

**CITY OF MEDORA
MEDORA, NORTH DAKOTA**

AUDIT REPORT

**EXAMINATION FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2018**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA**

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MEDORA, NORTH DAKOTA
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INDEPENDENT AUDITOR'S REPORT

To the City Council
Medora, North Dakota 58645

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 Medora, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medora, 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as Management's Discussion and Analysis (omitted) and the Budgetary Comparison information along with the notes to the Required Supplementary Information and Pension Liability Information on pages 30 - 35 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Medora's basic financial statements. The accompanying supplementary information such as the combining and individual non-

major fund financial statements on page 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

The accompanying other information 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2019 on our consideration of the City of Medora's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Medora's internal control over financial reporting and compliance.

August 15, 2019
Beach, North Dakota

James J. Wosepka, PC
by  CPA

CITY OF MEDORA
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,319,816	\$ 61,911	\$ 7,381,727
Accounts/other receivables	-	5,054	5,054
Capital assets not being depreciated			
Land	120,000	55,945	175,945
Infrastructure	1,326,185	-	1,326,185
Capital assets being depreciated (net of accumulated depreciation)	1,959,846	230,254	2,190,100
Total Assets	10,725,847	353,164	11,079,011
DEFERRED OUTFLOWS OF RESOURCES			
	234,338	-	234,338
LIABILITIES			
Accounts payable	-	18,500	18,500
Deposits payable	5,725	-	5,725
Noncurrent liabilities:			
Due within one year	30,000	-	30,000
Due in more than one year	461,339	-	461,339
Total Liabilities	497,064	18,500	515,564
DEFERRED INFLOWS OF RESOURCES			
	37,015	-	37,015
NET POSITION			
Net Investment in capital assets	3,406,031	286,199	3,692,230
Restricted	299,903	-	299,903
Unrestricted	6,720,172	48,465	6,768,637
Total Net Position	\$ 10,426,106	\$ 334,664	\$ 10,760,770

See accompanying notes to financial statements.

CITY OF MEDORA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 567,264	\$ -	\$ -	\$ (567,264)	\$ -	\$ (567,264)
Public safety	480,099	398	25,000	(454,701)	-	(454,701)
Public works	308,907	-	64,904	(244,003)	-	(244,003)
Culture and recreation	409,743	22,235	119,868	(267,640)	-	(267,640)
Miscellaneous	-	-	-	-	-	-
Total governmental activities	1,766,013	22,633	209,772	(1,533,608)	-	(1,533,608)
Business-type activities:						
Public utility	189,000	177,652	-	-	(11,348)	(11,348)
Outdoor recreation	40,748	14,400	-	-	(26,348)	(26,348)
Total business-type activities	229,748	192,052	-	-	(37,696)	(37,696)
Total primary government	\$ 1,995,761	\$ 214,685	209,772	(1,533,608)	(37,696)	(1,571,304)
General revenues:						
Property taxes				50,438	-	50,438
Licenses and permits				11,690	-	11,690
Unrestricted Federal/State shared revenues				1,972,410	-	1,972,410
Unrestricted grants				-	-	-
Unrestricted investment earnings				8,134	43	8,177
Miscellaneous				19,271	-	19,271
Transfers				(70,328)	70,328	-
Total general revenues and transfers				1,991,615	70,371	2,061,986
				458,007	32,675	490,682
				9,968,099	301,989	10,270,088
Total net position - January 1, 2018				\$ 10,426,106	\$ 334,664	\$ 10,760,770
Total net position - December 31, 2018						

See accompanying notes to financial statements.

CITY OF MEDORA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	City Sales Tax	1/2% Sales Tax		
ASSETS					
Cash and cash equivalents	\$ 3,673,068	\$ 2,391,112	\$ 811,558	\$ 444,078	\$ 7,319,816
Accounts receivable	-	-	-	-	-
Total Assets	3,673,068	2,391,112	811,558	444,078	7,319,816
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	-	-	-	-
Deposits payable	5,725	-	-	-	5,725
Total Liabilities	5,725	-	-	-	5,725
Fund balances:					
Restricted	5,725	-	-	294,178	299,903
Committed	-	2,391,112	811,558	149,900	3,352,570
Unassigned	3,661,618	-	-	-	3,661,618
Total fund balances	3,667,343	2,391,112	811,558	444,078	7,314,091
Total liabilities and fund balances	\$ 3,673,068	\$ 2,391,112	\$ 811,558	\$ 444,078	

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.	<u>3,406,031</u>
Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>-</u>
Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(294,016)</u>
Net position of governmental activities	<u>\$ 10,426,106</u>

See accompanying notes to financial statements.

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	City Sales Tax	1/2% Sales Tax		
REVENUES					
Taxes/assessments	\$ 51,663	\$ -	\$ -	\$ -	\$ 51,663
Licenses and permits	11,690	-	-	-	11,690
Intergovernmental revenues	1,301,357	556,843	139,210	184,772	2,182,182
Charges for services	22,235	-	-	-	22,235
Fines and forfeitures	398	-	-	-	398
Miscellaneous	19,271	-	-	-	19,271
Investment and royalty earnings	8,134	-	-	-	8,134
Total Revenues	1,414,748	556,843	139,210	184,772	2,295,573
EXPENDITURES					
Current:					
General government	451,267	54,455	-	-	505,722
Public safety	422,007	56,869	-	-	478,876
Public works	154,574	49,988	-	41,388	245,950
Culture and recreation	229,113	41,541	-	108,334	378,988
Miscellaneous	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Total Expenditures	1,256,961	202,853	-	149,722	1,609,536
Excess of revenues (under) expenditures	157,787	353,990	139,210	35,050	686,037
OTHER FINANCING SOURCES (USES):					
Proceeds from notes/loans	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(70,328)	-	-	-	(70,328)
Total other financing sources (uses)	(70,328)	-	-	-	(70,328)
Net change in fund balances	87,459	353,990	139,210	35,050	615,709
Fund balances - January 1, 2018	3,579,884	2,037,122	672,348	409,028	6,698,382
Fund balances - December 31, 2018	\$ 3,667,343	\$ 2,391,112	\$ 811,558	\$ 444,078	\$ 7,314,091

See accompanying notes to financial statements.

**CITY OF MEDORA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds (page 9)	\$ 615,709
Amounts reported for governmental activities in the Statement of Activities (page 7) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	47,148
Depreciation expense	<u>(168,293)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
	<u>(1,225)</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Long-term loan principal payments	<u>-</u>
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	
Accrued compensated absences	1,563
Pension expense GASB 68	<u>(36,895)</u>
Change in Net Position in Governmental Activities	<u>\$ 458,007</u>

See accompanying notes to financial statements.

CITY OF MEDORA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018

Description	Business-type Activities		
	Major Enterprise Fund		Totals
	Public Utility	Outdoor Recreation	
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 30,516	\$ 31,395	\$ 61,911
Accounts/other receivables	5,054	-	5,054
Total Current Assets	35,570	31,395	66,965
Noncurrent Assets			
Capital assets:			
Land	55,945	-	55,945
Buildings	249,233	10,500	259,733
Improvements other than buildings	49,320	436,167	485,487
Machinery and equipment	229,162	6,014	235,176
Less: accumulated depreciation	(517,365)	(232,777)	(750,142)
Capital assets - net of accumulated depreciation	66,295	219,904	286,199
Total Noncurrent Assets	66,295	219,904	286,199
Total Assets	101,865	251,299	353,164
LIABILITIES			
Current Liabilities			
Accounts payable	18,500	-	18,500
Total Current Liabilities	18,500	-	18,500
Total Liabilities	18,500	-	18,500
NET POSITION			
Net Investment in capital assets	66,295	219,904	286,199
Unrestricted	17,070	31,395	48,465
Total Net Position	\$ 83,365	\$ 251,299	\$ 334,664

See accompanying notes to financial statements.

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018

Description	Business-type Activities		
	Major Enterprise Fund		
	Public Utility	Outdoor Recreation	Totals
OPERATING REVENUES			
Charges for services	\$ 177,652	\$ 14,400	\$ 192,052
Miscellaneous revenues	-	-	-
Total Operating Revenues	177,652	14,400	192,052
OPERATING EXPENSES			
Personal services	-	-	-
Supplies	7,587	2,618	10,205
Purchased services	180,513	4,886	185,399
Building materials	-	19,532	19,532
Depreciation	900	13,712	14,612
Total Operating Expenses	189,000	40,748	229,748
Operating Income (Loss)	(11,348)	(26,348)	(37,696)
NON-OPERATING REVENUES			
Intergovernmental revenue	-	-	-
Interest revenue	16	27	43
Total Non-operating Revenues	16	27	43
Income (Loss) before contributions and transfers	(11,332)	(26,321)	(37,653)
Transfers in (out)	-	70,328	70,328
Change in net position	(11,332)	44,007	32,675
Total net position - January 1, 2018	94,697	207,292	301,989
Total net position - December 31, 2018	\$ 83,365	\$ 251,299	\$ 334,664

See accompanying notes to financial statements.

CITY OF MEDORA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018

Description	Business-type Activities		
	Major Enterprise Fund		Totals
	Public Utility	Outdoor Recreation	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 174,775	\$ 14,400	\$ 189,175
Cash paid to suppliers	(169,600)	(27,036)	(196,636)
Net cash provided (used) by operating activities	5,175	(12,636)	(7,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	-	70,328	70,328
Net cash provided (used) by noncapital financing activities	-	70,328	70,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental grants	-	-	-
Purchases/acquisition/construction of capital assets	-	(75,012)	(75,012)
Net cash provided (used) by capital and related financing activities	-	(75,012)	(75,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	16	27	43
Net cash provided (used) by investing activities	16	27	43
Net increase (decrease) in cash and cash equivalents	5,191	(17,293)	(12,102)
Cash and cash equivalents - January 1, 2018	25,325	48,688	74,013
Cash and cash equivalents - December 31, 2018	\$ 30,516	\$ 31,395	\$ 61,911
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (11,348)	\$ (26,348)	\$ (37,696)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation expense	900	13,712	14,612
(Increase) decrease in accounts receivable	(2,877)	-	(2,877)
Increase (decrease) in accounts payable	18,500	-	18,500
Total adjustments	16,523	13,712	30,235
Net cash provided (used) by operating activities	\$ 5,175	\$ (12,636)	\$ (7,461)

See accompanying notes to financial statements.

**CITY OF MEDORA
MEDORA, NORTH DAKOTA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies

The financial statements of the City of Medora, North Dakota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City is governed by an elected Mayor and City Council. The City's basic financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the City as reporting entities.

Basic Financial Statements

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

The Government-wide Statement of Net Position reports all financial and capital resources of the City, excluding fiduciary funds. It is displayed in a format of assets less liabilities equal net position with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position, not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/ expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

The City reports the following major Governmental Funds:

General Fund - This fund reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

City Sales/Tax Fund – This fund is used for infrastructure repairs and construction.

1/2% Sales Tax Fund – This fund is to be used for capital improvements and reserve funds as directed by the City Council.

The City reports the following major Proprietary Funds:

Public Utility Fund - This fund is used to account for the operating and non-operating revenues and expenses of the public utility system. The fund is maintained on the full accrual basis of accounting.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits, penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements but are included in the fund columns in the proprietary funds financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

1. **Summary of Significant Accounting Policies – cont.**

Capital Assets – cont.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 70
Building improvements	20
Public domain infrastructure	40
System infrastructure	40 - 100
Vehicles	12 - 15
Equipment other than vehicles	12 - 20
Office equipment	5
Computer equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement No. 34. The City's infrastructure consists of curbs, sidewalks, and streets constructed after 2003.

Enterprise Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained. Accounts receivable are reported as net of revenues collected in advance.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

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

1. **Summary of Significant Accounting Policies – cont.**

Encumbrances

Encumbrance accounting is used for the General Fund and Special Revenue Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct, or improve those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances – Governmental Funds

As of December 31, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

1. Summary of Significant Accounting Policies – cont.
Fund Balances – Governmental Funds – cont.

As of December 31, 2018, fund balances are composed of the following:

	<u>General Fund</u>	<u>City Sales Tax</u>	<u>1/2% Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Highways	\$ -	\$ -	\$ -	\$ 294,178	\$ 294,178
Culture & Recreation	5,725	-	-	-	5,725
Committed:					
1/2% Sales Tax	-	-	811,558	-	811,558
City Sales Tax	-	2,391,112	-	-	2,391,112
Occupancy Tax	-	-	-	149,900	149,900
Unassigned Funds	<u>3,661,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,661,618</u>
Total fund balances	<u>\$ 3,667,343</u>	<u>\$ 2,391,112</u>	<u>\$ 811,558</u>	<u>\$ 444,078</u>	<u>\$ 7,314,091</u>

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 out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Deferred Outflows/Inflows of Resources

In addition 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 resources*, 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.

2. Cash and Cash Equivalents

The City maintains a cash pool for all funds under the control of the City Auditor. Cash and cash equivalents includes cash and cash items of checking and savings deposits which are highly liquid or have a maturity date of three months or less when purchased. The composition of cash on December 31, 2018 was as follows:

<u>Cash</u>	
Cash in Banks	
Demand and Savings Deposits	\$ 6,961,053
Total	<u>\$ 6,961,053</u>

2. **Cash and Cash Equivalents – cont.**

Deposits - At year-end, the carrying amount of the City's deposits was \$6,961,053 and the bank balance was \$7,452,435. These deposits include demand and savings deposits. Of the bank balance, \$500,000 was covered by Federal Depository Insurance and the balance of \$6,952,435 was covered by pledged securities.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

North Dakota statutes require that the City obtain pledged securities for the uninsured portion of the deposits equal to 110% of such deposits. The amount of collateral held for City deposits at December 31, 2018 exceeded the amount required by state statutes.

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

3. **Accounts Receivable**

Accounts receivable consists of billings for December and accounts delinquent at December 31.

4. **Taxes Receivable**

Taxes receivable consists of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with the National Council on Government Accounting (NCGA) Interpretation 3, "Revenue Recognition-Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as unavailable revenue.

4. **Taxes Receivable – cont.**

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the County and usually remitted monthly to the City.

5. **Tax Abatements**

The City has no tax abatements for the year ended December 31, 2018.

6. **Interfund Transfers**

Transfers that occurred during 2018 are as follows:

General Fund	\$ (70,328)
Outdoor Rec	\$ 70,328

Transfers were made for normal operations.

7. **Risk Management**

The City of Medora participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

8. **Commitment**

The City has contracted with Theodore Roosevelt Medora Foundation for garbage disposal. Fees for 2018 were \$74,000 and are billed quarterly.

The City has a commitment to the County Ambulance Service. The City pays 50% of the annual costs less revenues. For 2018, the City paid \$157,593 out of their General Fund.

The City had one commitment for construction as of December 31, 2018. A shared path project with the County and State; total project cost for the City was \$78,254. \$15,234 was paid in 2018 and the balance has been paid in 2019.

9. **Compensated Absences**

Upon termination, the City will pay a maximum of 240 hours for vacation and 10% of accumulated sick leave with a maximum of 960 hours. As of December 31, 2017 and 2018, there is \$34,726 and \$33,163, respectively. These amounts would come from the General Fund.

10. **Retirement Plan**
Notes to the Financial Statements for the Year Ended December 31, 2018

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

10. **Retirement Plan – cont.**

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

Death and Disability Benefits

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

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

10. **Retirement Plan – cont.**

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

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

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

At 12/31/2018, the Employer reported a liability of \$428,176 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 06/30/2018, the Employer's proportion was 0.026639 percent, which was an increase of 0.000184 from its proportion measured as of 06/30/2017.

For the year ended 12/31/2018, the Employer recognized pension expense of \$61,281. At 12/31/2018, the Employer 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	\$ 2,545	\$ 2,086
Changes of assumptions	175,581	9,657
Net difference between projected and actual earnings on pension plan investments	5,759	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,693	25,272
Employer contributions subsequent to the measurement date	40,760	-
Total	<u>\$ 234,338</u>	<u>\$ 37,015</u>

\$234,338 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 12/31/2019.

10. **Retirement Plan – cont.**

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:

2018	\$ 33,796
2019	41,698
2020	35,662
2021	27,387
2022	18,020
Thereafter	-

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

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	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

10. **Retirement Plan – cont.**

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

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

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

10. **Retirement Plan – cont.**

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

	<u>1% Decrease (5.44%)</u>	<u>Current Discount Rate (6.44%)</u>	<u>1% Increase (7.44%)</u>
Employer's proportionate share of the net pension liability	\$ 581,262	\$ 428,176	\$ 300,815

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

Pension Liability Balances

December 31, 2017	\$ 257,830
Change	<u>170,346</u>
December 31, 2018	<u>\$ 428,176</u>

11. **Other Post-employment Benefits**

The City is required to implement GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. The effect of this statement is not material to the City's financial statements.

12. **Long-term Debt**

The City entered into a 10 year 0% interest loan with Billings County in the amount of \$150,000 in 2009. The loan is to be paid in annual installments of \$15,000. As of December 31, 2018, the City owed \$30,000. Payments are made from the City Sales Tax Fund. No payment was made in 2018.

Loan balances:

December 31, 2017	\$ 30,000
Payment	<u>-</u>
December 31, 2018	<u>\$ 30,000</u>

Future loan payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 30,000</u>	<u>-</u>	<u>\$ 30,000</u>
	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

13. **Subsequent Events**

The City entered into contracts for a lagoon upgrade totaling \$2,333,401. To date, \$1,998,574 has been billed and paid.

Subsequent events have been evaluated through August 15, 2019, which is the date these financial statements were available to be issued.

14. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2018.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 120,000	\$ -	\$ -	\$ 120,000
Infrastructure	1,326,185	-	-	1,326,185
Total capital assets not being depreciated	<u>1,446,185</u>	<u>-</u>	<u>-</u>	<u>1,446,185</u>
Capital assets being depreciated				
Buildings	2,381,144	-	-	2,381,144
Machinery and equipment	669,699	47,148	-	716,847
Improvements	801,477	-	-	801,477
Total capital assets being depreciated	<u>3,852,320</u>	<u>47,148</u>	<u>-</u>	<u>3,899,468</u>
Less accumulated depreciation for:				
Buildings	(1,179,015)	-	(59,223)	(1,238,238)
Machinery and equipment	(422,179)	-	(68,778)	(490,957)
Improvements	(170,135)	-	(40,292)	(210,427)
Total accumulated depreciation	<u>(1,771,329)</u>	<u>-</u>	<u>(168,293)</u>	<u>(1,939,622)</u>
Net capital assets being depreciated	<u>2,080,991</u>			<u>1,959,846</u>
Governmental activities capital assets net	<u>\$ 3,527,176</u>			<u>\$ 3,406,031</u>

Depreciation expense for the governmental activities is allocated as follows:

General Government	\$ 48,975
Public Safety	48,371
Public Works	40,192
Culture & Recreation	30,755
	<u>\$ 168,293</u>

Business-type activities:

Capital assets not being depreciated				
Land	\$ 55,945	\$ -	\$ -	\$ 55,945
Total capital assets not being depreciated	<u>55,945</u>	<u>-</u>	<u>-</u>	<u>55,945</u>
Capital assets being depreciated				
Buildings	259,733	-	-	259,733
Machinery and equipment	235,176	-	-	235,176
Improvements	410,475	75,012	-	485,487
Total capital assets being depreciated	<u>905,384</u>	<u>75,012</u>	<u>-</u>	<u>980,396</u>
Less accumulated depreciation for:				
Buildings	(249,649)	-	(262)	(249,911)
Machinery and equipment	(230,379)	-	(859)	(231,238)
Improvements	(255,502)	-	(13,491)	(268,993)
Total accumulated depreciation	<u>(735,530)</u>	<u>-</u>	<u>(14,612)</u>	<u>(750,142)</u>
Net capital assets being depreciated	<u>169,854</u>			<u>230,254</u>
Business-type activities capital assets net	<u>\$ 225,799</u>			<u>\$ 286,199</u>

Depreciation expense for the business-type activities is allocated as follows:

Public Utility	\$ 900
Outdoor Recreation	13,712
	<u>\$ 14,612</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MEDORA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 120	\$ 120	\$ 51,663	\$ 51,543
Licenses and Permits	6,345	6,345	11,690	5,345
Intergovernmental Revenue	961,477	961,477	1,301,357	339,880
Charges for Services	20,700	20,700	22,235	1,535
Fines and Forfeitures	100	100	398	298
Miscellaneous Revenues	15,800	15,800	19,271	3,471
Investment and Royalty Earnings	1,500	1,500	8,134	6,634
Total Revenues	<u>1,006,042</u>	<u>1,006,042</u>	<u>1,414,748</u>	<u>408,706</u>
Expenditures:				
Current:				
General Government	269,757	311,757	451,267	(139,510)
Public Safety	413,087	438,087	422,007	16,080
Public Works	281,474	281,474	154,574	126,900
Culture and Recreation	242,272	242,272	229,113	13,159
Miscellaneous	-	-	-	-
Total Expenditures	<u>1,206,590</u>	<u>1,273,590</u>	<u>1,256,961</u>	<u>16,629</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(200,548)</u>	<u>(267,548)</u>	<u>157,787</u>	<u>425,335</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(70,000)	(70,328)	(70,328)	-
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>(70,328)</u>	<u>(70,328)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$270,548)</u>	<u>(\$337,876)</u>	<u>87,459</u>	<u>\$425,335</u>
Fund Balances - January 1, 2018			<u>3,579,884</u>	
Fund Balances - December 31, 2018			<u>\$ 3,667,343</u>	

CITY OF MEDORA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
City Sales Tax Fund
Year Ended December 31, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	300,000	300,000	556,843	256,843
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>556,843</u>	<u>256,843</u>
Expenditures:				
Current:				
General Government	16,000	16,000	54,455	(38,455)
Public Safety	50,000	50,000	56,869	(6,869)
Public Works	163,000	163,000	49,988	113,012
Public Health	-	-	-	-
Culture and Recreation	260,000	260,000	41,541	218,459
Miscellaneous	-	-	-	-
Debt Service:				
Principal	15,000	15,000	-	15,000
Total Expenditures	<u>504,000</u>	<u>504,000</u>	<u>202,853</u>	<u>301,147</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(204,000)</u>	<u>(204,000)</u>	<u>353,990</u>	<u>557,990</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$204,000)</u>	<u>(\$204,000)</u>	<u>353,990</u>	<u>\$557,990</u>
Fund Balances - January 1, 2018			<u>2,037,122</u>	
Fund Balances - December 31, 2018			<u>\$2,391,112</u>	

CITY OF MEDORA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
1/2% Sales Tax Fund
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	60,000	60,000	139,210	79,210
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>60,000</u>	<u>60,000</u>	<u>139,210</u>	<u>79,210</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>60,000</u>	<u>60,000</u>	<u>139,210</u>	<u>79,210</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$60,000</u>	<u>\$60,000</u>	139,210	<u>\$79,210</u>
Fund Balances - January 1, 2018			672,348	
Fund Balances - December 31, 2018			<u>\$ 811,558</u>	

**CITY OF MEDORA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

Budgets

Section 40-40-10, NDCC requires that immediately after the completion of the final budget and the adoption of the annual tax levy and not later than October 10, the City Auditor shall send to the County Auditor a certified copy of the levy and a certified copy of the final budget.

Budgets are prepared for the General Fund, Special Revenue Funds, and the Debt Service Funds on a cash basis, which is not materially different from the modified accrual basis. Annual appropriations lapse at year end.

Budget Amendment

By an approved motion of the City Council, the expense budget for the following funds was amended:

	Original Budget	Change	Final Budget
General Fund	\$ 1,276,590	\$ 67,328	\$ 1,343,918
Occupancy Tax	\$ 100,000	\$ 11,335	\$ 111,335
Outdoor Rec	\$ 75,000	\$ 16,000	\$ 91,000

ND Public Employees Retirement System

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.029666%	0.031759%	0.026455%	0.026639%
Employer's proportionate share of the net pension liability (asset)	\$188,296	\$215,956	\$257,830	\$428,176
Employer's covered-employee payroll	\$249,901	\$282,934	\$266,606	\$271,940
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%	96.71%	157.45%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%	71.10%	152.96%

*Complete data for this schedule is not available prior to 2015.

Notes to Required Supplementary Information – cont.

**Schedule of Employer Contributions
Last 10 Fiscal Years***

	2015	2016	2017	2018
Statutorily required contribution	\$17,793	\$21,491	\$19,302	\$19,719
Contributions in relation to the statutorily required contribution	(\$18,631)	(\$20,145)	\$19,921	\$21,521
Contribution deficiency (excess)	(\$838)	\$1,346	(\$619)	(\$1,802)
Employer's covered-employee payroll	\$249,901	\$282,934	\$266,606	\$271,940
Contributions as a percentage of covered-employee payroll	7.12%	7.6%	7.47%	7.91%

*Complete data for this schedule is not available prior to 2015.

Changes of assumptions.

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTARY INFORMATION

CITY OF MEDORA
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-Major Special Revenue Funds
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	155,000	155,000	184,772	29,772
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>155,000</u>	<u>155,000</u>	<u>184,772</u>	<u>29,772</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	86,000	86,000	41,388	44,612
Public Health	-	-	-	-
Culture and Recreation	100,000	111,335	108,334	3,001
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>186,000</u>	<u>197,335</u>	<u>149,722</u>	<u>47,613</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(31,000)</u>	<u>(42,335)</u>	<u>35,050</u>	<u>77,385</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (31,000)</u>	<u>\$ (42,335)</u>	35,050	<u>\$ 77,385</u>
Fund Balances - January 1, 2018			409,028	
Fund Balances - December 31, 2018			<u>\$ 444,078</u>	

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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 City Council
Medora, North Dakota 58645

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 Medora, 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 of Medora, North Dakota's basic financial statements, and have issued our report thereon dated August 15, 2019.

Internal Control over Financial Reporting

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

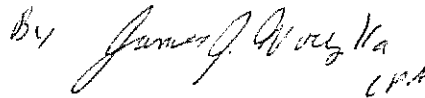
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Medora, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

James J. Wosepka, PC

By 
 J.J.W.
 CPA

August 15, 2019
Beach, North Dakota