

# **AUDIT REPORT**

CITY OF MOHALL  
Mohall, North Dakota

For the Year Ended December 31, 2018

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF MOHALL  
Mohall, North Dakota

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CITY OF MOHALL  
Mohall, North Dakota

CITY OFFICIALS

Tom Witteman	Mayor
Jim Bender	Council Member
LaVonne Erickson	Council Member
Dawn Larson	Council Member
Robyn Larson	Council Member
Mary Marmon	Council Member
Brandon Reidman	Council Member
Cheryl Overby	Auditor

# Rath & Mehler

Certified Public Accountants

*Specializing in Governmental Auditing*

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Jayson Rath, CPA  
Ken Mehler, CPA

425 North Fifth Street  
Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Mohall  
Mohall, North Dakota

### **Report on the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 city'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 city'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 modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mohall, Mohall, North Dakota, as of December 31, 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability and the schedule of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability, schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards 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 management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability, schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 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 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's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

February 1, 2019

CITY OF MOHALL

Management's Discussion and Analysis

December 31, 2018

The Management's Discussion and Analysis (MD&A) of the City of Mohall's financial performance provides an overall review of the city's financial activities for the fiscal year ended December 31, 2018. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2018 are as follows:

- \* Total net position of the city increased \$742,053 as a result of the current year's operations. Net position of the governmental activities increased \$662,884 and net position of the business-type activities increased \$79,169.
- \* Governmental net position totaled \$3,094,355 and business-type net position totaled \$976,314.
- \* Total revenues from all sources were \$1,809,844 for governmental activities and \$427,806 for business-type activities.
- \* Total expenses were \$1,146,960 for governmental activities and \$348,637 for business-type activities.
- \* The city's general fund had \$526,654 in total revenues and \$589,268 in total expenditures. There was a total of \$45,510 received from other financing sources. Overall, the general fund balance decreased by \$17,103 for the year ended December 31, 2018.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- \* Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- \* Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

#### **REPORTING ON THE CITY AS A WHOLE**

##### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the year ended December 31, 2018"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works, culture and recreation, urban and economic development and debt service. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and sanitation.

## REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, city sales tax fund, airport fund, 2010 main street improvement fund and water tower construction fund are considered "major governmental funds". The city's water fund, sewer fund and sanitation fund are considered "major enterprise funds".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" or "Other Enterprise Fund".

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2018. A comparative analysis of city-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the city's net position increased by \$742,053 for the year ended December 31, 2018. Changes in net position may serve over time as a useful indicator of the city's financial position.

The city's net position of \$4,070,669 is segregated into three separate categories. Net investment in capital assets totals \$1,591,520. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,037,341 of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$1,441,807 which includes (\$138,185) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$1,579,992 is available to meet the city's ongoing obligations.

Table I  
Net Position  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	2,219,746	420,880
Capital Assets (net of accumulated depreciation)	2,125,186	555,434
Total Assets	<u>4,344,932</u>	<u>976,314</u>
Deferred Outflows of Resources	<u>111,895</u>	
<u>Liabilities</u>		
Current Liabilities	114,627	
Long-Term Liabilities	997,766	
Net Pension Liability	229,012	
Total Liabilities	<u>1,341,405</u>	
Deferred Inflows of Resources	<u>21,068</u>	
<u>Net Position</u>		
Net Investment in Capital Assets	1,036,086	555,434
Restricted	948,338	89,003
Unrestricted	1,109,931	331,877
Total Net Position	<u>3,094,355</u> =====	<u>976,314</u> =====



Net Position  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<b>Assets</b>		
Current Assets	2,198,868	318,971
Capital Assets (net of accumulated depreciation)	1,279,228	578,174
Total Assets	3,478,096	897,145
Deferred Outflows of Resources	43,797	
<b>Liabilities</b>		
Current Liabilities	113,918	
Long-Term Liabilities	814,530	
Net Pension Liability	134,689	
Total Liabilities	1,063,137	
Deferred Inflows of Resources	27,285	
<b>Net Position</b>		
Net Investment in Capital Assets	373,040	578,174
Restricted	910,337	73,367
Unrestricted	1,148,095	245,604
Total Net Position	2,431,471	897,145

Table II shows the changes in net position for the fiscal year ended December 31, 2018. A comparative analysis of city-wide data is presented for both current and prior year.

Table II  
Changes in Net Position  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	52,884	425,596
Operating Grants and Contributions	1,001,646	
<b>General Revenues:</b>		
Property Taxes	350,262	
Other Taxes	264,456	
Intergovernmental - Unrestricted	58,963	
Interest Earnings and Other Revenue	81,632	2,210
Total Revenues	1,809,844	427,806
<b>Expenses</b>		
General Government	297,438	
Public Safety	66,669	
Streets and Public Works	242,423	
Culture and Recreation	252,563	
Urban and Economic Development	35,395	
Other	235,795	
Interest on Long-Term Debt	16,677	
Water		136,629
Sewer		68,506
Sanitation		143,503
Total Expenses	1,146,960	348,637
Net Change in Position	662,884	79,169

Property taxes constituted 16%, other taxes 12%, unrestricted intergovernmental 3%, grants and contributions 45% and charges for services made up 21% of the total revenues of all activities of the city for the fiscal year ended December 31, 2018.

General government constituted 20%, public safety 4%, streets and public works 16% and enterprise 23% of total expenses for all activities during the fiscal year ended December 31, 2018.

Changes in Net Position  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	19,612	425,143
Operating Grants and Contributions	345,937	
<u>General Revenues:</u>		
Property Taxes	348,515	
Other Taxes	189,152	
Intergovernmental - Unrestricted	54,625	
Interest Earnings and Other Revenue	98,825	8,017
Total Revenues	<u>1,056,667</u>	<u>433,160</u>
<b>Expenses</b>		
General Government	338,386	
Public Safety	45,439	
Streets and Public Works	265,101	
Culture and Recreation	39,521	
Urban and Economic Development	49,971	
Other	397,612	
Interest on Long-Term Debt	13,790	
Water		148,796
Sewer		65,099
Sanitation		144,877
Water Sewer Surcharge		17,003
Total Expenses	<u>1,149,821</u>	<u>375,775</u>
Net Change in Position	<u>(93,154)</u>	<u>57,385</u>
	=====	=====

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III  
Total and Net Cost of Services  
As of December 31, 2018

	Total Cost Year Ended <u>Dec. 31, 2018</u>	Net Cost Year Ended <u>Dec. 31, 2018</u>
General Government	297,438	276,520
Public Safety	66,669	66,669
Streets and Public Works	242,423	(496,134)
Culture and Recreation	252,563	251,498
Urban and Economic Development	35,395	35,395
Other	235,795	49,000
Interest on Long-Term Debt	16,677	(90,518)
 Total Expenses	 <u>1,146,960</u> =====	 <u>92,430</u> =====

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$1,809,844 and expenditures of \$2,110,794 for the year ended December 31, 2018. As of December 31, 2018, the unassigned fund balance of the city's general fund was \$1,271,428 and total unassigned fund balance for all the city's governmental funds was \$1,271,408.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal year 2018, the city did not amend the general fund budget.

Actual revenue for the year ended December 31, 2018 was \$99,829 more than budgeted. This variance was due to the city underestimating collections from various sources. Actual expenditures for the year ended December 31, 2018 were over budget by \$231,516. This variance was mainly due to the city underestimating appropriations for the community center building.

**CAPITAL ASSETS**

As of December 31, 2018, the city had \$2,680,620 invested in capital assets. The following table shows the balances, for governmental and business-type activities, as of December 31, 2018.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
Land	18,000	34,460
Construction in Progress	894,000	
Buildings and Infrastructure	961,470	495,414
Machinery and Vehicles	251,716	25,560
 Total (net of depreciation)	 <u>2,125,186</u> =====	 <u>555,434</u> =====

This total represents an increase of \$823,218 in capital assets from January 1, 2018. The increase in construction in progress was due to the construction of a new water tower. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Land	18,000	34,460
Buildings and Infrastructure	947,712	513,894
Machinery and Vehicles	313,516	29,820
Total (net of depreciation)	1,279,228	578,174

**DEBT ADMINISTRATION**

As of December 31, 2018, the city had \$1,112,393 in outstanding debt of which \$114,627 was due within one year. During fiscal year 2018, the city issued one new long-term debt obligation.

Revenue Bonds Payable, in the amount of \$321,829. The city issued the Sales Tax Revenue Bonds, Series 2018, available funding of \$610,000, to provide funding for an ongoing water tower project.

For a detailed breakdown of the long-term debt, readers are referred to Note 8 to the audited financial statements which follow this analysis.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Cheryl Overby, City Auditor, Mohall, ND.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mohall Housing Authority
<b>ASSETS:</b>				
Cash and Cash Equivalents	2,174,796.44	420,879.80	2,595,676.24	77,529.33
Economic Development Loans	44,950.00		44,950.00	
Capital Assets (net of accumulated depreciation):				
Land	18,000.00	34,460.00	52,460.00	
Construction in Progress	894,000.00		894,000.00	
Buildings and Infrastructure	961,470.00	495,414.00	1,456,884.00	920,798.00
Vehicles and Machinery	251,716.00	25,560.00	277,276.00	
Total Capital Assets	2,125,186.00	555,434.00	2,680,620.00	920,798.00
Total Assets	4,344,932.44	976,313.80	5,321,246.24	998,327.33
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Changes in Resources Related to Pensions	111,895.00		111,895.00	
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Capital Leases Payable	14,626.86		14,626.86	
Special Assessment Bonds Payable	100,000.00		100,000.00	
Revenue Bonds Payable				22,124.00
Due After One Year:				
Capital Leases Payable	37,643.89		37,643.89	
Special Assessment Bonds Payable	640,000.00		640,000.00	
Revenue Bonds Payable	296,829.00		296,829.00	872,213.00
Compensated Absences Payable	23,292.79		23,292.79	
Net Pension Liability	229,012.00		229,012.00	
Total Liabilities	1,341,404.54		1,341,404.54	894,337.00
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Changes in Resources Related to Pensions	21,068.00		21,068.00	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,036,086.25	555,434.00	1,591,520.25	26,461.00
Restricted for:				
Debt Service	348,159.41		348,159.41	
Special Purposes	600,178.71		600,178.71	
Maintenance and Repairs		89,003.14	89,003.14	
Unrestricted	1,109,930.53	331,876.66	1,441,807.19	77,529.33
Total Net Position	3,094,354.90	976,313.80	4,070,668.70	103,990.33

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2018

	Net (Expense) Revenue and Change in Net Position						Component Unit
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<u>Functions/Programs</u>							
Primary Government:							
<u>Governmental Activities:</u>							
General Government	297,438.01	17,417.68	3,500.00	(276,520.33)		(276,520.33)	
Public Safety	66,668.75			(66,668.75)		(66,668.75)	
Streets and Public Works	242,422.95	541.00	738,015.64	496,133.69		496,133.69	
Culture and Recreation	252,563.29		1,065.63	(251,497.66)		(251,497.66)	
Urban and Economic Development	35,394.51			(35,394.51)		(35,394.51)	
Other	235,794.93	34,925.69	151,869.36	(48,999.88)		(48,999.88)	
Interest on Long-Term Debt	16,677.48		107,195.23	90,517.75		90,517.75	
<b>Total Governmental Activities</b>	<b>1,146,959.92</b>	<b>52,884.37</b>	<b>1,001,645.86</b>	<b>(92,429.69)</b>		<b>(92,429.69)</b>	
<u>Business-Type Activities:</u>							
Water	136,628.94	181,523.48			44,894.54	44,894.54	
Sewer	68,505.73	74,586.29			6,080.56	6,080.56	
Sanitation	143,502.74	154,030.54			10,527.80	10,527.80	
Water Sewer Surcharge		15,455.66			15,455.66	15,455.66	
<b>Total Business-Type Activities</b>	<b>348,637.41</b>	<b>425,595.97</b>			<b>76,958.56</b>	<b>76,958.56</b>	
<b>Total Primary Government</b>	<b>1,495,597.33</b>	<b>478,480.34</b>	<b>1,001,645.86</b>	<b>(92,429.69)</b>	<b>76,958.56</b>	<b>(15,471.13)</b>	
-----							
Component Unit:							
Mohall Housing Authority	53,041.96	66,390.00					13,348.04
=====							

General Revenues:

Taxes:				
Property taxes; levied for general purposes	220,953.33		220,953.33	
Property taxes; levied for special purposes	129,308.98		129,308.98	
Sales taxes	126,569.70		126,569.70	
Cigarette taxes	2,176.95		2,176.95	
Oil and gas production taxes	135,709.40		135,709.40	
Intergovernmental revenue not restricted to specific programs	58,962.69		58,962.69	
Earnings on investments and other revenue	81,632.35	2,210.29	83,842.64	61.41
Total General Revenues	755,313.40	2,210.29	757,523.69	61.41
Change in Net Position	662,883.71	79,168.85	742,052.56	13,409.45
Net Position - January 1	2,431,471.19	897,144.95	3,328,616.14	90,580.88
Net Position - December 31	3,094,354.90	976,313.80	4,070,668.70	103,990.33
	=====		=====	=====

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2018

	Major Funds						
	General	City Sales Tax	Airport	2010 Main Street Improvement	Water Tower Construction	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash and Cash Equivalents	1,271,408.32	210,568.20	108,329.85	253,192.34		331,297.73	2,174,796.44
Economic Development Loans		44,950.00					44,950.00
Interfund Receivable	19.65						19.65
<b>Total Assets</b>	<b>1,271,427.97</b>	<b>255,518.20</b>	<b>108,329.85</b>	<b>253,192.34</b>	<b>-0-</b>	<b>331,297.73</b>	<b>2,219,766.09</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Interfund Payable						19.65	19.65
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Economic Development Loans		44,950.00					44,950.00
<b>Restricted for:</b>							
General Government						83,375.51	83,375.51
Public Safety						92.90	92.90
Urban and Economic Development		210,568.20					210,568.20
Emergency Purposes						4,362.20	4,362.20
Airport			108,329.85				108,329.85
Infrastructure						148,458.73	148,458.73
Debt Service				253,192.34		94,967.07	348,159.41
Other Purposes						41.32	41.32
Unassigned	1,271,427.97					(19.65)	1,271,408.32
<b>Total Fund Balances</b>	<b>1,271,427.97</b>	<b>255,518.20</b>	<b>108,329.85</b>	<b>253,192.34</b>	<b>-0-</b>	<b>331,278.08</b>	<b>2,219,746.44</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,271,427.97</b>	<b>255,518.20</b>	<b>108,329.85</b>	<b>253,192.34</b>	<b>-0-</b>	<b>331,297.73</b>	<b>2,219,766.09</b>

The accompanying notes are an integral part of these financial statements.



CITY OF MOHALL  
Mohall, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds	2,219,746.44
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	3,357,321.00	
Less Accumulated Depreciation	(1,232,135.00)	
Net Capital Assets		2,125,186.00

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	111,895.00	
Total Deferred Inflows of Resources	(21,068.00)	
Net Deferred Outflows/Inflows of Resources		90,827.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:

Capital Leases Payable	(52,270.75)	
Special Assessments Bonds Payable	(740,000.00)	
Revenue Bonds Payable	(296,829.00)	
Compensated Absences Payable	(23,292.79)	
Net Pension Liability	(229,012.00)	
Total Long-Term Liabilities		(1,341,404.54)

Total Net Position of Governmental Activities	3,094,354.90
	=====

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2018

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	City Sales Tax	Airport	2010 Main Street Improvement	Water Tower Construction		
<b>Revenues:</b>							
Taxes	268,451.92	47,442.66	94,844.03			66,095.40	476,834.01
Special Assessments				107,195.23			107,195.23
Licenses, Permits and Fees	17,390.68		34,925.69			25.00	52,341.37
Intergovernmental	200,349.04		151,869.36		670,000.00	69,081.27	1,091,299.67
Fines and Forfeits	541.00						541.00
Miscellaneous	39,921.20		16,930.49			24,780.66	81,632.35
<b>Total Revenues</b>	<b>526,653.84</b>	<b>47,442.66</b>	<b>298,569.57</b>	<b>107,195.23</b>	<b>670,000.00</b>	<b>159,982.33</b>	<b>1,809,843.63</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	274,827.05					1,569.64	276,396.69
Public Safety	58,433.66					8,235.09	66,668.75
Streets and Public Works					523.21	131,261.74	131,784.95
Culture and Recreation	213,366.84					39,196.45	252,563.29
Urban and Economic Development		35,394.51					35,394.51
Other			193,718.65			21,872.28	215,590.93
Capital Outlay			82,800.00		894,000.00		976,800.00
<b>Debt Service:</b>							
Principal Retirement	38,917.68			100,000.00			138,917.68
Interest and Service Charges	3,722.48			12,955.00			16,677.48
<b>Total Expenditures</b>	<b>589,267.71</b>	<b>35,394.51</b>	<b>276,518.65</b>	<b>112,955.00</b>	<b>894,523.21</b>	<b>202,135.20</b>	<b>2,110,794.28</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(62,613.87)</b>	<b>12,048.15</b>	<b>22,050.92</b>	<b>(5,759.77)</b>	<b>(224,523.21)</b>	<b>(42,152.87)</b>	<b>(300,950.65)</b>

<u>Other Financing Sources (Uses):</u>							
Transfers In	97,305.79					51,795.36	149,101.15
Transfers Out	(51,795.36)				(97,305.79)		(149,101.15)
Revenue Bonds Issued					321,829.00		321,829.00
<b>Total Other Financing Sources (Uses)</b>	<b>45,510.43</b>				<b>224,523.21</b>	<b>51,795.36</b>	<b>321,829.00</b>
<b>Net Change in Fund Balances</b>	<b>(17,103.44)</b>	<b>12,048.15</b>	<b>22,050.92</b>	<b>(5,759.77)</b>		<b>9,642.49</b>	<b>20,878.35</b>
Fund Balance - January 1	1,288,531.41	243,470.05	86,278.93	258,952.11	-0-	321,635.59	2,198,868.09
Fund Balance - December 31	1,271,427.97	255,518.20	108,329.85	253,192.34	-0-	331,278.08	2,219,746.44
=====							

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds 20,878.35

The change in net position reported for governmental activities in the statement of activities is 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 and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	976,800.00	
Current Year Depreciation Expense	(130,842.00)	845,958.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(321,829.00)	
Repayment of Debt	138,917.68	(182,911.32)

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

Net Increase in Compensated Absences	(1,033.32)	
Net Increase to Pension Expense	(20,008.00)	(21,041.32)

Change in Net Position of Governmental Activities		662,883.71
		=====

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2018

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Sanitation		
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	69,466.84	87,348.81	175,061.01	89,003.14	420,879.80
<b>Noncurrent Assets:</b>					
Capital Assets (net of accumulated depr):					
Land		15,910.00	18,550.00		34,460.00
Buildings and Infrastructure	122,798.00	372,616.00			495,414.00
Vehicles and Machinery				25,560.00	25,560.00
<b>Total Noncurrent Assets</b>	<b>122,798.00</b>	<b>388,526.00</b>	<b>18,550.00</b>	<b>25,560.00</b>	<b>555,434.00</b>
<b>Total Assets</b>	<b>192,264.84</b>	<b>475,874.81</b>	<b>193,611.01</b>	<b>114,563.14</b>	<b>976,313.80</b>
=====					
<b>NET POSITION</b>					
Net Investment in Capital Assets	122,798.00	388,526.00	18,550.00	25,560.00	555,434.00
Restricted for:					
Maintenance and Repairs				89,003.14	89,003.14
Unrestricted	69,466.84	87,348.81	175,061.01		331,876.66
<b>Total Net Position</b>	<b>192,264.84</b>	<b>475,874.81</b>	<b>193,611.01</b>	<b>114,563.14</b>	<b>976,313.80</b>
=====					

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds

For the Year Ended December 31, 2018

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Sanitation		
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	181,523.48				181,523.48
Sewer Charges		74,586.29			74,586.29
Garbage Charges			146,184.33		146,184.33
Utility Surcharge				15,455.66	15,455.66
Landfill Fees			7,846.21		7,846.21
<b>Total Operating Revenues</b>	<b>181,523.48</b>	<b>74,586.29</b>	<b>154,030.54</b>	<b>15,455.66</b>	<b>425,595.97</b>
<u>Operating Expenses:</u>					
Water	128,257.94				128,257.94
Sewer		58,396.73			58,396.73
Sanitation			139,242.74		139,242.74
Depreciation	8,371.00	10,109.00	4,260.00		22,740.00
<b>Total Operating Expenses</b>	<b>136,628.94</b>	<b>68,505.73</b>	<b>143,502.74</b>		<b>348,637.41</b>
<b>Operating Income (Loss)</b>	<b>44,894.54</b>	<b>6,080.56</b>	<b>10,527.80</b>	<b>15,455.66</b>	<b>76,958.56</b>
<u>Non-Operating Revenues:</u>					
Interest Income	64.97	196.56	373.98	180.28	815.79
Miscellaneous Revenues	1,176.08	218.42			1,394.50
<b>Total Non-Operating Revenues</b>	<b>1,241.05</b>	<b>414.98</b>	<b>373.98</b>	<b>180.28</b>	<b>2,210.29</b>
<b>Change in Net Position</b>	<b>46,135.59</b>	<b>6,495.54</b>	<b>10,901.78</b>	<b>15,635.94</b>	<b>79,168.85</b>
<b>Net Position - January 1</b>	<b>146,129.25</b>	<b>469,379.27</b>	<b>178,449.23</b>	<b>103,187.20</b>	<b>897,144.95</b>
<b>Net Position - December 31</b>	<b>192,264.84</b>	<b>475,874.81</b>	<b>189,351.01</b>	<b>118,823.14</b>	<b>976,313.80</b>

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2018

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Sanitation		
<u>Cash flows from operating activities:</u>					
Receipts from customers	181,523.48	74,586.29	154,030.54	15,455.66	425,595.97
Payments to employees and suppliers	(128,257.94)	(58,396.73)	(139,242.74)		(325,897.41)
Net cash provided (used) by operating activities	53,265.54	16,189.56	14,787.80	15,455.66	99,698.56
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts	1,176.08	218.42			1,394.50
<u>Cash flows from investing activities:</u>					
Interest income	64.97	196.56	373.98	180.28	815.79
Net increase in cash and cash equivalents	54,506.59	16,604.54	15,161.78	15,635.94	101,908.85
Cash and cash equivalents, January 1	14,960.25	70,744.27	159,899.23	73,367.20	318,970.95
Cash and cash equivalents, December 31	69,466.84	87,348.81	175,061.01	89,003.14	420,879.80
=====					
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	44,894.54	6,080.56	10,527.80	15,455.66	76,958.56
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	8,371.00	10,109.00	4,260.00		22,740.00
Net cash provided (used) by operating activities	53,265.54	16,189.56	14,787.80	15,455.66	99,698.56
=====					

The accompanying notes are an integral part of these financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Notes to the Financial Statements  
December 31, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mohall operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the city. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the city to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the city.

Based on these criteria, the following is a brief review of each potential component unit addressed defining the government's reporting entity.

Discretely Presented Component Unit: The component unit's column in the basic financial statements include the financial data of the city's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

Mohall Housing Authority: The Mohall Housing Authority's governing board is appointed by the city's governing board. The housing authority has the authority to issue its own debt.

The financial statements of the discretely presented component unit are presented in the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Mohall and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.



The statement of activities presents a comparison between direct expenses and program revenues for each function of the city's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the city's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

*General Fund.* This is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*City Sales Tax.* This fund accounts for the city's sales tax collections which are used for urban and economic development.

*Airport.* This fund accounts for a special tax levy to fund operations of the city's airport.

*2010 Main Street Improvement.* This fund is used to accumulate resources to repay the principal and interest of the Refunding Improvement Bonds, Series 2016.

*Water Tower Construction.* This fund is used to account for resources accumulated for water tower construction and to pay principal and interest payments on revenue bonds related to the project.

The city reports the following major enterprise funds:

*Water.* This fund accounts for the activities of the city's water distribution system.

*Sewer.* This fund accounts for the activities of the city's sewage collection system.

*Sanitation.* This fund accounts for the activities of the city's garbage collection system.

### C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the city utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

#### E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and Infrastructure	25 to 50 years
Machinery and Vehicles	5 to 15 years

#### F. Compensated Absences

Vested or accumulated vacation leave and vested sick leave are reported in the government-wide statement of net position. Compensation for unused vacation leave up to a maximum of 240 hours and 10% of accumulated sick leave will be granted to city employees upon termination of employment with the city.

#### G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt 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 are reported as debt service expenditures.

#### H. Pension

For purposes of measuring 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); 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.

## I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are 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, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

J. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

K. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At December 31, 2018 the city's carrying amount of deposits was \$2,595,676 and the bank balance was \$2,627,980. Of the bank balance, \$266,238 was covered by Federal Depository Insurance. The remaining balance of \$2,361,742 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) 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.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

Concentration of Credit Risk

The city does not have a limit on the amount the city may invest in any one issuer.

Note 3 PROPERTY TAXES

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

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS

Economic development loans consist of loans to area businesses. The following amounts are outstanding at December 31, 2018:

City Sales Tax Fund

<u>Borrower</u>	
Burger Shack	1,600.00
Spin City Laundry & Tanning	2,900.00
Tracy's Market	5,250.00
Tuffy's	4,500.00
Heisler Auto	19,700.00
Mohall Country Club	1,000.00
The Naked Moose	1,500.00
Southam Family Holdings	500.00
Flower House Garden Center	8,000.00
 Total	 <u>44,950.00</u> =====

Note 5 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the Cemetery fund. The amount shown as interfund payable represents the amount of negative cash in the fund. Interfund receivable/payable for the year ended December 31, 2018 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	19.65	
Street Imp. Dist. No. 2012-1		19.65

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	18,000			18,000
Construction in Progress		894,000		894,000
<b>Total</b>	<u>18,000</u>	<u>894,000</u>		<u>912,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,713,922	82,800		1,796,722
Machinery and Vehicles	648,599			648,599
<b>Total</b>	<u>2,362,521</u>	<u>82,800</u>		<u>2,445,321</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	766,210	69,042		835,252
Machinery and Vehicles	335,083	61,800		396,883
<b>Total</b>	<u>1,101,293</u>	<u>130,842</u>		<u>1,232,135</u>
<b>Total capital assets being depreciated, net</b>	<u>1,261,228</u>	<u>(48,042)</u>		<u>1,213,186</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>1,279,228</u>	<u>845,958</u>	<u>-0-</u>	<u>2,125,186</u>
	=====	=====	=====	=====

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	34,460			34,460
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,710,747			1,710,747
Machinery and Vehicles	81,390			81,390
<b>Total</b>	<b>1,792,137</b>			<b>1,792,137</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,196,853	18,480		1,215,333
Machinery and Vehicles	51,570	4,260		55,830
<b>Total</b>	<b>1,248,423</b>	<b>22,740</b>		<b>1,271,163</b>
<b>Total capital assets being depreciated, net</b>	<b>543,714</b>	<b>(22,740)</b>		<b>520,974</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>578,174</b>	<b>(22,740)</b>	<b>-0-</b>	<b>555,434</b>
	=====	=====	=====	=====
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Discretely Presented Component Unit:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,040,000			1,040,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	105,335	13,867		119,202
<b>Discretely Presented Component Unit Capital Assets, Net</b>	<b>934,665</b>	<b>(13,867)</b>	<b>-0-</b>	<b>920,798</b>
	=====	=====	=====	=====



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

<u>Governmental Activities:</u>	
Streets and Public Works	110,638
Other	20,204
Total	<u>130,842</u>
	=====
<u>Business-type Activities:</u>	
Water	8,371
Sewer	10,109
Water Sewer Surcharge	4,260
Total	<u>22,740</u>
	=====
<u>Discretely Presented Component Unit:</u>	
Mohall Housing Authority	13,867
	=====

Note 7 CAPITAL LEASES PAYABLE

The city has entered into the following lease agreements.

\$61,800.00 lease-purchase of a John Deere 5115M Utility Tractor, due in annual installment of \$11,476.57 through March 15, 2019 and a final installment of \$33,741.00 on March 15, 2020; payments include interest at 5.15%.	41,438.50
\$15,865.00 lease-purchase of a John Deere HX15 Rotary Cutter, due in annual installments of \$5,826.00 through May 12, 2020; payments include interest at 5%.	10,832.25
Total	<u>52,270.75</u>
	=====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2018:

<u>Year Ending December 31</u>	<u>Governmental Activities Lease Payments</u>
2019	17,302.57
2020	39,567.00
Total minimum lease payments	<u>56,869.57</u>
Less: amount representing interest	(4,598.82)
Present value of future minimum lease payments	<u>52,270.75</u>
	=====

Note 8 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2018, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Leases	66,188		13,917	52,271	14,627
Special Assmt. Bonds	840,000		100,000	740,000	100,000
Revenue Bonds		321,829	25,000	296,829	
Comp. Absences *	22,259	1,034		23,293	
<b>Total</b>	<u>928,447</u>	<u>322,863</u>	<u>138,917</u>	<u>1,112,393</u>	<u>114,627</u>
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Discretely Presented Component Unit:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	915,780	-0-	21,443	894,337	22,124
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2018 consists of the following:

Governmental Activities:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the refinancing of the Refunding Improvement Bond of 2010. Special assessment bonds outstanding at December 31, 2017 are as follows:

\$935,000 Refunding Improvement Bonds, Series 2016 due in annual installments of \$100,000 to \$110,000 through May 1, 2025; interest is at 1.1% to 1.95%.	740,000 =====
--	------------------

The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	100,000	10,830
2020	100,000	9,680
2021	105,000	8,345
2022	110,000	6,758
2023	110,000	4,970
2024-2025	215,000	4,162
<b>Total</b>	<u>740,000</u>	<u>44,745</u>
	=====	=====

Revenue Bonds. The city has issued bonds for the purpose of construction of a water tower. Revenue bonds outstanding at December 31, 2018 are as follows:

The city has received funding as part of the Drinking Water State Revolving Fund Program, from the North Dakota Public Finance Authority. The city is in the process of constructing a new water tower and issued the Sales Tax Revenue Bonds, Series 2018, in the amount of \$610,000. As of December 31, 2018, the city had requested drawdowns of \$321,829 and has repaid principal of \$25,000. The project was not completed as of December 31, 2018 and a final debt service repayment schedule is not available since the city had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2018 was \$296,829. The city has \$288,171 still available as of December 31, 2018.

Discretely Presented Component Unit:

Revenue Bonds. The housing authority has issued bonds for the purpose of providing affordable housing in the city. Revenue bonds outstanding at December 31, 2018 are as follows:

\$540,000 Multifamily Housing Revenue Bonds, Series 2008 due in monthly installments of \$2,412.84 through 2043; payments include interest at 4%.	449,550
\$500,000 Multifamily Housing Revenue Bonds, Series 2012 due in monthly installments of \$1,737.00 through 2048; payments include interest at 2.25%.	444,787
	<u>894,337</u>
	=====

The annual requirements to amortize the outstanding revenue bonds are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	22,124	27,676
2020	22,828	26,972
2021	23,556	26,244
2022	24,310	25,490
2023	25,089	24,711
2024-2028	138,113	110,886
2029-2033	162,089	86,910
2034-2038	190,584	58,424
2039-2043	204,060	24,510
2044-2048	81,584	3,893
Total	<u>894,337</u>	<u>415,716</u>
	=====	=====

Note 9 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	97,305.79	
Water Tower Construction		97,305.79
To reimburse prior year expenditures.		
Highway Distribution	40,757.16	
Library	11,038.20	
General		57,795.36

To subsidize expenditures/eliminate deficit balances.

Note 10 DEFICIT FUND BALANCE

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

<u>Special Revenue Fund</u>	
Cemetery	(19.65)

The city plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 11 RISK MANAGEMENT

The City of Mohall is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$3,000,000 per occurrence for general liability and automobile; and \$941,429 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,163,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 12 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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

- 1 to 12 months of service -  
Greater of one percent of monthly salary or \$25
- 13 to 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 of Mohall reported a liability of \$229,012 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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 in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the city's proportion was .014248 percent, which was an increase of .000428 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2018 the city recognized pension expense of \$30,718. At December 31, 2018 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	1,361	1,116
Changes in assumptions	93,910	5,165
Net difference between projected and actual earnings on pension plan investments	3,080	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,588	14,787
City contributions subsequent to the measurement date (see below)	10,956	
<b>Total</b>	<u>111,895</u> =====	<u>21,068</u> =====

\$10,956 reported as deferred outflows of resources related to pensions resulting from city 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	16,017
2020	20,243
2021	17,103
2022	16,741
2023	9,767
Thereafter	0

**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 Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

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

**Discount rate.** For PERS, GASB 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 contribution, 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 payment payments through the year 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061. and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

**Sensitivity of the 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 6.44 percent, 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Rate (6.44%)	1% Increase (7.44%)
	-----	-----	-----
The city's proportionate share of the net pension liability	310,891	229,012	160,892

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

CITY OF MOHALL  
Mohall, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	240,550.00	240,550.00	268,451.92	27,901.92
Licenses, Permits and Fees	8,100.00	8,100.00	17,390.68	9,290.68
Intergovernmental	157,000.00	157,000.00	200,349.04	43,349.04
Fines and Forfeits	1,000.00	1,000.00	541.00	(459.00)
Miscellaneous	20,175.00	20,175.00	39,921.20	19,746.20
<b>Total Revenues</b>	<b>426,825.00</b>	<b>426,825.00</b>	<b>526,653.84</b>	<b>99,828.84</b>
<u>Expenditures:</u>				
Current:				
General Government	296,050.00	296,050.00	274,827.05	21,222.95
Public Safety	54,802.00	54,802.00	58,433.66	(3,631.66)
Culture and Recreation	6,900.00	6,900.00	213,366.84	(206,466.84)
Debt Service:				
Principal Retirement			38,917.68	(38,917.68)
Interest and Service Charges			3,722.48	(3,722.48)
<b>Total Expenditures</b>	<b>357,752.00</b>	<b>357,752.00</b>	<b>589,267.71</b>	<b>(231,515.71)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>69,073.00</b>	<b>69,073.00</b>	<b>(62,613.87)</b>	<b>(131,686.87)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			97,305.79	97,305.79
Transfers Out	(120,000.00)	(120,000.00)	(51,795.36)	68,204.64
<b>Total Other Financing Sources (Uses)</b>	<b>(120,000.00)</b>	<b>(120,000.00)</b>	<b>45,510.43</b>	<b>165,510.43</b>
<b>Net Change in Fund Balances</b>	<b>(50,927.00)</b>	<b>(50,927.00)</b>	<b>(17,103.44)</b>	<b>33,823.56</b>
<b>Fund Balance - January 1</b>	<b>1,288,531.41</b>	<b>1,288,531.41</b>	<b>1,288,531.41</b>	
<b>Fund Balance - December 31</b>	<b>1,237,604.41</b>	<b>1,237,604.41</b>	<b>1,271,427.97</b>	<b>33,823.56</b>

CITY OF MOHALL  
Mohall, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
City Sales Tax Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	50,000.00	50,000.00	47,442.66	(2,557.34)
<u>Expenditures:</u>				
Current:				
Urban and Economic Development			35,394.51	(35,394.51)
Net Change in Fund Balances	50,000.00	50,000.00	12,048.15	(37,951.85)
Fund Balance - January 1	243,470.05	243,470.05	243,470.05	
Fund Balance - December 31	293,470.05	293,470.05	255,518.20	(37,951.85)

CITY OF MOHALL  
Mohall, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Airport Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	9,000.00	9,000.00	94,844.03	85,844.03
Licenses, Permits and Fees	29,000.00	29,000.00	34,925.69	5,925.69
Intergovernmental			151,869.36	151,869.36
Miscellaneous	5,500.00	5,500.00	16,930.49	11,430.49
<b>Total Revenues</b>	<b>43,500.00</b>	<b>43,500.00</b>	<b>298,569.57</b>	<b>255,069.57</b>
<u>Expenditures:</u>				
Current:				
Other	16,050.00	16,050.00	193,718.65	(177,668.65)
Capital Outlay	82,800.00	82,800.00	82,800.00	
<b>Total Expenditures</b>	<b>98,850.00</b>	<b>98,850.00</b>	<b>276,518.65</b>	<b>(177,668.65)</b>
<b>Net Change in Fund Balances</b>	<b>(55,350.00)</b>	<b>(55,350.00)</b>	<b>22,050.92</b>	<b>77,400.92</b>
<b>Fund Balance - January 1</b>	<b>86,278.93</b>	<b>86,278.93</b>	<b>86,278.93</b>	
<b>Fund Balance - December 31</b>	<b>30,928.93</b>	<b>30,928.93</b>	<b>108,329.85</b>	<b>77,400.92</b>

CITY OF MOHALL  
Mohall, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary budget. The city budget is prepared for the general, special revenue and debt service funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the city's budget for the year ending December 31, 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ending December 31, 2018:

General Fund	231,515.71
<u>Special Revenue Funds</u>	
City Sales Tax	35,394.51
Airport	177,668.65
Fire Department	35.09
* SB2103 Surge Money	15,961.00
* City Share of Special Assessments	7,884.76
Cemetery	401.27
Library	18,696.45
* Planning Commission	1,569.64
<u>Debt Service Fund</u>	
* 2010 Main Street Imp.	112,955.00

\* A budget was not prepared for this fund.

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF MOHALL  
Mohall, North Dakota

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
	-----	-----	-----	-----
City's proportion of the net pension liability	0.014248%	0.013820%	0.014892%	0.017443%
City's proportionate share of the net pension liability	229,012	134,689	101,263	110,714
City's covered-employee payroll	145,440	139,268	137,583	146,936
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.46%	96.71%	73.60%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2018	2017	2016	2015
	-----	-----	-----	-----
Statutorily required contribution	10,355	9,916	9,796	9,747
Contributions in relation to the statutorily required contribution	(10,355)	(9,916)	(9,796)	(9,747)
Contribution deficiency (excess)	0	0	0	0
City's covered-employee payroll	145,440	139,268	137,583	146,936
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	6.63%

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

- For changes of assumptions, see Note 12 to the financial statements.

CITY OF MOHALL  
Mohall, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	1,288,531.41	526,653.84	97,305.79	51,795.36	589,267.71	1,271,427.97
City Sales Tax	174,655.26	76,392.66			40,479.72	210,568.20
Airport	86,278.93	298,569.57			276,518.65	108,329.85
2010 Main Street Improvement	258,952.11	107,195.23			112,955.00	253,192.34
Water Tower Construction		991,829.00		97,305.79	894,523.21	
<b>Total Major Governmental Funds</b>	<b>1,808,417.71</b>	<b>2,000,640.30</b>	<b>97,305.79</b>	<b>149,101.15</b>	<b>1,913,744.29</b>	<b>1,843,518.36</b>
<u>Non-Major Governmental Funds</u>						
Highway Distribution		74,543.58	40,757.16		115,300.74	
Fire Department	366.62	7,961.37			8,235.09	92.90
SB2103 Surge Money	72,185.86	144.27			15,961.00	56,369.13
City Share of Special Assmt.	87,590.94	185.10			7,884.76	79,891.28
Special Assessment Deficiency	47,073.00	104.57				47,177.57
Emergency	1,229.50	5,318.95			2,186.25	4,362.20
Cemetery	39.35	11,742.27			11,801.27	(19.65)
Library		28,158.25	11,038.20		39,196.45	
Planning Commission	5,028.87	25.00			1,569.64	3,484.23
Infrastructure	60,290.63	31,798.97				92,089.60
CDBG Funds	41.32					41.32
Street Improvement 2004	47,789.50					47,789.50
<b>Total Non-Major Governmental Funds</b>	<b>321,635.59</b>	<b>159,982.33</b>	<b>51,795.36</b>		<b>202,135.20</b>	<b>331,278.08</b>
<b>Total Governmental Funds</b>	<b>2,130,053.30</b>	<b>2,160,622.63</b>	<b>149,101.15</b>	<b>149,101.15</b>	<b>2,115,879.49</b>	<b>2,174,796.44</b>
<u>Major Enterprise Funds</u>						
Water	14,960.25	182,764.53			128,257.94	69,466.84
Sewer	70,744.27	75,001.27			58,396.73	87,348.81
Sanitation	159,899.23	154,404.52			139,242.74	175,061.01
<b>Total Major Enterprise Funds</b>	<b>245,603.75</b>	<b>412,170.32</b>			<b>325,897.41</b>	<b>331,876.66</b>
<u>Non-Major Enterprise Fund</u>						
Water Sewer Surcharge	73,367.20	15,635.94				89,003.14
<b>Total Enterprise Funds</b>	<b>318,970.95</b>	<b>427,806.26</b>			<b>325,897.41</b>	<b>420,879.80</b>
<b>Total Primary Government</b>	<b>2,449,024.25</b>	<b>2,588,428.89</b>	<b>149,101.15</b>	<b>149,101.15</b>	<b>2,441,776.90</b>	<b>2,595,676.24</b>
<u>Discretely Presented Component Unit</u>						
Mohall Housing Authority	71,695.88	66,451.41			60,617.96	77,529.33
<b>Total Reporting Entity</b>	<b>2,520,720.13</b>	<b>2,654,880.30</b>	<b>149,101.15</b>	<b>149,101.15</b>	<b>2,502,394.86</b>	<b>2,673,205.57</b>

CITY OF MOHALL  
Mohall, North Dakota

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of the Interior</u>			
Passed through the Garrison Diversion Conservancy District:			
Municipal, Rural and Industrial Water Supply Program	15.518		670,000.00
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106		101,470.52
<u>Environmental Protection Agency</u>			
Passed through the ND Public Finance Authority:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	3800695-01	321,829.00
Total Expenditures of Federal Awards			1,093,299.52 =====

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

Program Title	Federal CFDA Number	Outstanding Loan Balances
Capitalization Grants for Drinking Water State Revolving Fund	66.468	321,829.00



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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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Mohall  
Mohall, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mohall, Mohall, 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, and have issued our report thereon dated February 1, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the city'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

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

The city's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control or on compliance. This 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.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 1, 2019

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Mohall  
Mohall, North Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Mohall'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's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the city'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 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 Mohall 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 1, 2019

CITY OF MOHALL  
Mohall, North Dakota

Schedule of Findings and Responses  
For the Year Ended December 31, 2018

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Discretely Presented Component Unit	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

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 program(s):

\* Material weakness(es) identified?                   Yes          X   No

\* Significant deficiency(ies) identified?              Yes          X   None Reported

Type of auditor's report issued on  
compliance for major program(s):

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance  
with 2 CFR 200.516(a)?

       Yes          X   No

Identification of major program(s):

CFDA Number

15.518

Name of Federal Program

Municipal, Rural and Industrial  
Water Supply Program

Dollar threshold used to distinguish  
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

       Yes          X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. 2018-001 - Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

*Effect:* There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

*Recommendation:* Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

2. 2018-002 - Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2018 are prepared by the city's external auditors.

*Criteria:* A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.