

**MORTON MANDAN PUBLIC LIBRARY  
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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**MORTON MANDAN PUBLIC LIBRARY**  
**BOARD OF TRUSTEES AND APPOINTED OFFICIALS**  
**DECEMBER 31, 2018**

**Board of Trustees**

President	Ashley Kelsch	City of Mandan
Vice President	Linda Ehreth	Morton County
Secretary / Treasurer	Rebecca Donovan	Morton County
Mandan City Commissioner	Joanne Beckman	City of Mandan
Trustee	Mary Anderson	City of Mandan
Trustee	Robin Doll	Morton County
Trustee	Bruce Strinden	Morton County
Trustee	Mike Braun	City of Mandan

**Appointed Officials**

Director	Jackie Hawes
Assistant Director	Sarah Warneke
Outreach Services Coordinator	Mary Henderson

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Morton Mandan Public Library  
Mandan, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of December 31, 2018, and the respective changes in financial position for the year ended in accordance with the accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 1, the financial statements of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the City of Mandan that is attributable to the transactions of the Morton Mandan Public Library. They do not purport to, and do not, present fairly the financial position of the City of Mandan, North Dakota as of December 31, 2018 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in note 9 to the financial statements, the 2017 financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

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

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Morton Mandan Public Library's basic financial statements. The Board of Trustees and Appointed Officials listing is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Trustees and Appointed Officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do express an opinion or provide any assurance on it.

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

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



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

September 16, 2019

**MORTON MANDAN PUBLIC LIBRARY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 580,167
Taxes receivable	21,984
Due from City	91,317
Prepaid items	10,604
Capital assets (net of depreciation):	
Buildings and improvements	745,138
Buildings and infrastructure	25,025
Machinery and equipment	7,695
Total assets	1,481,930
<b>LIABILITIES</b>	
Salaries and benefits payable	10,243
Accounts payable	11,865
Noncurrent liabilities:	
Due within one year:	
Compensated absences	15,421
Due after one year:	
Compensated absences	23,965
Total liabilities	61,494
<b>NET POSITION</b>	
Net investment in capital assets	777,858
Unrestricted	642,578
Total Net Position	\$ 1,420,436

See Notes to Financial Statements

**MORTON MANDAN PUBLIC LIBRARY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u> <u>and</u> <u>Contributions</u>	
Governmental Activities:				
Culture and recreation	\$ 750,753	\$ 50,766	\$ 241,278	\$ (458,709)
Total governmental activities	\$ 750,753	\$ 50,766	\$ 241,278	(458,709)
			<u>General Revenues</u>	
			Property, delinquent, mobile home taxes	475,583
			Disabled veterans credit	3,452
			Homestead credit	7,342
			Interest	622
			Miscellaneous	45,267
			Total general revenues	532,266
			Change in net position	73,557
			Net position - January 1, as previously stated	1,238,879
			Prior period adjustment - see note 9	108,000
			Net position - January 1, restated	1,346,879
			Net position - December 31	\$ 1,420,436

See Notes to Financial Statements



**MORTON MANDAN PUBLIC LIBRARY**  
**BALANCE SHEET – GOVERNMENTAL FUND**  
**DECEMBER 31, 2018**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 580,167
Taxes receivable	21,984
Due from City	91,317
Prepaid items	10,604
Total assets	\$ 704,072
<b>LIABILITIES</b>	
Salaries and benefits payable	\$ 10,243
Accounts payable	11,865
Total liabilities	22,108
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	19,165
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	10,604
Committed for:	
Bookmobile replacement	83,661
Capital reserve	52,106
Unassigned	516,428
Total fund balance	662,799
Total liabilities, deferred inflows of resources and fund balance	\$ 704,072

See Notes to Financial Statements

**MORTON MANDAN PUBLIC LIBRARY**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

Total fund balance for governmental fund		\$	662,799
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:			
Buildings and improvements (net of depreciation)	745,138		
Buildings and infrastructure (net of depreciation)	25,025		
Machinery and equipment (net of depreciation)	7,695		
Total capital assets			777,858
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund:			
Taxes receivable			19,165
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund:			
Compensated absences			(39,386)
Total net position of governmental activities			\$ 1,420,436

See Notes to Financial Statements

**MORTON MANDAN PUBLIC LIBRARY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>General</b>
<b>REVENUES</b>	
Taxes	\$ 470,363
Intergovernmental	252,073
Charges for services	12,931
Fines and forfeits	5,549
Interest	622
Rent	32,286
Miscellaneous	45,267
Total revenues	819,091
<b>EXPENDITURES</b>	
Current	
Culture and recreation	719,405
Total expenditures	719,405
Net change in fund balance	99,686
Fund balance - January 1, as previously reported	455,113
Prior period adjustment - see note 9	108,000
Fund balance - January 1, restated	563,113
Fund balance - December 31	\$ 662,799

See Notes to Financial Statements

**MORTON MANDAN PUBLIC LIBRARY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balance - total governmental fund	\$	99,686
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>		
Depreciation	(33,626)	
Total		(33,626)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund:</p>		
Taxes receivable (net)		5,220
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:</p>		
Net decrease in compensated absences		2,277
Change in net position of governmental activities	\$	73,557

**MORTON MANDAN PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, is a joint public library serving Morton County and the City of Mandan, and is governed by a joint board of trustees comprising of four members from Morton County and four members from the City of Mandan, and operates under a Memorandum of Understanding between Morton County and the City of Mandan. The Library has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are as follows:

**Reporting Entity**

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the Library's funds and activities based on these criteria since there are no component units to include in the Library's reporting entity.

**Government-Wide Financial Statements**

The statement of net position and statement of activities report information on all non-fiduciary activities of the Library. The Library's activities are governmental activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Unrestricted net position consists of net position that does not meet the definition of the preceding category. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

**Fund Financial Statements**

Separate financial statements are provided for the governmental fund.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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

The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes and intergovernmental. Unearned revenue is recorded for receivables that are measurable but not available at year-end.

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

**Financial Statement Presentation**

The Library reports the following governmental fund:

General Fund - This fund is the principal operating fund of the Library. It is used to account for all financial resources that are not accounted for in other funds.

**Cash and Cash Equivalents**

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

**MORTON MANDAN PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Investments**

State statutes authorize the Library to invest in state and local securities, commercial paper, bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, obligations of the state.

**Taxes Receivable**

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A five percent discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the five percent discount on the property taxes.

**Prepaid Items**

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

**Capital Assets**

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

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

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

Infrastructure consists of parking lots. Infrastructure is reported in the governmental activities column in the government-wide financial statements.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Buildings and infrastructure	30
Machinery and equipment	5

**Due from City**

According to the 2006 Memorandum of Understanding between the Morton County Public Library and City of Mandan Public Library, the funding formula from each entity for the Library's annual budget is to be based on population statistics and if in the future the population statistics shift, the future board would then determine the most equitable formula. Since the City of Mandan's budget contribution exceeded Morton County's budget contribution for the Library for fiscal year 2017 and 2018, the City of Mandan approved to retain property taxes levied and collected on behalf of the Library in an amount equal to the budget contribution in excess of the funding formula indicated in the Memorandum of Understanding and to hold the funds in a City of Mandan account to be used for future building improvements at the Library as determined by the Board of City Commissioners. As of December 31, 2018, the balance of funds retained by the City of Mandan for the Library amounted to \$129,139. These funds were netted with payables to the City of Mandan of \$37,822.

**Deferred Inflows of Resources**

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

**Compensated Absences**

Annual Leave

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



**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

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

**Sick Leave**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

**Revenues and Expenditures/Expenses**

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

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

In the governmental fund financial statements, expenditures are reported by character: "Current", or "Capital Outlay". Current expenditures are subclassified by function.

Capital outlay includes expenditures for capital assets.

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

**Net Position**

The difference between fund assets and liabilities is “Net Position” on the government-wide financial statements, and “Fund Balance” on governmental fund financial statements.

**Fund Balance Classifications**

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

**Nonspendable** includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

**Minimum Fund Balance**

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

The minimum fund balance in the General Fund at December 31, 2018 was \$136,051.

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures over Appropriations at the Legal Level of Control**

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

**NOTE 3 DEPOSITS**

**Custodial Credit Risk**

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

At December 31, 2018, the carrying amount of the Library's deposits was \$580,167 and the bank balance was \$583,549 all of which was insured and collateralized. The Library also maintains a petty cash balance of \$200.

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

<u>Primary Government</u>	
Cash and cash equivalents	\$ 580,167
Less: Petty cash	<u>(200)</u>
Total deposits	<u><u>\$ 579,967</u></u>

**NOTE 4 INVESTMENTS**

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

**Interest Rate Risk**

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

**MORTON MANDAN PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

**Credit Risk**

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

**Concentration of Credit Risk**

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

**Foreign Currency Risk**

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

**NOTE 5 CAPITAL ASSETS**

The following is a summary of capital assets during the fiscal year:

<b>Governmental Activities</b>	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Capital assets being depreciated:				
Buildings and improvements	\$ 1,020,735	\$ -	\$ -	\$ 1,020,735
Buildings and infrastructure	139,339	-	-	139,339
Machinery and equipment	610,304	-	-	610,304
Total capital assets being depreciated	<u>1,770,378</u>	<u>-</u>	<u>-</u>	<u>1,770,378</u>
Less accumulated depreciation for:				
Buildings and improvements	255,182	20,415	-	275,597
Buildings and infrastructure	109,669	4,645	-	114,314
Machinery and equipment	594,043	8,566	-	602,609
Total accumulated depreciation	<u>958,894</u>	<u>33,626</u>	<u>-</u>	<u>992,520</u>
Total capital assets being depreciated, net	<u>811,484</u>	<u>(33,626)</u>	<u>-</u>	<u>777,858</u>
Total capital assets, net	<u>\$ 811,484</u>	<u>\$ (33,626)</u>	<u>\$ -</u>	<u>\$ 777,858</u>

Depreciation expense was charged to function/program of the Library as follows:

**Governmental Activities**

Culture and Recreation	<u>\$ 33,626</u>
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**MORTON MANDAN PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**NOTE 6      LONG-TERM DEBT**

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

<u>Governmental Activities</u>	<u>Balance 1/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 41,663</u>	<u>\$ 23,067</u>	<u>\$ (25,344)</u>	<u>\$ 39,386</u>	<u>\$ 15,421</u>

**NOTE 7      EMPLOYEE PENSION PLAN**

**Defined Contribution Plan**

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible Library employees. The Defined Contribution Plan had 9 participants as of December 31, 2018.

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

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

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

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

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. The employer's required contributions for the years ended December 31, 2018, 2017, and 2016, were \$27,211, \$26,427, and \$26,194, respectively.

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

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

**NOTE 8 RISK MANAGEMENT**

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

**North Dakota Insurance Reserve Fund**

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

**Machinery and Equipment**

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

**State Fire and Tornado Fund**

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

**State Bonding Fund**

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

**Workforce Safety & Insurance**

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

**PERS Uniform Group Insurance Program**

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

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

**NOTE 9 PRIOR PERIOD ADJUSTMENT**

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

**NOTE 10 NEW PRONOUNCEMENTS**

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

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

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

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

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

**MORTON MANDAN PUBLIC LIBRARY**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

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

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

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

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

**NOTE 11 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Library's year end. Subsequent events have been evaluated through September 16, 2019, which is the date these financial statements were available to be issued.



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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 498,502	\$ 498,502	\$ 470,363	\$ (28,139)
Intergovernmental	252,738	252,738	252,073	(665)
Charges for services	5,500	5,500	12,931	7,431
Fines and forfeits	5,500	5,500	5,549	49
Interest	200	200	622	422
Rent	32,150	32,150	32,286	136
Miscellaneous	19,600	49,600	45,267	(4,333)
Total revenues	<u>814,190</u>	<u>844,190</u>	<u>819,091</u>	<u>(25,099)</u>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	<u>770,299</u>	<u>800,299</u>	<u>719,405</u>	<u>80,894</u>
Total expenditures	<u>770,299</u>	<u>800,299</u>	<u>719,405</u>	<u>80,894</u>
Net change in fund balance	<u>\$ 43,891</u>	<u>\$ 43,891</u>	<u>99,686</u>	<u>\$ (31,987)</u>
Fund balance - January 1, restated			<u>563,113</u>	
Fund balance - December 31			<u>\$ 662,799</u>	

See Notes to Required Supplemental Information

**MORTON MANDAN PUBLIC LIBRARY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**NOTE 1 GENERAL BUDGETARY POLICIES AND PROCEDURES**

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

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

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

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

To the Board of Trustees  
Morton Mandan Public Library  
Mandan, North Dakota

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

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morton Mandan Public Library'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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



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

September 16, 2019