	353,725	5,453,329
Cable TV Franchise Fees	334,084	-	334,084
State Aid Distribution	1,743,642	-	1,743,642
Cigarette Taxes	50,965	-	50,965
Gaming Taxes	12,167	-	12,167
Disabled Veterans Credit	37,151	-	37,151
Homestead Credit	79,019	-	79,019
Morton County E911 Fees	251,017	-	251,017
Telecommunications Taxes	82,220	-	82,220
Highway Tax Distribution	1,175,640	-	1,175,640
Occupancy Taxes	53,931	-	53,931
Oil and Gas Production Taxes	-	-	-
1% City Sales Taxes	2,205,049	-	2,205,049
0.75% City Sales Tax	1,653,787	-	1,653,787
Fire Insurance Taxes	152,250	-	152,250
Restaurant and Lodging Taxes	489,683	-	489,683
Interest	55,523	1,337	56,860
Sale of Meters and Parts	-	91,635	91,635
Other	151,245	77,319	228,564
Gain on Sale of Capital Assets	9,152	33,800	42,952
	<u>18,150,356</u>	<u>15,046,708</u>	<u>33,197,064</u>
Expenses:			
General Government	4,140,634	-	4,140,634
Public Safety	6,405,012	-	6,405,012
Public Works	6,232,960	-	6,232,960
Cemetery	195,765	-	195,765
Culture and Recreation	1,016,850	-	1,016,850
Urban Redevelopment and Housing	66,772	-	66,772
Economic Development and Assistance	680,703	-	680,703
Interest on Long-term Debt	1,725,425	-	1,725,425
Debt Service Charges and Costs	26,186	-	26,186
Water and Sewer Utility	-	8,092,718	8,092,718
Solid Waste Utility	-	2,399,535	2,399,535
Street Light Utility	-	454,600	454,600
Mandan Airport Authority	-	929,071	929,071
	<u>20,490,307</u>	<u>11,875,924</u>	<u>32,366,231</u>
Decrease in Net Position before Transfers	(2,339,951)	3,170,784	830,833
Transfers	507,780	(507,780)	-
Decrease in Net Position	<u>(1,832,171)</u>	<u>2,663,004</u>	<u>830,833</u>
Net Position - January 1 - As Restated	<u>88,285,721</u>	<u>74,570,219</u>	<u>162,855,940</u>
Net Position - December 31	<u>\$ 86,453,550</u>	<u>\$ 77,233,223</u>	<u>\$ 163,686,773</u>

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

Table II
Changes in Net Position - As Restated
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,827,145	\$ 11,229,599	\$ 13,056,744
Operating Grants and Contributions	621,755	-	621,755
Capital Grants and Contributions	11,460,094	2,124,946	13,585,040
General Revenues:			
Property, Delinquent, Mobile Home Taxes	4,061,853	313,588	4,375,441
Cable TV Franchise Fees	355,789	-	355,789
State Aid Distribution	1,485,728	-	1,485,728
Cigarette Taxes	52,738	-	52,738
Gaming Taxes	11,352	-	11,352
Disabled Veterans Credit	23,757	-	23,757
Homestead Credit	58,269	-	58,269
Morton County E911 Fees	217,519	-	217,519
Telecommunications Taxes	82,220	-	82,220
Highway Tax Distribution	1,156,670	-	1,156,670
Occupancy Taxes	55,143	-	55,143
Oil and Gas Production Taxes	1,000,000	-	1,000,000
1% City Sales Taxes	2,385,451	-	2,385,451
0.75% City Sales Tax	1,789,088	-	1,789,088
Fire Insurance Taxes	155,122	-	155,122
Restaurant and Lodging Taxes	457,190	-	457,190
Interest	24,585	357	24,942
Sale of Meters and Parts	-	93,094	93,094
Other	24,412	71,029	95,441
Gain on Sale of Capital Assets	-	-	-
	<u>27,305,880</u>	<u>13,832,613</u>	<u>41,138,493</u>
Expenses:			
General Government	3,474,187	-	3,474,187
Public Safety	6,015,471	-	6,015,471
Public Works	6,190,434	-	6,190,434
Cemetery	184,196	-	184,196
Culture and Recreation	17,227,589	-	17,227,589
Urban Redevelopment and Housing	61,666	-	61,666
Economic Development and Assistance	683,439	-	683,439
Interest on Long-term Debt	1,649,333	-	1,649,333
Debt Service Charges and Costs	49,304	-	49,304
Water and Sewer Utility	-	7,663,633	7,663,633
Solid Waste Utility	-	2,270,955	2,270,955
Street Light Utility	-	446,687	446,687
Mandan Airport Authority	-	944,617	944,617
	<u>35,535,619</u>	<u>11,325,892</u>	<u>46,861,511</u>
Decrease in Net Position before Transfers	(8,229,739)	2,506,721	(5,723,018)
Transfers	(24,816)	24,816	-
Decrease in Net Position	<u>(8,254,555)</u>	<u>2,531,537</u>	<u>(5,723,018)</u>
Net Position - January 1	<u>96,540,276</u>	<u>72,038,682</u>	<u>168,578,958</u>
Net Position - December 31	<u>\$ 88,285,721</u>	<u>\$ 74,570,219</u>	<u>\$ 162,855,940</u>

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

Governmental Activities

Governmental activities decreased the City of Mandan's net position by \$1,832,171 (2%). During the year, revenues decreased by \$9,155,524 (34%) primarily due to capital grants and contributions, and expenses decreased by \$15,465,633 (43%) primarily due to culture and recreation.

Business-type Activities

Business-type activities increased the City of Mandan's net position by \$2,663,004 (4%). During the year, revenues increased by \$1,214,095 (9%) primarily due to capital grants and contributions, and expenses increased by \$550,032 (5%) primarily due to the Water and Sewer Utility.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$19,602,976, an increase of \$747,200 in comparison with the prior year. Fund balances have been classified as follows: nonspendable \$311,875, restricted \$15,633,377, committed \$1,987,380 assigned \$1,127,228, and unassigned \$543,116.

The General Fund is the chief operating fund of the City of Mandan. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,867,661, while total fund balance reached \$4,565,215. The fund balance of the City of Mandan's General Fund increased by \$540,832 (13%) during the current fiscal year primarily due to the decrease in salaries and benefits.

Proprietary Funds

The City of Mandan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$8,054,394. The net position of the proprietary funds increased by \$2,663,004 (4%) during the current fiscal year primarily due to charges for services.

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were variances between the original and final amended budget as follows:

- \$32,546 increase in revenues or .4% of the original budget primarily due to miscellaneous and intergovernmental revenues.
- \$261,412 increase in expenditures or 2% of the original budget primarily due to public works.
- The original budget anticipated a decrease in fund balance by \$121,900.
- The net effect of the budget amendments was estimated to decrease fund balance by \$50,033.

During the year, revenues were more than budgetary estimates by \$152,280, expenditures were less than budgetary estimates by \$391,247 and other financing sources and uses were more than budgetary estimates by \$169,238, and ending fund balance exceeded budgetary estimates by \$712,765.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City of Mandan's net investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$137,270,048 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, buildings and improvements, buildings and infrastructure and machinery and equipment. The total decrease in capital assets during the current fiscal year was \$3,602,648 (1.92%) primarily due to depreciation and limited additions.

TABLE III
 Capital Assets (Net of Depreciation)
 December 31, 2018

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,549,558	\$ 693,105	\$ 4,242,663
Construction Work in Progress	2,402,178	3,136,671	5,538,849
Buildings and Improvements	5,183,055	-	5,183,055
Buildings and Infrastructure	80,443,661	87,121,958	167,565,619
Machinery and Equipment	669,115	698,700	1,367,815
Total	<u>\$ 92,247,567</u>	<u>\$ 91,650,434</u>	<u>\$ 183,898,001</u>

TABLE III
 Capital Assets (Net of Depreciation)
 December 31, 2017

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,861,062	\$ 693,105	\$ 4,554,167
Construction Work in Progress	7,052,465	3,683,617	10,736,082
Buildings and Improvements	5,386,625	-	5,386,625
Buildings and Infrastructure	79,103,104	85,676,391	164,779,495
Machinery and Equipment	1,012,035	1,032,244	2,044,279
Total	<u>\$ 96,415,291</u>	<u>\$ 91,085,357</u>	<u>\$ 187,500,648</u>

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

Additional information on the City of Mandan's capital assets can be found in Note 7 on pages 46 - 47 of this report.

Long-term Debt - At the end of the current fiscal year, the City of Mandan had total long-term debt outstanding of \$87,070,443. Of this amount, \$39,840,463 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The City of Mandan's revenue bonds are secured by city sales taxes, water and sewer revenue, and airport revenue. The total decrease in long-term debt during the current fiscal year was \$7,279,636 (8%) primarily due to a decrease in Special Assessment Bonds.

The City of Mandan has received an A1 bond rating from Moody's Investors Service. These ratings are consistent with previous ratings received from this agency. State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation, however, the City of Mandan is allowed to issue to 8% of its total assessed valuation. The City of Mandan has \$460,000 of outstanding general obligation debt.

Table IV
 Outstanding Debt
 December 31, 2018

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 559,757	\$ 170,822	\$ 730,579
Capital Lease	450,666	440,521	891,187
General Obligation Bonds	460,000	-	460,000
Special Assessments Bonds	35,525,003	4,315,460	39,840,463
Revenue Bonds	20,453,960	24,694,254	45,148,214
Total	<u>\$ 57,449,386</u>	<u>\$ 29,621,057</u>	<u>\$ 87,070,443</u>

Table IV
 Outstanding Debt
 December 31, 2017

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 393,515	\$ 134,980	\$ 528,495
Capital Lease	532,751	521,486	1,054,237
General Obligation Bonds	505,000	-	505,000
Special Assessments Bonds	39,823,805	5,301,615	45,125,420
Revenue Bonds	21,554,567	24,832,464	46,387,031
Loans	-	749,896	749,896
Total	<u>\$ 62,809,638</u>	<u>\$ 31,540,441</u>	<u>\$ 94,350,079</u>

Additional information on the City of Mandan's long-term debt can be found in Note 9 on pages 49 - 56 of this report.

CITY OF MANDAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For budgetary purposes, the City of Mandan requires a 17 percent fund balance reserve of operations and maintenance expenditures for the General Fund and Cemetery Fund, and a 25 percent fund balance reserve of operations and maintenance expenditures for the Water and Sewer Utility Fund, Solid Waste Utility Fund, and Street Light Utility Fund. The City also requires a \$500,000 fund balance reserve for the City Sales Tax Fund and a 17 percent fund balance reserve of restaurant and lodging tax revenues for the City Visitors' Promotion Capital Construction Fund.
- The City of Mandan's 2% city occupancy tax revenues decreased by \$1,212 or 2% in comparison with the prior year.
- The City of Mandan's 1% city restaurant and lodging tax revenues increased by \$32,493 or 7% in comparison with the prior year.
- The City of Mandan's taxable sales and purchases decreased by \$956,640 or 0.4% in comparison with the prior year, and the 1% city sales tax revenues decreased by \$180,402 or 7.6% in comparison with the prior year.
- The City of Mandan's Water and Sewer Utility Fund indicated a decrease in the total gallons of water sold by 45,661,399 gallons or 4.5% in comparison with the prior year. The total gallons of sewer treated increased by 183,275 gallons or 0% in comparison with the prior year.
- The City of Mandan's Solid Waste Utility Fund indicated an increase in the tons of garbage hauled from the transfer station by 47 tons or 0.6% in comparison with the prior year. Inert material received at the landfill decreased by 4,291 tons or 32.7% in comparison with the prior year.
- The City of Mandan's taxable valuation increased by \$6,787,954 or 7.8% in comparison with the prior year. The City of Mandan's share of 1 mill is 24% percent. For the 2019 Budget, the annual decrease in property taxes for an existing \$250,000 residential home with an average valuation increase of zero (Board of Equalization), excluding special assessments, is projected to be \$23.
- For the 2019 Budget, the City of Mandan increased the monthly water and sewer base rates by \$1.45. The City did not increase monthly water and sewer service rates. The City increased the solid waste base right by \$.05 per month per family living unit. The City increased the monthly curbside recycling rate by \$.20 month, per family living unit. The City did not change the street light base rates.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Mandan's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 205 2nd Avenue NW, City of Mandan, ND 58554 or visit the City's web site at www.cityofmandan.com.

CITY OF MANDAN
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,888,649	\$ 7,204,765	\$ 17,093,414
Investments	5,500,000	-	5,500,000
Taxes Receivable	215,289	14,864	230,153
Accounts Receivable (net of allowance)	1,737,097	1,859,836	3,596,933
Special Assessments Receivable	33,341,818	4,226,667	37,568,485
Loans Receivable (net of allowance)	314,479	-	314,479
Internal Balances	(186,308)	186,308	-
Due from Agency Fund	3,279	-	3,279
Inventories	16,284	219,799	236,083
Prepaid Expenses	45,581	60,571	106,152
Restricted Assets:			
Cash and Cash Equivalents	1,963,073	2,901,849	4,864,922
Capital Assets, not being depreciated:			
Land	3,549,558	693,105	4,242,663
Construction Work in Progress	2,402,178	3,136,671	5,538,849
Capital Assets (net of depreciation):			
Buildings and Improvements	5,183,055	-	5,183,055
Buildings and Infrastructure	80,443,661	87,121,957	167,565,618
Machinery and Equipment	669,115	698,700	1,367,815
Total Assets	<u>145,086,808</u>	<u>108,325,092</u>	<u>253,411,900</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	878,716	-	878,716
Deferred Outflows - OPEB	23,399	-	23,399
Total deferred outflows of resources	<u>902,115</u>	<u>-</u>	<u>902,115</u>

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Salaries and Benefits Payable	\$ 181,344	\$ 49,677	\$ 231,021
Accounts Payable	792,501	992,746	1,785,247
Retainage Payable	45,559	128,551	174,110
Prepaid Revenues	72,009	64,384	136,393
Interest Payable	394,861	235,456	630,317
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences	161,788	75,610	237,398
Capital Lease Payable	262,348	83,871	346,219
General Obligation Bonds Payable	50,000	-	50,000
Special Assessments Bonds Payable, net of premium	4,476,466	892,028	5,368,494
Revenue Bonds Payable	580,607	2,226,316	2,806,923
Loans Payable	-	55,000	55,000
Due After One Year:			
Compensated Absences	397,969	95,210	493,179
Capital Lease Payable	188,318	356,650	544,968
General Obligation Bonds Payable	410,000	-	410,000
Special Assessments Bonds Payable, net of premium	31,048,537	3,423,432	34,471,969
Revenue Bonds Payable, net of premium	19,873,353	21,261,396	41,134,749
Loans Payable	-	1,151,542	1,151,542
Net Pension Liability	290,599	-	290,599
Net OPEB Liability	131,729	-	131,729
Total Liabilities	<u>59,357,988</u>	<u>31,091,869</u>	<u>90,449,857</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	171,009	-	171,009
Deferred Inflows - OPEB	6,376	-	6,376
Total deferred outflows of resources	<u>177,385</u>	<u>-</u>	<u>177,385</u>
NET POSITION			
Net investment in Capital Assets	70,882,941	66,387,107	137,270,048
Restricted for:			
Public Works	3,255,003	-	3,255,003
Culture and Recreation	2,143,446	-	2,143,446
Urban Redevelopment and Housing	81,703	-	81,703
Economic Development and Assistance	2,603,543	-	2,603,543
Debt Service	36,751,399	2,791,722	39,543,121
Capital Projects	1,892,339	-	1,892,339
Unrestricted	<u>(31,258,454)</u>	<u>8,054,394</u>	<u>(23,204,060)</u>
Total Net Position	<u>\$ 86,453,550</u>	<u>\$ 77,233,223</u>	<u>\$ 163,686,773</u>

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 4,140,634	\$ 942,504	\$ 39,221	\$ -	\$ (3,158,909)		\$ (3,158,909)
Public Safety	6,405,012	209,170	158,239	5,500	(6,032,103)		(6,032,103)
Public Works	6,232,960	182,503	2,020	2,498,701	(3,549,736)		(3,549,736)
Cemetery	195,765	64,550	100	-	(131,115)		(131,115)
Culture and Recreation	1,016,850	27,871	279,113	20,806	(689,060)		(689,060)
Urban Redevelopment and Housing	66,772	2,400	10,000	-	(54,372)		(54,372)
Economic Development and Assistance	680,703	38,434	33,095	-	(609,174)		(609,174)
Interest on Long-term Debt	1,725,425	-	-	-	(1,725,425)		(1,725,425)
Debt Service Charges and Costs	26,186	-	-	-	(26,186)		(26,186)
Total Governmental Activities	20,490,307	1,467,432	521,788	2,525,007	\$ (15,976,080)		\$ (15,976,080)
Business-type Activities:							
Water and Sewer Utility	8,092,718	8,005,457	-	2,727,130		\$ 2,639,869	\$ 2,639,869
Solid Waste Utility	2,399,535	2,370,875	-	-		(28,660)	(28,660)
Street Light Utility	454,600	442,269	-	-		(12,331)	(12,331)
Mandan Airport Authority	929,071	376,470	-	566,691		14,090	14,090
Total Business-type Activities	11,875,924	11,195,071	-	3,293,821		\$ 2,612,968	\$ 2,612,968
Total Primary Government	\$ 32,366,231	\$ 12,662,503	\$ 521,788	\$ 5,818,828	\$ (15,976,080)	\$ 2,612,968	\$ (13,363,112)
General Revenues							
Property, Delinquent, Mobile Home Taxes	\$ 5,099,604	\$ 353,725	\$ 5,453,329				
Cable TV Franchise Fees	334,084	-	334,084				
State Aid Distribution	1,743,642	-	1,743,642				
Cigarette Taxes	50,965	-	50,965				
Gaming Taxes	12,167	-	12,167				
Disabled Veterans Credit	37,151	-	37,151				
Homestead Credit	79,019	-	79,019				
Morton County E911 Fees	251,017	-	251,017				
Telecommunications Taxes	82,220	-	82,220				
Highway Tax Distribution	1,175,640	-	1,175,640				
Occupancy Taxes	53,931	-	53,931				
City 1% Sales Taxes	2,205,049	-	2,205,049				
City 0.75% Sales Tax	1,653,787	-	1,653,787				
Fire Insurance Taxes	152,250	-	152,250				
Restaurant and Lodging Taxes	489,683	-	489,683				
Interest	55,523	1,337	56,860				
Sale of Meters and Parts	-	91,635	91,635				
Other	151,245	77,319	228,564				
Gain on Sale of Capital Assets	9,152	33,800	42,952				
Transfers	507,780	(507,780)	-				
Total General Revenues, Gain (Loss) on Sale of Capital Assets, and Transfers	\$ 14,143,909	\$ 50,036	\$ 14,193,945				
Change in Net Position	(1,832,171)	2,663,004	830,833				
Net Position - beginning of year	87,865,400	74,570,219	162,435,619				
Prior period adjustment (see Note 17)	420,321	-	420,321				
Net position - beginning of year, restated	88,285,721	74,570,219	162,855,940				
Net Position - December 31	\$ 86,453,550	\$ 77,233,223	\$ 163,686,773				

See Notes to the Financial Statements

CITY OF MANDAN
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Cemetery</u>	<u>1% City Sales Tax/ Mandan Growth</u>	<u>Morton Mandan Public Library</u>	<u>Refunding Improvement Bonds</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and Cash Equivalents	311,763	\$ 109,566	\$ 542,329	\$ 580,167	\$ 2,787,950	\$ 5,556,874	\$ 9,888,649
Investments	4,000,000	-	1,500,000	-	-	-	5,500,000
Taxes Receivable	169,577	7,433	-	21,984	1,928	14,367	215,289
Accounts Receivable (net of allowance)	667,951	-	398,324	-	-	658,809	1,725,084
Special Assessments Receivable	52,134	-	-	-	32,787,791	501,893	33,341,818
Loans Receivable (net of allowance)	-	-	314,479	-	-	-	314,479
Interfund Receivable	376,500	-	740,953	91,317	1,371,400	535,220	3,115,390
Due from Agency Funds	3,279	-	-	-	-	-	3,279
Prepaid Expenses	27,253	206	4,202	10,604	-	3,316	45,581
Cash and Cash Equivalents-Restricted	29,087	-	-	-	-	1,933,986	1,963,073
Total Assets	<u>\$ 5,637,544</u>	<u>\$ 117,205</u>	<u>\$ 3,500,287</u>	<u>\$ 704,072</u>	<u>\$ 36,949,069</u>	<u>\$ 9,204,465</u>	<u>\$ 56,112,642</u>
LIABILITIES							
Salaries and Benefits Payable	\$ 164,505	\$ 2,167	\$ 3,059	\$ 10,243	\$ -	\$ 1,370	\$ 181,344
Accounts Payable	542,761	2,928	62,854	11,865	1,000	159,954	781,362
Retainage Payable	-	-	8,000	-	-	37,559	45,559
Interfund Payable	91,317	-	-	-	-	3,206,772	3,298,089
Prepaid Revenue	71,919	-	-	-	-	90	72,009
Total Liabilities	<u>870,502</u>	<u>5,095</u>	<u>73,913</u>	<u>22,108</u>	<u>1,000</u>	<u>3,405,745</u>	<u>4,378,363</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes	150,157	6,446	-	19,165	1,675	12,478	189,921
Unavailable Revenue-Special Assessments	45,003	-	-	-	31,393,159	474,377	31,912,539
Unavailable Revenue-Revenue not Collected within 60 days	6,667	-	-	-	-	22,176	28,843
Total Deferred Inflows of Resources	<u>201,827</u>	<u>6,446</u>	<u>-</u>	<u>19,165</u>	<u>31,394,834</u>	<u>509,031</u>	<u>32,131,303</u>
FUND BALANCES							
Nonspendable:							
Loans Receivable	-	-	266,294	-	-	-	266,294
Prepaid Items	27,253	206	4,202	10,604	-	3,316	45,581
Restricted for:							
Public Safety	-	-	-	-	-	101,630	101,630
Public Works	-	-	-	-	-	3,255,003	3,255,003
Culture and Recreation	-	-	-	-	-	2,143,446	2,143,446
Urban Redevelopment and Housing	-	-	-	-	-	81,703	81,703
Economic Development and Assistance	-	-	2,603,543	-	-	-	2,603,543
Debt Service	-	-	-	-	5,553,235	195,453	5,748,688
Capital Projects	-	-	-	-	-	1,699,364	1,699,364
Committed for:							
General Government	-	-	-	-	-	541,398	541,398
Public Safety	59,501	-	-	-	-	323,461	382,962
Cemetery	-	105,458	-	-	-	-	105,458
Culture and Recreation	-	-	-	135,767	-	-	135,767
Urban Redevelopment and Housing	-	-	-	-	-	269,460	269,460
Economic Development and Assistance	-	-	552,335	-	-	-	552,335
Assigned for:							
Culture and Recreation	-	-	-	516,428	-	-	516,428
Subsequent Year's Budget:							
Appropriation of Fund Balance	610,800	-	-	-	-	-	610,800
Unassigned	3,867,661	-	-	-	-	(3,324,545)	543,116
Total Fund Balances	<u>4,565,215</u>	<u>105,664</u>	<u>3,426,374</u>	<u>662,799</u>	<u>5,553,235</u>	<u>5,289,689</u>	<u>19,602,976</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,637,544</u>	<u>\$ 117,205</u>	<u>\$ 3,500,287</u>	<u>\$ 704,072</u>	<u>\$ 36,949,069</u>	<u>\$ 9,204,465</u>	<u>\$ 56,112,642</u>

See Notes to the Financial Statements

CITY OF MANDAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances for Governmental Funds \$ 19,602,976

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

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

Land	3,549,558	
Buildings and Improvements (net of depreciation)	5,183,055	
Buildings and Infrastructure (net of depreciation)	80,443,661	
Machinery and Equipment (net of depreciation)	669,115	
Construction Work in Progress	2,402,178	
Total Capital Assets	<u>92,247,567</u>	92,247,567

The net pension liability is not due and payable in the current period and therefore is not reported in the funds. Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources	878,716	
Deferred inflows of resources	(171,009)	
Net pension liability	<u>(290,599)</u>	417,108

The net OPEB liability is not due and payable in the current period and therefore is not reported in the funds. Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources	23,399	
Deferred inflows of resources	(6,376)	
Net OPEB liability	<u>(131,729)</u>	(114,706)

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Unavailable Revenue-Property Taxes	189,921	
Unavailable Revenue-Special Assessments	31,912,539	
Unavailable Revenue-Revenue not Collected within 60 Days	28,843	
Total Long-term Assets	<u>32,131,303</u>	32,131,303

Internal service fund is used by management to charge the costs of certain activities, such as fuel, and equipment repairs and maintenance services, to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

13,549

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

Interest Payable	(394,861)	
Compensated Absences	(559,757)	
Capital Lease Obligation	(450,666)	
General Obligation Bonds Payable	(460,000)	
Special Assessments Bonds Payable, Net of Premium	(35,525,003)	
Revenue Bonds Payable, net of premium	(20,453,960)	
Total Long-term Liabilities	<u>(57,844,247)</u>	(57,844,247)

Total Net Position of Governmental Activities \$ 86,453,550

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Cemetery	1% City Sales Tax/ Mandan Growth	Morton Mandan Public Library	Refunding Improvement Bonds	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 4,035,904	\$ 167,096	\$ 2,205,049	\$ 470,363	\$ 42,756	\$ 2,516,529	\$ 9,437,697
Licenses and Permits	775,373	-	-	-	-	-	775,373
Intergovernmental	2,271,256	3,856	3,500	252,073	984	1,350,066	3,881,735
Charges for Services	193,615	41,450	-	12,931	-	262,376	510,372
Fines and Forfeits	283,462	-	-	5,549	-	-	289,011
Special Assessments	34,878	-	-	-	5,419,335	235,403	5,689,616
Interest	53,965	-	-	622	-	763	55,350
Cemetery Lots	-	23,100	-	-	-	-	23,100
Rent	4,000	-	7,850	32,286	-	32,984	77,120
Donations	-	-	-	-	-	107,546	107,546
Miscellaneous	61,873	100	46,543	45,267	-	100,475	254,258
Total Revenues	7,714,326	235,602	2,262,942	819,091	5,463,075	4,606,142	21,101,178
EXPENDITURES							
Current:							
General Government	2,859,498	-	-	-	-	262,156	3,121,654
Public Safety	6,027,729	-	-	-	-	119,141	6,146,870
Public Works	1,577,549	-	-	-	-	121,593	1,699,142
Cemetery	-	190,412	-	-	-	-	190,412
Culture and Recreation	-	-	45,000	719,405	-	197,893	962,298
Urban Redevelopment and Housing	-	-	-	-	-	61,352	61,352
Economic Development and Assistance	-	-	680,703	-	-	-	680,703
Debt Service:							
Principal	29,505	-	-	-	4,592,006	1,177,580	5,799,091
Interest	10,588	-	-	-	1,057,575	707,561	1,775,724
Service Charges	-	-	-	-	17,822	5,282	23,104
Issuance Costs	-	-	-	-	3,082	-	3,082
Capital Outlay	462,746	-	63,959	-	-	741,978	1,268,683
Total Expenditures	10,967,615	190,412	789,662	719,405	5,670,485	3,394,536	21,732,115
Excess (Deficiency) of Revenues Over (Under) Expenditures							
	(3,253,289)	45,190	1,473,280	99,686	(207,410)	1,211,606	(630,937)
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	9,152	-	-	-	-	-	9,152
Sale of Bonds	-	-	-	-	-	322,896	322,896
Transfers In	3,884,348	26,288	-	-	37,539	327,258	4,275,433
Transfers Out	(99,379)	-	(1,629,721)	-	(264,927)	(1,783,484)	(3,777,511)
Total Other Financing Sources and Uses	3,794,121	26,288	(1,629,721)	-	(227,388)	(1,133,330)	829,970
Net Change in Fund Balances	540,832	71,478	(156,441)	99,686	(434,798)	78,276	199,033
Fund Balances - beginning of year	4,024,383	34,186	3,582,815	455,113	5,988,033	4,771,246	18,855,776
Prior period adjustment - see note 17	-	-	-	108,000	-	440,167	548,167
Fund Balances - beginning of year, restated	4,024,383	34,186	3,582,815	563,113	5,988,033	5,211,413	19,403,943
Fund Balances - December 31	\$ 4,565,215	\$ 105,664	\$ 3,426,374	\$ 662,799	\$ 5,553,235	\$ 5,289,689	\$ 19,602,976

CITY OF MANDAN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances-Total Governmental Funds \$ 199,033

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	1,268,683	
Depreciation	<u>(5,014,533)</u>	
Total		(3,745,850)

Various capital asset transactions effecting net position:

Contributions of Capital Assets	46,632	
Sale of Capital Assets	<u>(421,877)</u>	
Total		(375,245)

Changes to the net pension liability and OPEB liability and pension and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (148,722)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Taxes Receivable (net)	64,356	
Intergovernmental	26,215	
Special Assessments Receivable (net)	<u>(3,237,549)</u>	
Total		(3,146,978)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Sale of Bonds	(322,896)	
Amortization of Bond Premiums	50,299	
Debt Service-Principal	<u>5,799,091</u>	
Total		5,526,494

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

Interest Payable (net)	24,838	
Compensated Absences (net)	<u>(166,242)</u>	
Total		(141,404)

Internal service fund is used by management to charge the costs of certain activities such as fuel, and equipment repairs and maintenance services, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 501

Change in Net Position of Governmental Activities \$ (1,832,171)

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 3,814,150	\$ 2,242,760	\$ 505,975	\$ 641,880	\$ 7,204,765	\$ -
Taxes Receivable	-	-	-	14,864	14,864	-
Accounts Receivable (net of allowance)	1,577,870	227,307	46,954	7,705	1,859,836	12,013
Special Assessments Receivable	4,226,667	-	-	-	4,226,667	-
Interfund Receivable	337,825	-	-	-	337,825	-
Inventories	137,947	37,164	-	44,688	219,799	16,284
Prepaid Expenses	51,544	1,652	10	7,365	60,571	-
Total Current Assets	<u>10,146,003</u>	<u>2,508,883</u>	<u>552,939</u>	<u>716,502</u>	<u>13,924,327</u>	<u>28,297</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	2,791,722	-	-	110,127	2,901,849	-
Capital Assets not being Depreciated:						
Land	162,974	88,360	-	441,771	693,105	-
Construction Work in Progress	2,483,707	-	-	652,964	3,136,671	-
Capital Assets (net of depreciation):						
Buildings and Infrastructure	76,332,243	487,450	-	10,302,264	87,121,957	-
Machinery and Equipment	251,965	292,062	21,801	132,872	698,700	-
Total Capital Assets	<u>79,230,889</u>	<u>867,872</u>	<u>21,801</u>	<u>11,529,871</u>	<u>91,650,433</u>	<u>-</u>
Total Noncurrent Assets	<u>82,022,611</u>	<u>867,872</u>	<u>21,801</u>	<u>11,639,998</u>	<u>94,552,282</u>	<u>-</u>
Total Assets	<u>92,168,614</u>	<u>3,376,755</u>	<u>574,740</u>	<u>12,356,500</u>	<u>108,476,609</u>	<u>28,297</u>
LIABILITIES						
Current Liabilities:						
Salaries and Benefits Payable	39,446	8,691	1,540	-	49,677	-
Accounts Payable	718,352	190,566	28,590	55,238	992,746	11,139
Compensated Absences	57,395	12,431	2,049	3,735	75,610	-
Retainage Payable	128,551	-	-	-	128,551	-
Interfund Payable	144,325	-	-	7,192	151,517	3,609
Interest Payable	222,108	8,657	-	4,691	235,456	-
Prepaid Revenue	-	-	-	64,384	64,384	-
Special Assessments Bonds Payable with Governmental Commitment	892,028	-	-	-	892,028	-
Revenue Bonds Payable	2,132,000	-	-	94,316	2,226,316	-
Capital Lease Payable	-	83,871	-	-	83,871	-
Loans Payable	55,000	-	-	-	55,000	-
Total Current Liabilities	<u>4,389,205</u>	<u>304,216</u>	<u>32,179</u>	<u>229,556</u>	<u>4,955,156</u>	<u>14,748</u>
Noncurrent Liabilities:						
Compensated Absences	59,861	22,154	3,334	9,861	95,210	-
Special Assessments Bonds Payable with Governmental Commitment	3,423,432	-	-	-	3,423,432	-
Revenue Bonds Payable	21,028,000	-	-	233,396	21,261,396	-
Capital Lease Payable	-	356,650	-	-	356,650	-
Loans Payable	1,151,542	-	-	-	1,151,542	-
Total Noncurrent Liabilities	<u>25,662,835</u>	<u>378,804</u>	<u>3,334</u>	<u>243,257</u>	<u>26,288,230</u>	<u>-</u>
Total Liabilities	<u>30,052,040</u>	<u>683,020</u>	<u>35,513</u>	<u>472,813</u>	<u>31,243,386</u>	<u>14,748</u>
NET POSITION						
Net investment in Capital Assets	54,735,796	427,351	21,801	11,202,159	66,387,107	-
Restricted for Debt Service	2,791,722	-	-	-	2,791,722	-
Unrestricted	4,589,056	2,266,384	517,426	681,528	8,054,394	13,549
Total Net Position	<u>\$ 62,116,574</u>	<u>\$ 2,693,735</u>	<u>\$ 539,227</u>	<u>\$ 11,883,687</u>	<u>\$ 77,233,223</u>	<u>\$ 13,549</u>

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport	Total	
Operating Revenues:						
Charges for Services:	8,005,457	2,370,875	442,269	376,470	\$ 11,195,071	162,170
Total Operating Revenues	<u>8,005,457</u>	<u>2,370,875</u>	<u>442,269</u>	<u>376,470</u>	<u>11,195,071</u>	<u>162,170</u>
Operating Expenses:						
Salaries and Benefits	1,897,397	465,526	74,447	93,800	2,531,170	-
Professional Fees and Services	85,431	1,550,688	338	4,126	1,640,583	-
Insurance	43,575	7,157	501	10,089	61,322	-
Rentals	150	-	-	-	150	-
Travel and Training	5,762	246	-	3,794	9,802	-
Utilities	565,518	14,773	210,436	26,983	817,710	73,629
Publishing and Printing	2,199	1,486	-	2,906	6,591	-
Dues and Memberships	2,270	250	-	1,865	4,385	-
Supplies and Maintenance	388,988	52,883	3,270	229,233	674,374	92,084
Repairs and Maintenance	221,409	48,116	99,784	10,675	379,984	5,814
Depreciation	3,379,365	214,140	9,529	511,413	4,114,447	-
Miscellaneous	7,389	-	-	15,217	22,606	-
Total Operating Expenses	<u>6,599,453</u>	<u>2,355,265</u>	<u>398,305</u>	<u>910,101</u>	<u>10,263,124</u>	<u>171,527</u>
Operating Income (Loss)	<u>1,406,004</u>	<u>15,610</u>	<u>43,964</u>	<u>(533,631)</u>	<u>931,947</u>	<u>(9,357)</u>
Nonoperating Revenues (Expenses):						
Taxes	6,645	-	-	347,080	353,725	-
Intergovernmental	2,563,051	-	-	566,691	3,129,742	-
Special Assessments	164,079	-	-	-	164,079	-
Interest	-	-	-	1,337	1,337	-
Sale of Meters and Parts	91,635	-	-	-	91,635	-
Miscellaneous	52,995	1,494	17,944	4,886	77,319	-
Gain on sale of capital assets	-	-	-	33,800	33,800	-
Capital Outlay (non-capitalized)	(604,829)	(28,142)	(56,295)	-	(689,266)	-
Debt Service:						
Interest	(755,161)	(16,128)	-	(18,970)	(790,259)	-
Service Charges	(128,233)	-	-	-	(128,233)	-
Issuance Costs	(5,042)	-	-	-	(5,042)	-
Total Nonoperating Revenues (Expenses)	<u>1,385,140</u>	<u>(42,776)</u>	<u>(38,351)</u>	<u>934,824</u>	<u>2,238,837</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	2,791,144	(27,166)	5,613	401,193	3,170,784	(9,357)
Transfers In	18,502	24,508	79,912	-	122,922	9,858
Transfers Out	(630,702)	-	-	-	(630,702)	-
Change in Net Position	<u>2,178,944</u>	<u>(2,658)</u>	<u>85,525</u>	<u>401,193</u>	<u>2,663,004</u>	<u>501</u>
Net Position - Beginning of Year	59,937,630	2,696,393	453,702	11,482,494	74,570,219	13,048
Net Position - End of Year	<u>\$ 62,116,574</u>	<u>\$ 2,693,735</u>	<u>\$ 539,227</u>	<u>\$ 11,883,687</u>	<u>\$ 77,233,223</u>	<u>\$ 13,549</u>

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 7,122,286	\$ 2,373,550	\$ 455,244	\$ 386,481	\$ 10,337,561	\$ -
Receipts from Interfund Services Provided	-	-	-	-	-	159,288
Payments to Employees	(1,862,882)	(458,514)	(74,189)	(92,562)	(2,488,147)	(1,303)
Payments to Suppliers	(1,156,581)	(1,649,792)	(332,715)	(305,848)	(3,444,936)	(164,663)
Net Cash Provided (Used) by Operating Activities	<u>4,102,823</u>	<u>265,244</u>	<u>48,340</u>	<u>(11,929)</u>	<u>4,404,478</u>	<u>(6,678)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes	6,645	-	-	334,235	340,880	-
Intergovernmental	-	-	-	13,410	13,410	-
Sale of Meters and Parts	91,635	-	-	-	91,635	-
Miscellaneous Receipts	52,995	1,494	17,944	4,886	77,319	-
Transfers In	18,502	24,508	79,912	-	122,922	9,858
Interfund Receivable	17,780	-	-	-	17,780	-
Interfund Payable	(14,388)	-	-	(2,723)	(17,111)	(3,457)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>173,169</u>	<u>26,002</u>	<u>97,856</u>	<u>349,808</u>	<u>646,835</u>	<u>6,401</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental	3,342,145	70	-	549,151	3,891,366	277
Special Assessments	975,837	-	-	-	975,837	-
Proceeds from Capital Debt	1,334,927	-	-	-	1,334,927	-
Purchases of Capital Assets	(3,976,601)	(15,300)	-	(719,919)	(4,711,820)	-
Sale of Capital Assets	43,494	-	-	67,600	111,094	-
Principal Paid on Capital Debt	(3,724,265)	(109,106)	(56,295)	(89,752)	(3,979,418)	-
Interest Paid on Capital Debt	(775,606)	(17,726)	-	(20,375)	(813,707)	-
Service Charges Paid on Capital Debt	(128,233)	-	-	-	(128,233)	-
Miscellaneous Paid on Capital Debt	(5,042)	-	-	-	(5,042)	-
Transfers Out	(630,702)	-	-	-	(630,702)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,544,046)</u>	<u>(142,062)</u>	<u>(56,295)</u>	<u>(213,295)</u>	<u>(3,955,698)</u>	<u>277</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	-	-	-	1,337	1,337	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337</u>	<u>1,337</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>731,946</u>	<u>149,184</u>	<u>89,901</u>	<u>125,921</u>	<u>1,096,952</u>	<u>-</u>
Cash and Cash Equivalents - January 1	<u>5,873,926</u>	<u>2,093,576</u>	<u>416,074</u>	<u>626,086</u>	<u>9,009,662</u>	<u>-</u>
Cash and Cash Equivalents - December 31	<u>\$ 6,605,872</u>	<u>\$ 2,242,760</u>	<u>\$ 505,975</u>	<u>\$ 752,007</u>	<u>\$ 10,106,614</u>	<u>\$ -</u>

CITY OF MANDAN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Water and Sewer Utility</u>	<u>Solid Waste Utility</u>	<u>Street Light Utility</u>	<u>Mandan Airport</u>		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,406,004	\$ 15,610	\$ 43,964	\$ (533,631)	\$ 931,947	\$ (9,357)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	3,379,365	214,140	9,529	511,413	4,114,447	-
Effect on cash flows due to changes in:						
Accounts Receivable (net)	(883,171)	2,675	12,975	384	(867,137)	(2,882)
Inventories	(32,680)	(21,858)	-	(11,111)	(65,649)	1,137
Prepaid Expenses	18,633	(41)	-	1,584	20,176	-
Salaries and Benefits Payable	6,244	774	165	-	7,183	(1,303)
Compensated Absences	28,271	6,238	93	1,238	35,840	-
Accounts Payable	180,157	47,706	(18,386)	8,567	218,044	5,727
Prepaid Revenues	-	-	-	9,627	9,627	-
Total Adjustments	<u>2,696,819</u>	<u>249,634</u>	<u>4,376</u>	<u>521,702</u>	<u>3,472,531</u>	<u>2,679</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,102,823</u>	<u>\$ 265,244</u>	<u>\$ 48,340</u>	<u>\$ (11,929)</u>	<u>\$ 4,404,478</u>	<u>\$ (6,678)</u>

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	Employee Retirement Plan and Trust Fund	Private- Purpose Trust	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 8,753	\$ 33,880
Investments, at fair value:			
Mutual Funds	7,365,108	-	-
Accounts Receivable (net of allowance)	-	-	5,372
Total Assets	\$ 7,365,108	\$ 8,753	\$ 39,252
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 8,309
Due to Primary Government	-	-	3,279
Due to Other Governments	-	-	27,664
Total Liabilities	-	-	\$ 39,252
NET POSITION			
Held in Trust for Pension Benefits	7,365,108	-	
Held in Trust for Police Department	-	8,753	
Total Net Position	\$ 7,365,108	\$ 8,753	

See Notes to the Financial Statements

CITY OF MANDAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Employee Retirement Plan and Trust	Private- Purpose Trust
ADDITIONS		
Contributions:		
Employer Contributions	\$ 550,802	\$ -
Investment Earnings:		
Net Increase (Decrease) in Fair Value of Investments	(305,532)	-
Total Additions	245,270	-
DEDUCTIONS		
Benefits	718,237	500
Total Deductions	718,237	500
Change in Net Position	(472,967)	(500)
Net Position - January 1	7,838,075	9,253
Net Position - December 31	\$ 7,365,108	\$ 8,753

See Notes to the Financial Statements

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mandan, North Dakota, is a municipal corporation governed by an elected mayor and four-member commission, and operates under a Home Rule Charter. The City has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are as follows:

Financial Reporting Entity

For financial reporting purposes, the City has included all funds and activities that make up its legal entity. The City has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

These component units are entities that are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate fund types.

Morton Mandan Public Library (Governmental Fund Type) - The Morton Mandan Public Library serves all the citizens of the City and is governed by a board which is appointed by the City's commission. The City is financially accountable for the Library because the City's commission approves the Library's budget, levies taxes, and must approve any debt issuances.

Mandan Airport Authority (Proprietary Fund Type) - The Mandan Airport Authority manages the local airport facility. The Authority is governed by a board which is appointed by the City's commission. The City is financially accountable for the Airport because the City's commission levies taxes and must approve any debt issuances.

Complete financial statements for each of these individual component units may be obtained by contacting the City's finance director.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Government-Wide Financial Statements

The statement of net position and statement of activities report information on all non-fiduciary activities of the City and its component units. The City's activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.

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 within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column. The City has elected to present the two blended component units as major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes, intergovernmental, and special assessments. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as general government, public safety, and public works.

Cemetery Fund - This fund accounts for a specific annual property tax levy, charges for services, and sale of lots for the purpose and to be used exclusively for the care, maintenance, and improvement of the cemetery.

1% City Sales Tax/Mandan Growth Fund – This fund accounts for a 1% city sales tax for the purpose of reducing property taxes and municipal debt, street, water and sewer system improvements, and for job and economic development. This fund also accounts for the activities of the City’s business development, communications, and economic development and assistance provided to various businesses.

Morton Mandan Public Library Fund - This fund accounts for the operations of the Morton Mandan Public Library.

Refunding Improvement Bonds Fund - This fund accounts for the various specific annual property tax levies and special assessment levies for payment of special assessment bond principal and interest.

The City reports the following major enterprise funds:

Water and Sewer Utility Fund - This fund accounts for the activities of the City’s water and sewer operations.

Solid Waste Utility Fund - This fund accounts for the activities of the City’s solid waste operations.

Street Light Utility Fund - This fund accounts for the activities of the City’s street light operations.

Mandan Airport Authority Fund - This fund accounts for the operations of the Mandan Airport Authority.

Additionally, the City reports the following fund types:

Governmental Fund Types

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Proprietary Fund Types

Enterprise Funds account for those business-like City activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The City's various utility operations and the Mandan Airport Authority are reported in this type.

Internal Service Fund accounts for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include fuel, and equipment repairs and maintenance services. In the government-wide statements, the internal service fund is included with governmental activities.

Fiduciary Fund Types

Employee Retirement Plan and Trust Fund accounts for resources that are required to be held in trust for the members and beneficiaries of the City's defined contribution plan.

Private Purpose Trust Fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The Isabelle Krueger Trust is restricted for the City's police department.

Agency Funds account for assets held by the City as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

Cash and Cash Equivalents

Cash and cash equivalents for reporting purposes includes cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Investments

State statutes authorize the City to invest in 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, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or by the state, certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions, state and local securities: (1) Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency, (2) An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency, (3) Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency, (4) Obligations of this state and general obligations of its political subdivisions, commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

In addition to the above-mentioned investments, the Employee Retirement Plan and Trust Fund is authorized to invest its surplus funds in other investments by selecting a funding agent to hold and invest such funds for the City's pension committee and shall be placed for investment only with a firm whose primary endeavor is money management.

Investments for the City are reported at fair value.

Taxes Receivable

Taxes receivable represent the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 percent discount 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 5 percent discount on the property taxes.

Accounts Receivable

Accounts receivable consists of amounts owed on open accounts from private individuals or organizations for goods and services furnished by the City and are shown net of an allowance. Accounts receivable in excess of 90 days comprise the accounts receivable allowance.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due to the City at December 31 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments.

Interfund Balances

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities are reported in the government-wide financial statements as “internal balances”.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment.

Inventories and Prepaid Expenses

Inventories of Proprietary Funds consist of chemicals at the Water Treatment Plant, water meters at City Hall, crushed concrete at the Landfill, and fuel at the City Shop and Airport. All inventories are valued at cost using the first-in/first-out method.

Prepaid expenses reflect payments for costs applicable to future accounting periods. Prepaid expenses in the governmental fund financial statements are reflected as a reservation of fund balance on the balance sheet.

Restricted Assets

Certain resources set aside for debt service in the Mandan Community Center debt service fund, 0.75% City Sales Tax fund, the Water and Sewer Utility enterprise fund and the Mandan Airport enterprise fund, are classified as restricted assets on the balance sheet because their use is limited by applicable bond and loan covenants. The General Fund also includes resources set aside for the police equipment reserve related to evidence that is classified as restricted on the balance sheet because its use is limited.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of December 31, 2018, the City of Mandan provided tax abatements in the form of property tax exemptions for certain new residential properties, improvements made to existing commercial and residential buildings, new and expanding businesses, tax increment financing, and properties in the Renaissance Zone.

New and expanding business, N.D.C.C. Ch. 40-57-1, allows for incentives in the form of property tax exemptions, payments in lieu of taxes, or a combination of both to qualifying business. The incentives may be granted at the discretion of the city. State legislation required certification that a project is primary sector business from the North Dakota Department of Commerce.

The property tax exemption for certain single family, condominium, & townhouse residential properties, N.D.C.C. Ch.57-02-08 (35) & (42), allows for newly constructed homes, excluding land, to be exempt for up to two years, up to a maximum of \$75,000 of the home's value. This is available to homes owned and occupied for the first time as well as unoccupied homes still owned by the builder.

The property tax exemption for improvements made to existing commercial and residential buildings, N.D.C.C. Ch.57-02.2, allows for value added resulting from the improvements made to the property to be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements. This incentive is to encourage the investment of private capital in improvements to buildings, thereby encouraging the production of wealth, improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

Tax increment financing, N.D.C.C. § 40-58-20, allows for providing a property tax exemption to provide assistance in a development or urban renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight.

The Renaissance Zone property tax exemption, N.D.C.C. Ch.40-63, is for commercial and residential properties located within a renaissance zone and allows for the buildings to be exempt for up to five years. A renaissance zone is a geographic area, proposed by a city, and designated by the State Department of Commerce. This incentive is to encourage the purchase, lease, rehabilitation, or historical preservation or renovation of properties within the zone.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

The amount of taxes abated for the year ending December 31, 2018 was as follows:

<u>Tax abatement program</u>	<u>Tax abatement In 2018</u>
New and expanding business	\$ 43,142
Residential New Construction	27,035
Remodeling exemption - commercial	679
Remodeling exemption - residential	612
Tax incremental financing	29,834
Renaissance zone exemption	10,250
	\$ 111,552

Capital Assets

Capital assets, which include land, buildings and improvements, infrastructure, machinery and equipment, and construction work in progress, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of two years are capitalized and reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Exceptions include: buildings and improvements, the threshold is \$25,000; infrastructure assets, the threshold is \$50,000; and improvement districts, grant related and tax financed projects, the threshold is \$5,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Infrastructure consists of major citywide public systems and items attached thereto such as streets, street lighting systems, street drainage systems, street signs, traffic signals, parking lots, sidewalks, water and sewer systems, inert landfill, airport runways, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Fixed assets in governmental funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction work in progress are not depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	50
Building and infrastructure	30
Machinery and Equipment	5

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Prepaid Revenues

Prepaid revenues are recognized when cash, receivables, or other assets are received prior to their being earned.

Deferred Outflows and Deferred Inflows of Resources

In additions to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Annual Leave

Eligible City, Library and Airport employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 240 hours as of the date of the employee's anniversary. The amount of annual leave earned ranges between eight and eighteen hours per month.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary Funds recognize the expense and accrued liability when the annual leave is earned.

Sick Leave

Eligible City, Library and Airport employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. Employees vesting between the ages of 62 to 64, the City is liable for one-third of the employee's accumulated unused sick leave up to a maximum of 60 days. Employees vesting at age 65 or older, the City is liable for all the employee's accumulated unused sick leave up to a maximum of 60 days. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has reached age 62.

Long-Term Obligations

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

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

of net position. Bond premiums and are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenues and Expenditures/Expenses

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities. Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction, available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. When revenues are not restricted or do not have constraints placed on their use, the funds are considered by the City's commission to be committed or set aside for a specific purpose. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City's commission has provided otherwise in its commitment or assignment actions. In the governmental fund financial statements, expenditures are reported by character: "Current", "Capital Outlay," or "Debt Service". Current expenditures are subclassified by function.

Capital outlay includes expenditures for capital assets. Debt service includes both interest and principal outlays related to bonds and loans.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues consist of sales of goods and services and quasi-external operating transactions with other funds. All other revenues that do not meet the above criteria should be classified as non-operating.

Net Position / Fund Balance

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is "Net Position" on the government-wide, proprietary, and fiduciary fund financial statements and "Fund Balance" on governmental fund financial statements.

Net position is reported in three categories:

- 1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

Fund Balance Classifications

In the fund financial statements, fund balance for governmental funds are reported in five classifications that comprise a hierarch based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amount in those fund can be spent:

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

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Restricted results when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (simple majority vote) of the City's highest level of decision-making authority (City commission) and cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit the amounts.

Assigned consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, as expressed by the finance director to which the City's commission has delegated the authority to assign amounts to be used for specific purposes. The budget and finance committee has the authority to remove or change the assignment of funds.

Unassigned is the residual classification for the general fund and represents the amount that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Minimum Fund Balance

The unrestricted fund balance is the amount in the fund balance less nonspendable and restricted fund balance. The City will strive to maintain a minimum unrestricted general fund balance equal to 17% of the general fund's subsequent year budgeted expenditures (less debt service and capital outlay). This will assist in maintaining an adequate level of fund balance to provide for economic and financial stability and assist in maintaining the City's bond rating. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum target, as noted above, the replenishment will be within five years.

The minimum fund balance in the General Fund at December 31, 2018 was \$2,012,188.

Change in Accounting Principles

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2018:

GASB Statement No. 85, "Omnibus 2017" was issued in March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, "Certain Debt Extinguishment Issues" was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations at the Legal Level of Control

The budget is prepared by fund, by department within each fund, and by line item within each department. The legal level of budgetary control is at the fund level. The management of the City of Mandan has the authority to exceed line items or department budgets as long as the fund appropriations are not exceeded. City Commission approval is required for (a) the transfer of appropriations from one fund to another fund or the addition of line items within a fund or both and (b) an increase in the aggregate total of appropriations in order to reflect changes in financial circumstances.

The following funds had expenditures over appropriations as of December 31, 2018:

<u>Fund</u>	<u>Amount</u>
City's Share of Special Assessments	\$ (6,357)
0.75 % City Sales Tax	(513,747)
Fire Equipment Reserve	(13,142)
BSA Police Explorer Program	(6,855)
SANE Grant	(14,830)
BNSF Settlement	(23,492)
Mandan SEP	(60)
Health and Safety	(15,744)
Refunding Improvement Bonds - Street	(925)

The City had revenue collections, receivables, and/or existing cash balances available at year-end to offset any excess expenditures over appropriations. Therefore, no remedial action is anticipated by the City.

Deficit Fund Equity

The following funds had a deficit fund balance as of December 31, 2018:

<u>Fund</u>	<u>Amount</u>
Abused Adult Resource Center Grant	\$ (1,386)
Health and Safety	(205,076)
Sidewalk, Curb and Gutter Construction	(183,446)
Street Construction	(2,936,008)

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 3 DEPOSITS

Custodial Credit Risk

The City minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the City would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The City does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the City's commission requires that all City funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

At December 31, 2018, the carrying amount of the City's deposits was \$20,207,183 and the bank balance was \$28,693,734. The bank balances were covered by Federal Depository insurance and securities held by the pledging financial institutions' agents in the government's names. The carrying amount of restricted cash and cash equivalents deposited with the Bank of North Dakota was \$1,792,486. The City and the Library also maintain separate petty cash balances of \$1,100 and \$200, respectively.

The deposits presented in the financial statements at December 31, 2018, are as follows:

Primary Government

Cash and Cash Equivalents	\$ 17,093,414
Restricted Cash and Cash Equivalents	4,864,922
Less: Cash held with fiscal agent	(1,792,486)
Less: Petty cash	<u>(1,300)</u>
Total Primary	<u>20,164,550</u>

Fiduciary Funds

Cash and Cash Equivalents	<u>42,633</u>
Total Deposits	<u>\$ 20,207,183</u>

NOTE 4 INVESTMENTS

The investment policies of the City are governed by state statutes, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rates. The City does not have a formal investment policy that

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. The City's certificate of deposit of \$5,500,000 bears an interest rate of 2.65% and matures June 12, 2020.

At December 31, 2018, the City held mutual funds for the City's Employee Retirement Plan and Trust in the amount of \$7,365,108. The investments are due within one year.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that specifically addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City does not have a formal investment policy governing foreign currency risk.

Fair Value Measurement

The fair value measurements are categorized by the fair value hierarchy based on the generally accepted accounting principles. Valuation inputs are used to measure the fair value of the asset to determine the appropriate category. The categories range from Level 1 which is the highest priority to level 3 which is the lowest priority and are based on the following categories:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using net asset value per share (or its equivalent), which includes the City's certificate of deposit, as a practical expedient are not classified in the fair value hierarchy. As of December 31, 2018, the City's investments for the City's Employee Retirement Plan and Trust totaling \$7,365,108, all of which were considered Level 1.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 5 LOANS RECEIVABLE

Loans receivable are made from the Mandan Growth Fund to promote economic and job development within the City. Loans receivable at December 31, 2018, consist of the following:

BBSC Properties

\$49,979 loan with \$38,204 advanced as of December 31, 2018, due in monthly installments of \$1,193 starting December 2020 through November 2024; interest at 3% \$ 38,204

Coffees and Kitchens

\$50,000 Loan due in monthly installments of \$94 until paid in full; interest at 0% 28,410

Developers, LLC

\$53,846 loan due in monthly installments of \$2,288 starting February 2019 through January 2021; interest at 2% 53,846

E-C Investments

\$53,389 loan due in monthly installments of \$1,341 starting November 1, 2019 through April 1, 2023; interest at 3% starting November 1, 2019 53,389

For 5 Sweet Boyz

\$42,200 loan due in monthly installments of \$486 until paid 42,200

Huff Hills Ski Area

\$117,431 Loan due in monthly installments of \$5,520 through March 15, 2025 and \$3,340 due on March 15, 2026; interest at 1.5% 34,841

NISC

\$71,264 loan with \$45,393 advanced as of December 31, 2018, due in monthly installments of \$1,188 starting November 2021 through October 2026; interest at 0% 45,393

Pletan Properties

\$53,846 loan due in monthly installments of \$2,287 through February 1, 2019; interest at 2% 6,550

SSWII, LLP

\$53,846 loan due in monthly installments of \$2,300 beginning August 1, 2019 through August 1, 2021; interest at 2% 53,846

Total Loans Receivable 356,679

Less: Allowance for uncollectible accounts (42,200)

Net Loans Receivable \$ 314,479

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 6 INTERFUND ACCOUNTS AND TRANSFERS

Interfund balances at December 31, 2018, consist of the following:

Due from Other Funds / Due to Other Funds

Due to General Fund

Due from AARC Grant	\$ 11,116
Due from Transportations Alternative Bike Program	5,314
Due from Health and Safety	221,321
Due from Sidewalk, Curb and Gutter Construction	127,948
Due from Internal Service Fund	3,609
Due from Airport	7,192
	7,192

Total due to General Fund	\$ 376,500
	376,500

Due to Refunding Improvements Bond Fund

Due from Sidewalk, Curb and Gutter Construction	\$ 58,820
Due from Street Construction	1,312,580
	1,312,580

Total due to Refunding Improvements Bond Fund	\$ 1,371,400
	1,371,400

Due to Non-Major Governmental Funds

Due from Street Construction	\$ 535,220
	535,220

Due to City Sales Tax / Mandan Growth

Due from Street Construction	\$ 596,628
Due from Water and Sewer Utility	144,325
	144,325

Total due to City Sales Tax / Mandan Growth	\$ 740,953
	740,953

Due to Water and Sewer Utility

Due from Street Construction	\$ 337,825
	337,825

Due to Library:

Due from General Fund	\$ 91,317
	91,317

These balances are a result when a fund has a cash deficit. The interfund balances will be repaid in 2019.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Interfund Transfers

A summary of interfund transfers for the fiscal year ended December 31, 2018, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,884,348	\$ 99,379
City Sales Tax / Mandan Growth	-	1,629,721
Refunding Improvement Bonds	37,539	264,927
Non-major governmental	353,546	1,783,484
Water and Sewer Utility	18,502	630,702
Solid Waste Utility	24,508	-
Street Light Utility	79,912	-
Internal Service	9,858	-
	<u>\$ 4,408,213</u>	<u>\$ 4,408,213</u>

Transfers are used for various budgetary and financial management purposes.

NOTE 7 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year ending December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,861,062	\$ -	\$ (311,504)	\$ -	\$ 3,549,558
Construction work in progress	7,052,466	963,739	-	(5,614,027)	2,402,178
Total capital assets not being depreciated:	<u>10,913,528</u>	<u>963,739</u>	<u>(311,504)</u>	<u>(5,614,027)</u>	<u>5,951,736</u>
Capital assets being depreciated:					
Buildings and improvements	7,824,679	63,555	(128,162)	-	7,760,072
Buildings and infrastructure	139,104,433	15,722	-	5,614,027	144,734,182
Machinery and equipment	8,326,508	225,667	(66,558)	(68,370)	8,417,247
Total capital assets being depreciated:	<u>155,255,620</u>	<u>304,944</u>	<u>(194,720)</u>	<u>5,545,657</u>	<u>160,911,501</u>
Less accumulated depreciation for:					
Buildings and improvements	2,438,053	156,753	(17,789)	-	2,577,017
Buildings and infrastructure	60,001,329	4,289,192	-	-	64,290,521
Machinery and equipment	7,314,472	568,588	(66,558)	(68,370)	7,748,132
Total accumulated depreciation	<u>69,753,854</u>	<u>5,014,533</u>	<u>(84,347)</u>	<u>(68,370)</u>	<u>74,615,670</u>
Total capital assets being depreciated, net	<u>85,501,766</u>	<u>(4,709,589)</u>	<u>(110,373)</u>	<u>5,614,027</u>	<u>86,295,831</u>
Total capital assets, net	<u>\$ 96,415,294</u>	<u>\$ (3,745,850)</u>	<u>\$ (421,877)</u>	<u>\$ -</u>	<u>\$ 92,247,567</u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Business Type Activities:	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018
Capital assets not being depreciated:					
Land	\$ 693,105	\$ -	\$ -	\$ -	\$ 693,105
Construction work in progress	3,683,617	3,640,642	(43,493)	(4,144,095)	3,136,671
Total capital assets not being depreciated:	<u>4,376,722</u>	<u>3,640,642</u>	<u>(43,493)</u>	<u>(4,144,095)</u>	<u>3,829,776</u>
Capital assets being depreciated:					
Buildings and infrastructure	143,534,568	1,030,135	-	4,144,095	148,708,798
Machinery and equipment	4,305,305	52,739	(96,739)	68,370	4,329,675
Total capital assets being depreciated:	<u>147,839,873</u>	<u>1,082,874</u>	<u>(96,739)</u>	<u>4,212,465</u>	<u>153,038,473</u>
Less accumulated depreciation for:					
Buildings and infrastructure	57,858,675	3,728,165	-	-	61,586,840
Machinery and equipment	3,273,062	386,282	(96,739)	68,370	3,630,975
Total accumulated depreciation	<u>61,131,737</u>	<u>4,114,447</u>	<u>(96,739)</u>	<u>68,370</u>	<u>65,217,815</u>
Total capital assets being depreciated, net	<u>86,708,136</u>	<u>(3,031,573)</u>	<u>-</u>	<u>4,144,095</u>	<u>87,820,658</u>
Total capital assets, net	<u>\$ 91,084,858</u>	<u>\$ 609,069</u>	<u>\$ (43,493)</u>	<u>\$ -</u>	<u>\$ 91,650,434</u>

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

Governmental Activities:

General Government	\$ 137,180
Public Safety	258,142
Public Works	4,533,818
Cemetery	23,143
Culture and Recreation	56,830
Urban Redevelopment and Housing	<u>5,420</u>
Total Governmental Activities Depreciation Expense	<u>\$ 5,014,533</u>

Business-type Activities

Water and Sewer Utility	\$ 3,379,365
Solid Waste Utility	214,140
Street Light Utility	9,529
Mandan Airport Authority	<u>511,413</u>
Total Business-type Activities Depreciation Expense	<u>\$ 4,114,447</u>

Contract Commitments

The City has active contract project commitments of \$5,445,192 as of December 31, 2018.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

NOTE 8 LEASES

Capital Leases

The City has financed the acquisition of certain equipment for its General Fund, Fire Equipment Reserve Fund and Solid Waste Utility. These lease agreements qualify as capital leases for accounting purposes and, therefore, they have been recorded at the present value of the future minimum lease payments as of the inception date.

The City is obligated to follow capital lease agreements:

<u>Governmental Activities</u>	<u>12/31/18 Balance</u>
Asset:	
(2) CAT 924K Wheel Loaders	\$ 197,401
(1) CAT 938 Wheel Loader	143,485
(1) Pierce Enforcer Pumper	109,780
	<u>\$ 450,666</u>
 <u>Business-type Activities</u>	
Asset:	
(1) 2015 Volvo L150H Front-end Loader	172,474
(1) Bomag Compactor	268,047
	<u>\$ 440,521</u>

The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 977,667	\$ 713,508
Less: Accumulated depreciation	(704,720)	(468,766)
	<u>\$ 272,947</u>	<u>\$ 244,742</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018 were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 275,278	\$ 98,691
2020	72,275	257,507
2021	125,001	114,999
Total minimum lease payments	<u>472,554</u>	<u>471,197</u>
Less: Amount Representing interest	(21,888)	(30,676)
Present Value of	<u>\$ 450,666</u>	<u>\$ 440,521</u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Debt service requirements to maturity on capital leases are summarized below:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 262,348	\$ 12,930	\$ 83,871	\$ 14,819	\$ 346,219	\$ 27,749
2020	66,828	5,447	245,700	11,807	312,528	17,254
2021	121,490	3,511	110,950	4,049	232,440	7,560
	<u>\$ 450,666</u>	<u>\$ 21,888</u>	<u>\$ 440,521</u>	<u>\$ 30,676</u>	<u>\$ 891,187</u>	<u>\$ 52,564</u>

NOTE 9 LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. Bonds and loans payable at December 31, 2018, consisted of bonds and loans issued by the City and are accounted for by the respective City funds in the government-wide financial statements that issued the bonds and loans.

General Obligation Bonds Payable

The City issues general obligation funds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

General Obligation Bonds Payable

\$870,000 General Obligation Bridge Bonds of 2006, due in annual principal installments of \$50,000 to \$65,000 through May 1, 2026; semi-annual interest payments 4.10% to 4.40%	<u>\$ 460,000</u>
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Debt service requirements to maturity on general obligation bond issue are summarized below:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2019	\$ 50,000	\$ 18,740
2020	50,000	16,665
2021	55,000	14,460
2022	55,000	12,123
2023	60,000	9,650
2024-2026	190,000	12,760
	<u>\$ 460,000</u>	<u>\$ 84,398</u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Special Assessments Bonds Payable with Governmental Commitment

The City issues special assessment bonds to provide funds for the construction of infrastructure. These bonds are repaid from amounts levied against the property owners benefited by the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources (general taxes) to cover the deficiency until other resources are received.

Special assessment bonds currently outstanding are as follows:

Issue	Amount of Issue	Date of Issue	Date of Maturity	Interest Rate	Amount Outstanding
Refunding 2009, Series A	\$ 4,420,000	12/15/2009	5/1/2024	3.50% - 4.00%	\$ 1,790,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	3.50%	20,000
Refunding 2010, Series A	4,020,000	2/15/2010	5/1/2019	3.20%	130,000
Street #160	109,611	12/23/2010	5/1/2025	4.00%	61,040
Sidewalk, Curb and Gutter 2010	159,187	12/23/2010	5/1/2020	3.25%	38,052
Refunding 2011, Series A	960,000	3/1/2011	5/1/2020	3.25%	200,000
Refunding 2012, Series A	1,490,000	4/1/2012	5/1/2020	1.55%	180,000
Refunding 2012, Series B	5,155,000	11/15/2012	5/1/2028	2.00% - 2.15%	3,445,000
Refunding 2012, Series SCG-2012	480,000	12/15/2012	5/1/2022	0.90% - 1.35%	165,000
Refunding 2013, Series A	1,675,000	4/10/2013	5/1/2021	1.25% - 1.75%	575,000
Refunding 2013, Series C	4,015,000	12/15/2013	5/1/2028	2.00% - 3.50%	2,705,000
Sidewalk, Curb and Gutter 2013	136,630	12/17/2013	5/1/2023	2.75%	70,350
Refunding 2014, Series A	2,490,000	8/15/2014	5/1/2021	2.00% - 3.00%	1,015,000
Refunding 2014, Series B	6,095,000	12/15/2014	5/1/2029	1.00% - 4.00%	4,545,000
Refunding 2015, Series A	4,405,000	4/1/2015	5/1/2022	1.50% - 3.00%	2,420,000
Refunding 2015, Series B	9,025,000	12/30/2015	5/1/2030	2.00% - 5.00%	7,325,000
Refunding 2016, Series A	5,030,000	5/25/2016	5/1/2023	2.00%	3,365,000
Refunding 2016, Series B	420,000	1/12/2017	5/1/2031	2.15% - 3.50%	370,000
Refunding 2017, Series A	1,950,000	5/18/2017	5/1/2024	2.00% - 3.00%	1,615,000
Refunding 2017, Series B	9,295,000	12/13/2017	5/1/2037	2.00% - 5.00%	8,950,000
Street #209	322,896	8/22/2018	5/1/2028	2.00%	322,896
Total special assessments bond payable at December 31, 2018					<u>\$ 39,307,338</u>

Debt service requirements to maturity on special assessment bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,446,774	\$ 974,254	\$ 888,501	\$ 100,038	\$ 5,335,275	\$ 1,074,292
2020	4,263,991	846,728	833,737	79,274	5,097,728	926,002
2021	4,027,284	713,978	751,748	58,386	4,779,032	772,364
2022	3,511,825	598,164	657,857	38,802	4,169,682	636,966
2023	2,762,147	509,324	373,202	25,244	3,135,349	534,568
2024-2028	10,749,751	1,506,821	680,522	47,545	11,430,273	1,554,366
2029-2033	4,239,333	375,285	105,666	1,634	4,344,999	376,919
2034-2037	1,015,000	63,334	-	-	1,015,000	63,334
	<u>\$ 35,016,105</u>	<u>\$ 5,587,888</u>	<u>\$ 4,291,233</u>	<u>\$ 350,923</u>	<u>\$ 39,307,338</u>	<u>\$ 5,938,811</u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Revenue Bonds Payable

Current state statutes empower the City to issues bonds as part of its activities and pledge income derived from operations to pay debt service. This debt is not backed by the full faith and credit of the City.

The Limited Tax Refunding Revenue Bonds of 2005, Series B were issued to finance improvements for the Mandan Community Center. The Bonds are payable only from and secured by a pledge of the City's 1% City sales tax receipts and are payable through December 2019, and recorded in the Mandan Community Center Debt Service Fund. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$140,602. Principal and interest paid for the current year and total net revenues were \$140,868 and \$2,205,049, respectively.

The Park Facilities Sales Tax Revenue Bonds were issued to finance the construction of a new sporting facility for the Mandan Park District. The Bonds are payable from revenue generated through a special 0.75% Sales Tax and are payable through September 2041 and are recorded in the 0.75% City Sales Tax Fund. The total principal and interest remaining to be paid on the bonds is \$30,120,637. Principal and interest paid for the current year and total net revenues were \$1,621,297 and \$1,653,787, respectively.

The Water and Sewer Revenue Bonds were issued to finance improvements for the City's Water and Sewer Utility Fund. The Bonds are payable solely from charges for services received from the Water and Sewer Utility Fund and are payable through September 2033. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$27,127,352. Principal and interest paid for the current year and total net revenues were \$2,719,385 and \$4,275,992, respectively.

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$327,712. Principal and interest paid for the current year and total net revenues were \$108,722 and \$376,470, respectively.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Revenue bonds outstanding:

Governmental Activities

\$1,415,000 Limited Tax Refunding Bonds of 2005, Series B, due in annual installment of \$135,000 through, December 1, 2019; interest at 4.15%	\$ 135,000
\$15,275,000 Park Facilities Sales Tax Revenue Bonds of due in annual principal installments of \$260,000 to \$1,855,000 through September 1, 2041; semi-annual interest payments at 3% to 4%	15,275,000
\$1,000,000 Park Facilities Sales Tax Revenue Bonds of 2016, Series 2016A-T (Taxable), due in annual installments of \$165,000 through September 1,2019; semi-annual interest payments at 1.75%	165,000
\$6,000,000 Park Facilities Sales Tax Revenue Bonds of 2016B, due in semi annual payments of interest of \$60,569 through September 1, 2041 with a balloon payment of \$4,405,000 due September 1, 2041; interest at 2.75%	4,405,000
Total Governmental Activities	<u><u>\$ 19,980,000</u></u>

Business-type Activities

\$5,090,000 Sewer Improvement Revenue Bonds of 1997, due in annual installment of \$325,000 through September 1, 2019; interest at 2.5%	\$ 325,000
\$3,504,565 Water Improvement Revenue Bonds of 2002, due in annual installments of \$262,000 to \$278,000, through September 1, 2021; interest at 2.5%	810,000
\$1,000,000 Water and Sewer Revenue Bonds, Series 2005, due in annual installments of \$55,000 to \$75,000 through, May 1, 2025; interest at 4.5% to 4.8%	460,000
\$1,545,663 Sewer Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$85,000 to \$110,000 through September 1, 2028; interest at 2.5%	960,000
\$840,000 Sewer Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$50,000 to \$60,000 through September 1, 2028; interest at 2.5%	570,000

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

\$3,782,000 Water Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$225,000 to \$280,000 through September 1, 2028; interest at 2.5%	\$ 2,560,000
\$6,667,283 Water Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$390,000 to \$545,000 through September 1, 2028; interest at 3.27%	4,620,000
\$6,383,867 Water Improvement Revenue Bonds of 2010, Series A, due in annual installments of \$320,000 to \$460,000 through September 1, 2030; interest at 2.84%	4,655,000
\$1,891,118 Sewer Improvement Revenue Bonds of 2013, Series A, due in annual installments of \$90,000 to \$120,000 through September 1, 2033; interest at 2%	1,630,000
\$591,683 Water Improvement Revenue Bonds of 2013, Series A, due in annual installments of \$30,000 through September 1, 2033; interest at 2%	510,000
\$1,586,280 Water Improvement Revenue Bonds of 2014, Series A, due in annual installments of \$75,000 to \$100,000 through September 1, 2033; interest at 2%	1,365,000
\$4,276,824 Sewer Improvement Revenue Bonds of 2015, Series A, due in annual installments of \$90,000 to \$270,000 through, September 1, 2035; interest at 2%	3,910,000
\$886,000 Water Improvement Revenue Bonds of 2017, Series A, due in annual installments of \$35,000 to \$55,000 through September 1, 2036; interest at 1.5%	785,000
\$649,071 Airport Improvement Revenue Bonds of 2005, due in annual installments of \$30,517 through, August 15, 2020; interest at 4.76%	115,137
\$500,000 Airport Improvement Revenue Bonds of 2008, due in annual installments of \$24,547 through, October 8, 2023; interest at 5.41%	<u>212,575</u>
Total Business-type Activities	<u>23,487,712</u>
Total Revenue Bonds	<u><u>\$ 43,467,712</u></u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Debt service requirements to maturity on revenue bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 560,000	\$ 655,890	\$ 2,226,316	\$ 610,284	\$ 2,786,316	\$ 1,266,174
2020	435,000	639,600	1,969,112	549,159	2,404,112	1,188,759
2021	450,000	626,550	1,970,394	494,776	2,420,394	1,121,326
2022	465,000	613,050	1,734,719	440,701	2,199,719	1,053,751
2023	480,000	599,100	1,787,171	392,227	2,267,171	991,327
2024-2028	2,625,000	2,753,325	9,375,000	1,223,286	12,000,000	3,976,611
2029-2033	3,175,000	2,204,750	3,695,000	273,266	6,870,000	2,478,016
2034-2038	3,825,000	1,561,175	730,000	23,475	4,555,000	1,584,650
2039-2041	7,965,000	627,800	-	-	7,965,000	627,800
	<u>\$ 19,980,000</u>	<u>\$ 10,281,240</u>	<u>\$ 23,487,712</u>	<u>\$ 4,007,174</u>	<u>\$ 43,467,712</u>	<u>\$ 14,288,414</u>

Loans Payable

The following is a schedule of loans payable outstanding at December 31, 2016:

Business-type Activities

\$1,363,000 Water Improvement Interim Certificate 2017, Series B, due in annual principal installments of \$58,000 to \$80,000 through September 1, 2037; semi-annual interest payments at 1.5%	\$ 934,715
\$1,889,000 Water Improvement Interim Certificate 2019, Series A, due in annual principal installments of \$58,000 to \$80,000 through September 1, 2039; semi-annual interest payments at 1.5%	<u>271,827</u>
	<u>\$ 1,206,542</u>

Debt service requirements to maturity on loans payable are summarized below:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2019	\$ 55,000	\$ 29,188
2020	139,000	17,273
2021	140,000	15,188
2022	140,000	13,088
2023	92,827	10,988
2024-2028	330,000	38,229
2029-2033	309,715	12,504
	<u>\$ 1,206,542</u>	<u>\$ 136,458</u>

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2018, are summarized as follows:

<u>Governmental Activities</u>	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Compensated absences	\$ 393,515	\$ 529,526	\$ (363,284)	\$ 559,757	\$ 161,788
Capital leases	532,751	-	(82,085)	450,666	262,348
General obligation bonds	505,000	-	(45,000)	460,000	50,000
Special assessment bonds	39,285,215	322,896	(4,592,006)	35,016,105	4,446,774
Plus unamortized premium	538,590	-	(29,692)	508,898	29,692
Revenue bonds	21,060,000	-	(1,080,000)	19,980,000	560,000
Plus unamortized premium	494,567	-	(20,607)	473,960	20,607
Total	<u>\$ 62,809,638</u>	<u>\$ 852,422</u>	<u>\$ (6,212,674)</u>	<u>\$ 57,449,386</u>	<u>\$ 5,531,209</u>
 <u>Business-Type Activities</u>					
Compensated absences	\$ 134,980	\$ 175,975	\$ (140,133)	\$ 170,822	\$ 75,610
Capital leases	521,486	-	-	440,521	83,871
Special assessment bonds	5,273,861	-	(982,628)	4,291,233	888,501
Plus unamortized premium	27,754	-	(3,527)	24,227	3,527
Revenue bonds	24,832,464	820,281	(2,165,033)	23,487,712	2,226,316
Loans payable	749,896	514,646	(58,000)	1,206,542	55,000
Total	<u>\$ 31,540,441</u>	<u>\$ 1,510,902</u>	<u>\$ (3,349,321)</u>	<u>\$ 29,621,057</u>	<u>\$ 3,332,825</u>

Compensated absences are liquidated in the fund in which the service is received, which would be the fund in which the employee's salary is charged. This includes the general fund, cemetery fund, Mandan growth fund, Morton Mandan Public Library fund, Abused Adult Resource Center grant fund, water and sewer utility fund, solid waste utility fund, street light utility fund, Mandan Airport Authority fund and the internal service fund.

Capital leases are paid by the General fund and the Fire Equipment Reserve fund.

The \$15,275,000 Park Facilities Sales Tax Revenue bonds are being paid by the 0.75% Sales Tax fund.

Long-term liabilities related to pension and OPEB obligations are liquidated in the general fund.

Debt Commitment

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2018.

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

Conduit Debt

Municipal Industrial Development Bonds

From time to time, the City has approved issuance of Municipal Industrial Development (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the bonds. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there was one series of MIDA Bonds outstanding; the aggregate principal amount payable was \$880,000. Neither the State nor the City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval. The amount is most often in excess of the actual amount issued. When completely paid or called, they must notify the City of this event.

Community Development Block Grants

From time to time, the City has obtained Community Development Block Grants (CBDG) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by the financed property and are payable solely from payments received on the underlying mortgage grants. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the grants. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the grants.

Accordingly, the grants are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, there were five CDBG loans outstanding, with an aggregate principal amount payable of \$466,477.

NOTE 10 EMPLOYEE PENSION PLANS

Defined Contribution Plan

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible City employees. The Defined Contribution Plan had 194 participants as of December 31, 2018.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the City is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the Plan for being totally disabled.

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Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service	25%
Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. On December 16, 2014 the City ordinance was amended effective January 1, 2015. This amendment allowed Sworn Police Officers and Career Firefighters to be eligible for a 10% employer contribution if the employee contributes 4% or greater. The employer's required contributions for the years ended December 31, 2018, 2017, and 2016, were \$550,802, \$540,530 and \$612,323, respectively.

The City, or vendors contracted by the City, has exclusive authority to invest and manage the assets of the Employee Retirement Plan and Trust. The Plan allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the City.

NDPERS Law Enforcement Retirement System (Law Enforcement System)

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System 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. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. 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 50-55 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 in the Law Enforcement 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 Law Enforcement 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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 established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

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<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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 25 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, 2018, the City reported a liability of \$290,599 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At December 31, 2018, the City's proportion was 29.949840%, which is a decrease of 0.533388% from its proportion measured at June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$275,596. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,876	\$ (57,007)
Changes of assumptions	737,890	(25,576)
Net difference between projected and actual earnings on pension plan investments	-	(28,742)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,576	(59,685)
Employer contributions subsequent to the measurement date	88,374	-
Total	<u>\$ 878,716</u>	<u>\$ (171,009)</u>

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\$88,374 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, 2019.

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 June 30:

2019	\$	223,783
2020		217,224
2021		165,134
2022		13,192

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	20.00%
	1	20.00%
	2	10.00%
	Age*	
	Under 30	7.25%
	30 - 39	6.50%
40 - 49	6.25%	
50 - 59	5.75%	
60+	5.00%	

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

Investment rate of return 7.75%, net of investment expenses

Cost-of-living adjustments None

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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Assets	19%	5.11%

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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.32%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32%) or 1-percentage-point higher (7.32%) than the current rate:

<u>1% Decrease</u> 5.32%	<u>Current Discount Rate</u> 6.32%	<u>1% Increase</u> 7.32%
<u>\$ 752,335</u>	<u>\$ 290,599</u>	<u>\$ (79,071)</u>

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Pension Plan Fiduciary Net Position

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

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB 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.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited

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service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the City reported a liability of \$131,729 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the City's proportion was 0.167260%.

For the year ended December 31, 2018 the City recognized OPEB expense of \$16,138. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,945	\$ (2,722)
Changes of assumptions	10,808	-
Net difference between projected and actual earnings on OPEB plan investments	-	(2,834)
Changes in proportion and differences between employer contributions and proportionate share of contributions	56	(820)
Employer contributions subsequent to the measurement date	8,590	-
Total	\$ 23,399	\$ (6,376)

\$8,590 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

Year ended June 30:

2019	\$ 963
2020	963
2021	963
2022	2,214
2023	1,984
Thereafter	1,346

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Actuarial Assumptions

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

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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 investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
\$ 166,668	\$ 131,729	\$ 101,776

Pension Plan Fiduciary Net Position

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

NOTE 12 RESTRICTED ASSETS

The balances of the restricted asset accounts for cash and cash equivalents are as follows:

Governmental Funds

Revenue Bond Debt Service Account	\$ 141,500
Police Equipment Reserve - Evidence	29,087
Cash with Fiscal Agent - 0.75% Sales Tax	1,792,486
Total	\$ 1,963,073

Proprietary Funds

Special Assessment Bond Debt Service Accounts	\$ 283,611
Revenue Bond Debt Service Accounts	2,508,111
Total	\$ 2,791,722

NOTE 13 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlements, resulting from these risks, have not exceeded insurance coverage in any of the past three fiscal years.

General Liability

The Mandan Airport Authority pays an annual premium to Old Republic Insurance Company for its general liability insurance coverage. The coverage by Old Republic Insurance Company is limited to losses of \$1,000,000 per aggregate and occurrence.

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North Dakota Insurance Reserve Fund

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and public asset insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 per accident for automobile coverage and to \$6,630,797 for public assets (mobile equipment and portable property) coverage.

Machinery and Equipment

The City pays an annual premium to The Cincinnati Insurance Company for its machinery and equipment insurance coverage. The coverage by The Cincinnati Insurance Company is limited to losses of \$3,000,000.

State Fire and Tornado Fund

The City participates in the State Fire and Tornado Fund. The City pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund currently provides the City with an aggregate coverage limit of \$250,000,000 with specific special limits varying from \$500 to \$500,000.

State Bonding Fund

The City participates in the State Bonding Fund. The Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its public employees and public officials. The Fund does not currently charge any premium for this coverage.

Workforce Safety & Insurance

The City participates in the Workforce Safety & Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

PERS Uniform Group Insurance Program

The City participates in the PERS Uniform Group Insurance Program who contracts with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The City contributes a percentage of the monthly premium based upon an employee’s years of service.

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NOTE 14 REMEDIATION TRUST

The City is one of the beneficiaries of the Mandan Remediation Trust. As a beneficiary of the Trust, the City has no legal title, claim or right to the Trust Estate and does not have any authority to transact business on behalf of the Trust. The Trust is irrevocable and will terminate when the North Dakota Department of Health determines that no further remediation is required of the contamination and the purposes of the Trust have been fully executed and fulfilled. Upon termination of the Trust, any residue of the Trust money shall be paid to the Mandan Special Environmental Projects Trust, a governmental fund of the City. The Trust had a net position of \$5,774,527 at December 31, 2017, the most recent year audited.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Financial Subsidy Commitments

The City has financial subsidy commitments of \$308,624 as of December 31, 2018.

Contingent Grant Liabilities

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amount already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures cannot be determined at this time.

Litigation

Various suits and claims are pending against the City as of December 31, 2018. Although the outcome of such suits and claims cannot be predicted with certainty, the City believes the final outcome of these matters will not material affect the financial statements of the City and that adequate insurance coverage exists in most cases to cover any potential settlement.

NOTE 16 COST SHARING AGREEMENTS

CenCom

The City of Mandan entered into a charter agreement for the Combined Communications Center merger with the City of Bismarck and Burleigh County effective January 1, 2016. Central Dakota Communications Center (CenCom) replaces the Combined Communications Center. CenCom will dispatch all emergency calls for law enforcement, fire and emergency medical services in Bismarck, Mandan and Burleigh County, including Wilton. After revenue and that portion of 911 fees allocated for the annual operating budget of CenCom, the remainder of the budget responsibility is split between the parties who entered into the agreement, with the City of Mandan's share at 20%. The City incurred operating expenditures of \$598,717 related to costs of CenCom during the year ended December 31, 2018. The City also receives 911 fees from Morton County to help cover this payment. Total 911 fees from Morton County totaled \$251,017 for the year ended December 31, 2018.

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Law Enforcement Center

The City has entered into an operating agreement with Morton County for the law enforcement center on May 10, 2010. As part of this agreement, all parties pay evenly for the costs of operation, maintenance, repair and replacement of the law enforcement center. In addition to the operating costs, each party must contribute a set amount annually towards a capital improvement fund, with the City's portion of such payment being \$15,000. The City paid \$109,461 for their share of all costs of the law enforcement center for the year ended December 31, 2018.

NOTE 17 PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustment	Governmental Activities
(A) Correct property tax revenue	\$ 108,000
(B) Record other post-employment benefits	(127,846)
(C) Record cash and remove accounts payable	440,167
Total	\$ 420,321

(A) An adjustment was made to recognize property taxes of \$108,000 for the Morton Mandan Public Library that were received in the prior year. This adjustment was also corrected on the governmental fund of the Morton Mandan Public Library.

(B) An adjustment was made to recognize other post-employment benefits for the City's participation in the NDPERS Retiree Health Insurance Credit plan. The effect of this adjustment was an increase in the net OPEB liability of \$131,430, deferred inflows of resources of \$9,146 and deferred outflows of resources of \$12,730 for a net decrease in the government wide net position of \$127,846.

(C) An adjustment was made to recognize cash in deposit between the City and the City's escrow account in the amount of \$146,383. The City also removed accounts payable of \$293,784 for money that will be transferred to the City's escrow account. This net adjustment of \$440,167 was also corrected on the non-major governmental fund, 0.75% Sales Tax.

NOTE 18 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after 2018:

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" was issued on November 2016. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Asset retirement obligations is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

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GASB Statement No. 84, “*Fiduciary Activities*” was issued on January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

GASB Statement No. 87, “*Leases*” was issued on June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital assets reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interest*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government’s share of the entity’s net resource is determinable. If government’s holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government’s holding of a majority interest in a legally separate

CITY OF MANDAN
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018

organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined the effects these statements will have on the City's financial statements.

NOTE 19 SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the City issued \$334,738 of Water Improvement Interim Certificates of 2017 and also issued Series B (No. R-3), \$642,779 of Water Improvement Interim Certificates of 2019, Series A (No. R-2). The City also obtained a loan through Bank of North Dakota's Infrastructure Revolving Loan Fund for \$6,000,000. The loan with Bank of North Dakota bears a 2.00% interest rate with at least annual principal and interest payments and is due in twenty years.

The City also accepted a cost-share agreement with the State of North Dakota for a new raw water intake project. The State will reimburse costs of approximately \$12.6 million and the City will be responsible for the remaining \$8.8 million, of which will be split with the Mandan refinery.

Subsequent to year end, the Airport made a down payment of \$16,000 on a fuel truck.

Subsequent events have been evaluated through September 16, 2019, which is the date these financial statements were available to be issued.

CITY OF MANDAN
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 4,076,550	\$ 4,076,550	\$ 4,035,904	\$ (40,646)
Licenses and Permits	958,600	960,246	775,373	(184,873)
Intergovernmental	2,014,500	2,020,000	2,271,256	251,256
Charges for Services	213,050	213,050	193,615	(19,435)
Fines and Forfeits	198,300	198,300	283,462	85,162
Special Assessments	41,300	41,300	34,878	(6,422)
Interest	12,900	12,900	53,965	41,065
Rent	8,000	8,000	4,000	(4,000)
Miscellaneous	6,300	31,700	61,873	30,173
Total Revenues	<u>7,529,500</u>	<u>7,562,046</u>	<u>7,714,326</u>	<u>152,280</u>
EXPENDITURES				
Current:				
General Government	3,041,400	3,061,179	2,859,498	201,681
Public Safety	6,455,950	6,515,250	6,027,729	487,521
Public Works	1,560,000	1,742,333	1,577,549	164,784
Debt Service				
Principal	29,500	29,500	29,505	(5)
Interest	10,600	10,600	10,588	12
Capital Outlay	-	-	462,746	(462,746)
Total Expenditures	<u>11,097,450</u>	<u>11,358,862</u>	<u>10,967,615</u>	<u>391,247</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,567,950)</u>	<u>(3,796,816)</u>	<u>(3,253,289)</u>	<u>543,527</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	9,152	9,152
Transfers In	3,454,400	3,633,233	3,884,348	251,115
Transfers Out	(8,350)	(8,350)	(99,379)	(91,029)
Total Other Financing Sources (Uses)	<u>3,446,050</u>	<u>3,624,883</u>	<u>3,794,121</u>	<u>169,238</u>
Net Change in Fund Balances	<u>\$ (121,900)</u>	<u>\$ (171,933)</u>	<u>540,832</u>	<u>\$ 712,765</u>
Fund Balances - January 1			<u>4,024,383</u>	
Fund Balances - December 31			<u>\$ 4,565,215</u>	

See Notes to Required Supplementary Information

CITY OF MANDAN
BUDGETARY COMPARISON SCHEDULE – CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 168,400	\$ 168,400	\$ 167,096	\$ (1,304)
Intergovernmental	3,900	3,900	3,856	(44)
Charges for Services	50,200	50,200	41,450	(8,750)
Cemetery lots	31,800	31,800	23,100	(8,700)
Miscellaneous	100	100	100	-
	<u>254,400</u>	<u>254,400</u>	<u>235,602</u>	<u>(18,798)</u>
Total Revenues				
EXPENDITURES				
Current:				
Cemetery	<u>193,550</u>	<u>193,550</u>	<u>190,412</u>	<u>3,138</u>
	<u>193,550</u>	<u>193,550</u>	<u>190,412</u>	<u>3,138</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,850</u>	<u>60,850</u>	<u>45,190</u>	<u>(15,660)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>26,288</u>	<u>26,288</u>
	<u>-</u>	<u>-</u>	<u>26,288</u>	<u>26,288</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	<u>\$ 60,850</u>	<u>\$ 60,850</u>	<u>71,478</u>	<u>\$ 10,628</u>
Fund Balances - January 1			<u>34,186</u>	
Fund Balances - December 31			<u>\$ 105,664</u>	

See Notes to Required Supplementary Information

CITY OF MANDAN
BUDGETARY COMPARISON SCHEDULE – CITY SALES TAX/MANDAN GROWTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 2,205,049	\$ 2,205,049
Intergovernmental	1,135,100	1,135,100	3,500	(1,131,600)
Rent	-	-	7,850	7,850
Miscellaneous	-	-	46,543	46,543
Total Revenues	<u>1,135,100</u>	<u>1,135,100</u>	<u>2,262,942</u>	<u>1,127,842</u>
EXPENDITURES				
Current:				
Culture and Recreation	-	-	45,000	(45,000)
Economic Development and Assistance	-	-	680,703	(680,703)
Total Expenditures	<u>-</u>	<u>-</u>	<u>789,662</u>	<u>(789,662)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,135,100</u>	<u>1,135,100</u>	<u>1,473,280</u>	<u>338,180</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(1,135,100)</u>	<u>(1,135,100)</u>	<u>(1,629,721)</u>	<u>(494,621)</u>
Total Other Financing Sources (Uses)	<u>(1,135,100)</u>	<u>(1,135,100)</u>	<u>(1,629,721)</u>	<u>(494,621)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(156,441)</u>	<u>\$ (156,441)</u>
Fund Balances - January 1			<u>3,582,815</u>	
Fund Balances - December 31			<u>\$ 3,426,374</u>	

See Notes to Required Supplementary Information

CITY OF MANDAN
BUDGETARY COMPARISON SCHEDULE – MORTON MANDAN PUBLIC LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 498,502	\$ 498,502	\$ 470,363	\$ (28,139)
Intergovernmental	252,738	252,738	252,073	(665)
Charges for Services	5,500	5,500	12,931	7,431
Fines and Forfeits	5,500	5,500	5,549	49
Interest	200	200	622	422
Rent	32,150	32,150	32,286	136
Miscellaneous	19,600	49,600	45,267	(4,333)
	<u>814,190</u>	<u>844,190</u>	<u>819,091</u>	<u>(25,099)</u>
EXPENDITURES				
Current:				
Culture and Recreation	<u>770,299</u>	<u>800,299</u>	<u>719,405</u>	<u>80,894</u>
Total Expenditures	<u>770,299</u>	<u>800,299</u>	<u>719,405</u>	<u>80,894</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>43,891</u>	<u>43,891</u>	<u>99,686</u>	<u>55,795</u>
Net Change in Fund Balances	<u>\$ 43,891</u>	<u>\$ 43,891</u>	<u>99,686</u>	<u>\$ 55,795</u>
Fund Balances - January 1, restated			<u>563,113</u>	
Fund Balances - December 31			<u>\$ 662,799</u>	

See Notes to Required Supplementary Information

CITY OF MANDAN
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	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 percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	29.949840%	\$ 290,599	\$ 1,830,188	15.88%	89.76%
2017	30.483228%	298,382	1,797,528	16.60%	69.89%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the City will present information for those year for which information is available.

CITY OF MANDAN
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.167260%	\$ 131,729	\$ 1,830,188	7.20%	59.78%

GASB Statement No. 75 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the City will present information for those year for which information is available.

CITY OF MANDAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS – PENSION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 195,277	\$ (267,337)	\$ (72,060)	\$ 1,990,593	9.81%
2017	164,836	(164,836)	-	1,680,285	9.81%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the City will present information for those year for which information is available.

CITY OF MANDAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED DECEMBER 31, 2018

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 22,693	\$ (22,693)	-	\$ 1,990,593	1.14%

GASB Statement No. 75 requires ten years of information to be presented in this table. However, until full ten-year trend is compiled, the City will present information for those year for which information is available.

CITY OF MANDAN
NOTES TO THE SCHEDULES OF REQUIRED PENSION INFORMATION
DECEMBER 31, 2018

NOTE 1 GENERAL BUDGETARY POLICIES AND PROCEDURES

The City of Mandan, North Dakota, is required to prepare the annual Budget in accordance with the state's Municipal Budget Law and also with existing City Ordinances, Resolutions, contracts and agreements. In addition to these legal requirements, the City's Significant Budget Policies provide further direction and guidance to the budgeting process.

The annual budget is adopted on a basis consistent with generally accepted accounting principles for the governmental fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund and function. The City's department heads may make transfers of appropriations for operations and maintenance expenditures within a fund. Transfers of appropriations for salaries and benefits, capital outlay, or between funds require the approval of the City's commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City's commission made several supplemental budgetary appropriations throughout the year.

NOTE 2 CHANGES IN ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 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.

CITY OF MANDAN
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,856,148	\$ 53,541	\$ 1,647,185	\$ 5,556,874
Taxes Receivable	11,217	3,150	-	14,367
Accounts Receivable (net of allowance)	560,453	-	98,356	658,809
Special Assessments Receivable	326,401	-	175,492	501,893
Prepaid Expenses	2,343	-	973	3,316
Cash and Cash Equivalents-Restricted	1,792,486	141,500	-	1,933,986
Total Assets	<u>\$ 7,084,268</u>	<u>\$ 198,191</u>	<u>\$ 1,922,006</u>	<u>\$ 9,204,465</u>
LIABILITIES				
Salaries and Benefits Payable	\$ 1,370	\$ -	-	\$ 1,370
Accounts Payable	23,700	-	136,254	159,954
Retainage Payable	-	-	37,559	37,559
Interfund Payable	232,437	-	2,974,335	3,206,772
Prepaid Revenues	90	-	-	90
Total Liabilities	<u>257,597</u>	<u>-</u>	<u>3,148,148</u>	<u>3,405,745</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	9,740	2,738	-	12,478
Unavailable Revenue-Special Assessments	302,208	-	172,169	474,377
Unavailable Revenue-Revenue not Collected within 60 days	1,370	-	20,806	22,176
Total Deferred Inflows of Resources	<u>313,318</u>	<u>2,738</u>	<u>192,975</u>	<u>509,031</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	2,343	-	973	3,316
Restricted for:				
Public Safety	101,630	-	-	101,630
Public Works	3,255,003	-	-	3,255,003
Culture and Recreation	2,143,446	-	-	2,143,446
Urban Redevelopment and Housing	81,703	-	-	81,703
Debt Service	-	195,453	-	195,453
Capital Projects	-	-	1,699,364	1,699,364
Committed for:				
General Government	541,398	-	-	541,398
Public Safety	323,461	-	-	323,461
Urban Redevelopment and Housing	269,460	-	-	269,460
Unassigned	(205,091)	-	(3,119,454)	(3,324,545)
Total Fund Balances	<u>6,513,353</u>	<u>195,453</u>	<u>(1,419,117)</u>	<u>\$ 5,289,689</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,084,268</u>	<u>\$ 198,191</u>	<u>\$ 1,922,006</u>	<u>\$ 9,204,465</u>

CITY OF MANDAN
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Trans- portation System	0.75% Sales Tax	Fire Equip- ment Reserve	AARC Grant	SANE Grant	BNSF Settle- ment	Mandan SEP Trust	Down- Town Redevel- opment	Health and Safety	Total Nonmajor Special Revenue Funds
ASSETS															
Cash and Cash Equivalents	\$ -	\$ 3,028,909	\$ -	\$ 53,428	\$ 45,817	\$ -	\$ -	\$ 380,264	\$ -	\$ -	\$ 248,041	\$ 81,703	\$ 17,986	\$ -	\$ 3,856,148
Taxes Receivable	-	-	3,784	-	-	7,433	-	-	-	-	-	-	-	-	11,217
Accounts Receivable (net of allowance)	226,094	-	-	7,354	1,070	-	296,797	-	12,486	11,460	-	-	5,192	-	560,453
Special Assessments Receivable	-	-	136,060	-	415	-	-	-	-	-	-	-	-	189,926	326,401
Interfund Receivable	-	-	535,220	-	-	-	-	-	-	-	-	-	-	-	535,220
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	2,343	-	2,343
Cash and Cash Equivalents-Restricted	-	-	-	-	-	-	1,792,486	-	-	-	-	-	-	-	1,792,486
Total Assets	\$ 226,094	\$ 3,028,909	\$ 675,064	\$ 60,782	\$ 47,302	\$ 7,433	\$ 2,089,283	\$380,264	\$ 12,486	\$ 11,460	\$248,041	\$ 81,703	\$ 25,521	\$189,926	\$ 7,084,268
LIABILITIES															
Salaries and Benefits Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,370
Accounts Payable	-	-	-	6,619	600	987	-	-	15	11,460	-	-	1,759	2,260	23,700
Interfund Payable	-	-	-	-	-	-	-	-	11,116	-	-	-	-	221,321	232,437
Prepaid Revenues	-	-	-	-	90	-	-	-	-	-	-	-	-	-	90
Total Liabilities	-	-	-	6,619	690	987	\$ -	-	12,501	11,460	-	-	1,759	223,581	257,597
DEFERRED INFLOWS OF RESOURCES															
Unavailable Revenue-Property Taxes	-	-	3,294	-	-	6,446	-	-	-	-	-	-	-	-	9,740
Unavailable Revenue-Special Assessments	-	-	130,372	-	415	-	-	-	-	-	-	-	-	171,421	302,208
Unavailable Revenue-Revenue not Collected within 60 days	-	-	-	-	-	-	-	-	1,370	-	-	-	-	-	1,370
Total Deferred Inflows of Resources	-	-	133,666	-	415	6,446	\$ -	-	1,370	-	-	-	-	171,421	313,318
FUND BALANCES															
Nonspendable:															
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	2,343	-	2,343
Restricted for:															
Public Safety	-	-	-	-	-	-	-	103,000	(1,370)	-	-	-	-	-	101,630
Public Works	226,094	3,028,909	-	-	-	-	-	-	-	-	-	-	-	-	3,255,003
Culture and Recreation	-	-	-	54,163	-	-	2,089,283	-	-	-	-	-	-	-	2,143,446
Urban Redevelopment and Housing	-	-	-	-	-	-	-	-	-	-	-	81,703	-	-	81,703
Committed for:															
General Government	-	-	541,398	-	-	-	-	-	-	-	-	-	-	-	541,398
Public Safety	-	-	-	-	46,197	-	-	277,264	-	-	-	-	-	-	323,461
Urban Redevelopment and Housing	-	-	-	-	-	-	-	-	-	-	248,041	-	21,419	-	269,460
Unassigned	-	-	-	-	-	-	-	-	(15)	-	-	-	-	(205,076)	(205,091)
Total Fund Balances	226,094	3,028,909	541,398	54,163	46,197	-	\$ 2,089,283	380,264	(1,385)	-	248,041	81,703	23,762	(205,076)	6,513,353
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 226,094	\$ 3,028,909	\$ 675,064	\$ 60,782	\$ 47,302	\$ 7,433	\$ 2,089,283	\$380,264	\$ 12,486	\$ 11,460	\$248,041	\$ 81,703	\$ 25,521	\$189,926	\$ 7,084,268

CITY OF MANDAN
COMBINING BALANCE SHEET – NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2018

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 53,541	\$ 53,541
Taxes Receivable	-	3,150	3,150
Cash and Cash Equivalents-Restricted	141,500	-	141,500
Total Assets	<u>\$ 141,500</u>	<u>\$ 56,691</u>	<u>\$ 198,191</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ -	\$ 2,738	\$ 2,738
Total Liabilities	<u>-</u>	<u>2,738</u>	<u>2,738</u>
FUND BALANCES			
Restricted for:			
Debt Service	<u>141,500</u>	<u>53,953</u>	<u>195,453</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 141,500</u>	<u>\$ 56,691</u>	<u>\$ 198,191</u>

CITY OF MANDAN
COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2018

	Transportations Alternatives Program Construction	City Visitor's Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Street Construction	Total Nonmajor Capital Projects Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 1,647,185	\$ -	\$ -	\$ 1,647,185
Accounts Receivable (net)	20,806	77,550	-	-	98,356
Special Assessment Receivable	-	-	175,492	-	175,492
Prepaid Expenses	-	973	-	-	973
Total Assets	<u>\$ 20,806</u>	<u>\$ 1,725,708</u>	<u>\$ 175,492</u>	<u>\$ -</u>	<u>\$ 1,922,006</u>
LIABILITIES					
Accounts Payable	\$ 15,492	\$ 4,565	\$ -	\$ 116,197	\$ 136,254
Retainage Payable	-	-	-	37,559	37,559
Interfund Payable	5,314	-	186,769	2,782,252	2,974,335
Total Liabilities	<u>20,806</u>	<u>4,565</u>	<u>186,769</u>	<u>2,936,008</u>	<u>3,148,148</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue- Special Assessments	-	-	172,169	-	172,169
Unavailable Revenue-Revenue not Collected within 60 days	20,806	-	-	-	20,806
Total Deferred Inflows of Resources	<u>20,806</u>	<u>-</u>	<u>172,169</u>	<u>-</u>	<u>192,975</u>
FUND BALANCES					
Nonspendable:					
Prepaid Items	-	973	-	-	973
Restricted for:					
Capital Projects	(20,806)	1,720,170	-	-	1,699,364
Unassigned	-	-	(183,446)	(2,936,008)	(3,119,454)
Total Fund Balances	<u>(20,806)</u>	<u>1,721,143</u>	<u>(183,446)</u>	<u>(2,936,008)</u>	<u>(1,419,117)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,806</u>	<u>\$ 1,725,708</u>	<u>\$ 175,492</u>	<u>\$ -</u>	<u>\$ 1,922,006</u>

CITY OF MANDAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,957,277	\$ 69,569	\$ 489,683	\$ 2,516,529
Intergovernmental	1,348,465	1,601	-	1,350,066
Charges for Services	88,377	-	173,999	262,376
Special Assessments	200,352	-	35,051	235,403
Interest	763	-	-	763
Rent	2,400	-	30,584	32,984
Donations	107,546	-	-	107,546
Miscellaneous	67,790	-	32,685	100,475
Total Revenues	<u>\$ 3,772,970</u>	<u>\$ 71,170</u>	<u>\$ 762,002</u>	<u>\$ 4,606,142</u>
EXPENDITURES				
Current:				
General Government	262,156	-	-	262,156
Public Safety	119,141	-	-	119,141
Public Works	87,593	-	34,000	121,593
Cemetery	-	-	-	-
Culture and Recreation	48,538	-	149,355	197,893
Urban Redevelopment and Housing	61,352	-	-	61,352
Debt Service:				
Principal	1,002,580	175,000	-	1,177,580
Interest	676,005	31,556	-	707,561
Service Charges	3,100	2,182	-	5,282
Capital Outlay	30,855	-	711,123	741,978
Total Expenditures	<u>2,291,320</u>	<u>208,738</u>	<u>894,478</u>	<u>3,394,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,481,650</u>	<u>(137,568)</u>	<u>(132,476)</u>	<u>1,211,606</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long-Term Debt	-	-	322,896	322,896
Transfers In	43,640	141,946	141,672	327,258
Transfers Out	(1,776,910)	-	(6,574)	(1,783,484)
Total Other Financing Sources and Uses	<u>(1,733,270)</u>	<u>141,946</u>	<u>457,994</u>	<u>(1,133,330)</u>
Net Change in Fund Balances	<u>(251,620)</u>	<u>4,378</u>	<u>325,518</u>	<u>78,276</u>
Fund Balances - January 1, as originally reported	6,324,806	191,075	(1,744,635)	4,771,246
Prior period adjustment	440,167	-	-	440,167
Fund Balances - January 1, restated	<u>6,764,973</u>	<u>191,075</u>	<u>(1,744,635)</u>	<u>5,211,413</u>
Fund Balances - December 31	<u>\$ 6,513,353</u>	<u>\$ 195,453</u>	<u>\$ (1,419,117)</u>	<u>\$ 5,289,689</u>

CITY OF MANDAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Trans- portation System	0.75% Sales Tax	Fire Equip- ment Reserve	AARC Grant	SANE Grant	BNSF Settle- ment	Mandan SEP Trust	Down- Town Redevel- opment	Health and Safety	Total Nonmajor Special Revenue Funds
REVENUES															
Taxes	\$ -	\$ -	\$ 82,465	\$ 53,931	\$ -	\$ 167,094	\$ 1,653,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,957,277
Intergovernmental	1,175,640	-	1,890	-	-	3,855	-	152,250	-	14,830	-	-	-	-	1,348,465
Charges for Services	-	-	-	-	17,940	-	-	-	64,199	-	-	-	-	6,238	88,377
Special Assessments	-	-	139,748	-	627	-	-	-	-	-	-	-	-	59,977	200,352
Interest	-	-	-	-	-	-	681	-	-	-	-	82	-	-	763
Cemetery Lots	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	2,400	-	-	-	2,400
Donations	-	-	-	-	-	-	-	107,546	-	-	-	-	-	-	107,546
Miscellaneous	-	-	-	-	-	-	22,332	-	-	-	10,100	-	35,358	-	67,790
Total Revenues	1,175,640	-	224,103	53,931	18,567	170,949	1,676,800	259,796	64,199	14,830	12,500	82	35,358	66,215	3,772,970
EXPENDITURES															
Current:															
General Government	-	-	91,207	-	-	170,949	-	-	-	-	-	-	-	-	262,156
Public Safety	-	-	-	-	19,601	-	-	13,153	71,557	14,830	-	-	-	-	119,141
Public Works	-	-	-	-	-	-	-	-	-	-	-	-	-	87,593	87,593
Cemetery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	48,538	-	-	-	-	-	-	-	-	-	-	48,538
Urban Redevelopment and Housing	-	-	-	-	-	-	-	-	-	-	27,187	1,609	32,556	-	61,352
Debt Service:															
Principal	-	-	-	-	-	-	950,000	52,580	-	-	-	-	-	-	1,002,580
Interest	-	-	-	-	-	-	671,297	4,708	-	-	-	-	-	-	676,005
Service Charges	-	-	-	-	-	-	3,100	-	-	-	-	-	-	-	3,100
Total Expenditures	-	-	91,207	48,538	19,601	170,949	1,624,397	70,441	71,557	14,830	58,042	1,609	32,556	87,593	2,291,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,175,640	-	132,896	5,393	(1,034)	-	52,403	189,355	(7,358)	-	(45,542)	(1,527)	2,802	(21,378)	1,481,650
OTHER FINANCING SOURCES (USES)															
Transfers In	-	-	-	-	-	-	-	-	7,404	-	-	-	-	36,236	43,640
Transfers Out	(1,167,103)	(472,032)	(56,130)	-	-	-	-	(81,238)	-	-	-	-	-	(407)	(1,776,910)
Total Other Financing Sources and Uses	(1,167,103)	(472,032)	(56,130)	-	-	-	-	(81,238)	7,404	-	-	-	-	35,829	(1,733,270)
Net Change in Fund Balances	8,537	(472,032)	76,766	5,393	(1,034)	-	52,403	108,117	46	-	(45,542)	(1,527)	2,802	14,451	(251,620)
Fund Balances - January 1, as originally reported	217,557	3,500,941	464,632	48,770	47,231	-	1,596,713	272,147	(1,431)	-	293,583	83,230	20,960	(219,527)	6,324,806
Prior period adjustment	-	-	-	-	-	-	440,167	-	-	-	-	-	-	-	440,167
Fund Balances - January 1, restated	217,557	3,500,941	464,632	48,770	47,231	-	2,036,880	272,147	(1,431)	-	293,583	83,230	20,960	(219,527)	6,764,973
Fund Balances - December 31	\$ 226,094	\$ 3,028,909	\$ 541,398	\$ 54,163	\$ 46,197	\$ -	\$ 2,089,283	\$ 380,264	\$ (1,385)	\$ -	\$ 248,041	\$ 81,703	\$ 23,762	\$ (205,076)	\$ 6,513,353

CITY OF MANDAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
REVENUES			
Taxes	\$ -	\$ 69,569	\$ 69,569
Intergovernmental	-	1,601	1,601
Total Revenues	<u>-</u>	<u>71,170</u>	<u>71,170</u>
EXPENDITURES			
Debt Service:			
Principal	130,000	45,000	175,000
Interest	10,868	20,688	31,556
Service Charges	1,078	1,104	2,182
Total Expenditures	<u>141,946</u>	<u>66,792</u>	<u>208,738</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(141,946)</u>	<u>4,378</u>	<u>(137,568)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	141,946	-	141,946
Total Other Financing Sources (Uses)	<u>141,946</u>	<u>-</u>	<u>141,946</u>
Net Change in Fund Balances	<u>-</u>	<u>4,378</u>	<u>4,378</u>
Fund Balances - January 1	<u>141,500</u>	<u>49,575</u>	<u>191,075</u>
Fund Balances - December 31	<u><u>\$ 141,500</u></u>	<u><u>\$ 53,953</u></u>	<u><u>\$ 195,453</u></u>

CITY OF MANDAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Transportations Alternatives Program Construction	City Visitors' Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Street Construction	Total Nonmajor Capital Projects Funds
REVENUES					
Taxes	\$ -	\$ 489,683	\$ -	\$ -	\$ 489,683
Charges for Services	-	-	-	173,999	173,999
Special Assessments	-	-	35,051	-	35,051
Rent	-	30,584	-	-	30,584
Miscellaneous	-	-	-	32,685	32,685
Total Revenues	<u>-</u>	<u>520,267</u>	<u>35,051</u>	<u>206,684</u>	<u>762,002</u>
EXPENDITURES					
Current:					
Public Works	-	-	22,257	11,743	34,000
Culture and Recreation	(10,000)	159,355	-	-	149,355
Capital Outlay	41,209	12,322	-	657,592	711,123
Total Expenditures	<u>31,209</u>	<u>171,677</u>	<u>22,257</u>	<u>669,335</u>	<u>894,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,209)</u>	<u>348,590</u>	<u>12,794</u>	<u>(462,651)</u>	<u>(132,476)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	-	-	-	322,896	322,896
Transfers In	10,403	-	1,229	130,040	141,672
Transfers Out	-	-	(6,574)	-	(6,574)
Total Other Financing Sources and Uses	<u>10,403</u>	<u>-</u>	<u>(5,345)</u>	<u>452,936</u>	<u>457,994</u>
Net Change in Fund Balances	<u>(20,806)</u>	<u>348,590</u>	<u>7,449</u>	<u>(9,715)</u>	<u>325,518</u>
Fund Balances - January 1	<u>-</u>	<u>1,372,553</u>	<u>(190,895)</u>	<u>(2,926,293)</u>	<u>(1,744,635)</u>
Fund Balances - December 31	<u>\$ (20,806)</u>	<u>\$ 1,721,143</u>	<u>\$ (183,446)</u>	<u>\$ (2,936,008)</u>	<u>\$ (1,419,117)</u>

**CITY OF MANDAN
MANDAN, NORTH DAKOTA**

FEDERAL AWARDS REPORT IN ACCORDANCE
WITH THE UNIFORM GUIDANCE

FOR THE YEAR ENDED DECEMBER 31, 2018

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

To the Honorable Mayor and
City Commissioners
City of Mandan
Mandan, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Mandan's basic financial statements and have issued our report thereon dated September 16, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003 and 2018-004 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mandan'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 Mandan's Response to Finding

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

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 16, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
City Commissioners
City of Mandan
Mandan, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Mandan's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City of Mandan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mandan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mandan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City of Mandan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-004 and 2018-005 that we consider to be significant deficiencies.

The City of Mandan's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, major funds, and the aggregate remaining fund information of the City of Mandan as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Mandan's basic financial statements. We issued our report thereon dated September 16, 2019, which contains unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

September 16, 2019

CITY OF MANDAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Pass-Through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Cooperative Forestry Assistance		10.664	\$ 10,000
U.S. DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program		20.106	519,519
Passed through ND Department of Transportation:			
Highway Planning and Construction Cluster: Highway Planning and Construction	NHU-1-094(180)917 SU-1-094(170)919 SHE-9-999(367) SU-1-988(040)051 SU-1-988(042)053	20.205	61,568
Highway Safety Cluster: State and Community Highway Safety-Speed Management	PHSPSC1807-02-03	20.600	1,500
National Priority Safety Programs	PHSPOP1805-05-11 PHSPID1810-02-10 PHSPDD1811-02-07 PHSPOP1905-05-11 PHSPID1910-02-10 PHSPID1810-05-03	20.616	10,657
Total Highway Safety Cluster			<u>12,157</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through ND Department of Health:			
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	3000596-07 3000596-06 3000596-08	66.468	1,055,561
EXECUTIVE OFFICE OF THE PRESIDENT			
Passed through ND Office of Attorney General High Intensity Drug Trafficking Areas Program	594-MANTF	95.001	<u>15,119</u>
Total Federal Expenditures			<u><u>\$ 1,673,924</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF MANDAN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award grant activity of the City of Mandan under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of Mandan it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Mandan.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Mandan has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF MANDAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? x yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? yes x no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes x no

CITY OF MANDAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

2018-001: Segregation of Duties – City

Criteria: Effective internal controls include defined processes, responsibilities and controls over key accounting functions such as expenditures and accounts payable, as well as utility billing and collection.

Condition: During our audit, we noted the accounts payable technician is coding invoices, however the City's internal control policies require invoices are coded by the City's Department heads as a form of their approval of the expenditure.

We also noted that utility billing coordinator is normally responsible for generating utility invoices and the accounts payable technician normally applies utility payments, however both of these individuals are backups for each other and have the ability to perform each position's duties, which would include generating utility invoices and applying payments to utility accounts.

Cause: Invoices are coming to the accounts payable technician not coded and the accounts payable technician is coding the invoice so that the expenditure can be processed in a timely manner. There is a limited segregation of duties in the internal control process.

Effect: Invoices are not being approved by the City's Department heads, as required by the City's internal policies and procedures, and therefore there is a lack in segregation of duties. The deficiency for lack of segregation of duties could result in a misstatement to the financial statements that would not be detected or prevented in the normal course of business. The deficiency also could result in unauthorized transactions or loss of assets.

Recommendation: We recommend the City follow its internal control policies and procedures, which would include the accounts payable technician sending invoices back to the departments for coding / approval if one is received that is not coded. In addition, we recommend the City require the department heads to initial the invoices as part of the coding to properly document approval of the expenditure. We also recommend the City review its current accounting operations to see if duties can be shifted amongst other staff for backup positions in order to obtain proper segregation of duties.

Views of Responsible Officials:

Management agrees with this finding and has planned corrective action to address this finding.

Indication of Repeat Finding: This is not a repeat finding.

2018-002: Segregation of Duties – Airport

Condition

The Airport has a lack of segregation of duties due to a limited number of employees.

Criteria

An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

CITY OF MANDAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Cause

The limited number of employees at the Airport prevents a proper segregation of accounting functions necessary to ensure effective internal control.

Effect

The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Recommendation

While we recognize that your office staff may not be large enough to permit complete segregation of duties for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the Airport. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

Response

The Airport is aware of the risk and monitors management duties.

Indication of Repeat Finding: This is a repeat finding of finding #2017-A from the Airport's audited financial statements.

2018-003: Reconciliation of Property Taxes

Criteria: A good system of internal accounting control includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: There were misstatements related to revenue recognition from property taxes in the City's financial statements for property taxes withheld from the City for the Library.

Cause: The City recorded the property taxes in their internal fund, however this fund was excluded from the financial report of the City.

Effect: The need for these adjustments indicates the City's interim financial information is not correct; however there is minimal effect on appropriations and management's decisions.

Recommendation: We recommend the City implement a corrective action plan and make adjustments for these differences noted.

Views of Responsible Officials:

Management agrees with this finding and has planned corrective action to address this finding.

Indication of Repeat Finding: This is not a repeat finding.

CITY OF MANDAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Section III – Federal Award Findings and Questioned Costs

2018-004: This finding pertains to all Federal Programs.

Criteria: 2 CFR §200.302(b) requires the City to have formal written documented procedures used for procurements within federal programs that are in compliance with Uniform Guidance.

Condition: The City's procurement policies have not been updated to conform with the U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Cause: Due to staff turnover, the City did not have enough resources available to update their procedures to comply with Uniform Guidance.

Effect: There is a potential that the City is not in compliance with procurement requirements of their grants.

Recommendation: We recommend the City revise its procurement policy to comply with Uniform Guidance.

Views of Responsible Officials:

Management agrees with this finding and has planned corrective action to address this finding.

Indication of Repeat Finding: This is not a repeat finding.

2018-005: CFDA #66.468, Capitalization Grants for Drinking Water State Revolving Funds
Allowable Costs / Period of Performance / Davis Bacon

Criteria: Effective internal controls over grants includes a clear line of responsibility for who is responsible for compliance with grant requirements, which include allowable costs, period of performance and Davis Bacon payroll reporting.

Condition: The City contracts with an engineering firm who performs oversight of Davis Bacon reporting and reviews contractor invoices that are sent to the City for payment. However, no person at the City is performing oversight of the engineering firm nor is any person from the City receiving and reviewing payroll reports to ensure compliance with Davis Bacon payroll testing. Likewise, no person at the City is reviewing contractor invoices to ensure they meet the grant requirements for allowable costs and period of availability.

Cause: The City has relied on the engineering firm for compliance with grant requirements.

Effect: There is a potential that the City is not in compliance with Davis Bacon payroll requirements. There is also a potential that unallowable expenses could be charged to a grant. The City is relying on the engineering firm for compliance with material grant requirements, however the City is not performing any oversight / review process of the engineering firm.

Recommendation: We recommend the City develop policies and procedures for compliance and monitoring of allowable costs, which includes review for period of availability. In addition, we recommend the City receive the payroll reports from their engineers to ensure their compliance with Davis Bacon requirements.

CITY OF MANDAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Views of Responsible Officials:

Management agrees with this finding and has planned corrective action to address this finding.

Indication of Repeat Finding: This is not a repeat finding.



"WHERE THE WEST BEGINS"

CITY OF MANDAN

MANDAN CITY HALL - 205 2nd Avenue NW

MANDAN, NORTH DAKOTA 58554

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CITY DEPARTMENTS

ADMINISTRATION	667-3215
ASSESSING	667-3232
BUILDING INSPECTION	667-3230
BUSINESS DEVELOPMENT	667-3485
CEMETERY	667-6044
ENGINEER/PLANNING & ZONING	667-3225
FINANCE	667-3213
FIRE	667-3288
HUMAN RESOURCES	667-3217
LANDFILL	667-0184
MUNICIPAL COURT	667-3270
POLICE	667-3455
PUBLIC WORKS	667-3240
WASTEWATER TREATMENT	667-3278
SPECIAL ASSESSMENTS	667-3271
UTILITY BILLING	667-3219
WATER TREATMENT	667-3275

Management's Response to Auditor's Findings: Summary Schedule of Prior Audit Findings and Corrective Action Plan

For the year ended
December 31, 2018

Prepared by Management of
City of Mandan

CITY OF MANDAN - Summary Schedule of Prior Audit Findings

None

Finding 2018-001

Finding Summary: The accounts payable technician is coding invoices, however the City's internal control policies requires that invoices are coded by the City's Department managers and supervisors as a form of their approval of the expenditure.

Responsible Individuals: Greg Welch, Finance Director and Krissy Pfeifer, Assistant Finance Director

Corrective Action Plan: Any coding done by the accounts payable technician must also have the sign off the appropriate department manager or supervisor. Additionally, any use of the City credit card by the accounts payable technician must be supported with proper prior approval.

Anticipated Completion Date: Ongoing, the accounts payable technician has been made aware of this finding and the need to comply with our internal control policies.

Finding 2018-002

Finding Summary: The Airport has a lack of segregation of duties due to a limited number of employees

Responsible Individuals: Jim Lawler, Airport Manager

Corrective Action Plan: The Airport's board has implemented some mitigating controls and also has a CPA that sits on the board that assists in the review of the financial functions of the Airport. City staff reviews the financials of the Airport throughout the year and at year end. Any concerns or discrepancies are brought to the Airport's attention.

Anticipated Completion Date: Ongoing. Accounting functions will be reviewed throughout the year to determine if additional segregation is feasible.

Finding 2018-003

Finding Summary: There were misstatements related to revenue recognition from property taxes in the City's financial statements for property taxes withheld from the City for the Library. The need for these adjustments indicates the City's interim financial information is not correct; however there is minimal effect on appropriations and management's decisions. According to the 2006 Memorandum of Understanding between the Morton County Public Library and City of Mandan Public Library, the funding formula from each entity for the Library's annual budget is to be based on population statistics and if in the future the population statistics shift, the future board would then determine the most equitable formula. Since the City of Mandan's budget contribution exceeded Morton County's budget contribution for the Library for fiscal year 2017 and 2018, the City of Mandan approved to retain property taxes levied and collected on behalf of the Library in an amount equal to the budget contribution in excess of the funding formula indicated in the Memorandum of Understanding and to hold the funds in a City of Mandan account to be used for future building improvements at the Library as determined by the Board of City Commissioners.

Responsible Individuals: Greg Welch, Finance Director and Krissy Pfeifer, Assistant Finance Director

Corrective Action Plan: The Library will record these funds as revenue and classify these funds as Due from City. When funds are requested from the Library for building improvements, the Due from City account will be adjusted.

Anticipated Completion Date: Completed, 2018 financials are restated.

Finding 2018-004

Finding Summary: The City's procurement policies have not been updated to conform with the U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Responsible Individuals: Greg Welch, Finance Director

Corrective Action Plan: The City will revise its procurement policy to comply with Uniform Guidance.

Anticipated Completion Date: Ongoing, due to staff turnover.

Finding 2018-005

Finding Summary: The City contracts with an engineering firm who performs oversight of Davis Bacon reporting and reviews contractor invoices that are sent to the City for payment. However, no person at the City is performing oversight of the engineering firm nor is any person from the City receiving and reviewing payroll reports to ensure compliance with Davis Bacon payroll testing. Likewise, no person at the City is reviewing contractor invoices to ensure they meet the grant requirements for allowable costs and period of availability.

Responsible Individuals: Justin Froseth, Planning and Engineering Director

Corrective Action Plan: The City will obtain weekly certified payrolls and ensure that someone initialed for review.

Anticipated Completion Date: Ongoing, the Engineering Department was made aware of this finding in August 2019 and they have requested that the engineering firm forward certified payrolls for the Planning and Engineering Director to email as well.