

FINANCIAL STATEMENTS

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

For the Year Ended
DECEMBER 31, 2018

Prepared By

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

CITY OF PARK RIVER
Park River, North Dakota
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CITY OF PARK RIVER
Park River, North Dakota
LIST OF OFFICIALS
December 31, 2018

Dan Stenvold	Mayor
Keith Anderson	Council Member
Kyle Halvorson	Council Member
Dennis Kubat	Council Member
Mike Lorton	Council Member
Robert Lundquist III	Council Member
Joe Miller	Council Member
Nancy Thompson	Auditor
Ann Berg	Deputy Auditor
Tracy Laaveg	City Attorney

Accounting For Success **INDEPENDENT AUDITOR'S REPORT**

To the Governing Board
City of Park River, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 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 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.

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PARK RIVER

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LANGDON

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FM Mall
Langdon, ND 58249
(701) 256-3559

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of December 31, 2018, and the respective changes modified cash basis financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Park River, North Dakota's basic financial statements. The combining and individual non-major fund financial statement is presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 04, 2020 on our consideration of the City of Park River, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Park River, North Dakota's internal control over financial reporting and compliance.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

May 04, 2020

BASIC FINANCIAL STATEMENTS

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing Authority	Airport
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 1,222,534	\$ 1,885,103	\$ 3,107,637	\$ 5,649	\$ 14,134
Certificates of Deposits	333,913	1,122,803	1,456,716	34,193	-
Other Current Assets	13,720	-	13,720	-	-
Total Current Assets	1,570,167	3,007,906	4,578,074	39,842	14,134
CAPITAL ASSETS:					
Capital Assets net of Accumulated Depreciation	3,661,708	11,268,444	14,930,151	837,865	1,519,470
Total Capital Assets	3,661,708	11,268,444	14,930,151	837,865	1,519,470
OTHER ASSETS:					
Loans Receivable	229,381	-	229,381	-	-
Interfund Balances	(78,484)	78,484	-	-	-
Total Other Assets	150,897	78,484	229,381	-	-
Total Assets	\$ 5,382,772	\$ 14,354,834	\$ 19,737,606	\$ 877,707	\$ 1,533,604
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Customer Deposits	\$ -	\$ 100,520	\$ 100,520	\$ -	\$ -
Current Maturity on Long Term Debt	449,255	314,898	764,153	19,742	-
Total Current Liabilities	449,266	415,418	864,684	19,742	-
NON CURRENT LIABILITIES					
Bonds Payable	3,065,693	4,594,609	7,660,302	946,831	-
Notes Payable	270,422	-	270,422	-	-
Less: Current Maturity on Long Term Debt	(449,255)	(314,898)	(764,153)	(19,742)	-
Total Non Current Liabilities	2,886,860	4,279,711	7,166,571	927,089	-
Total Liabilities	3,336,126	4,695,129	8,031,255	946,831	-
Net Position					
Net investment in capital assets	247,109	6,673,835	6,920,944	(108,966)	1,519,470
Restricted For:					
Debt Service	248,454	1,325,068	1,573,522	34,193	-
Capital Projects	848,675	-	848,675	-	-
Economic Development	537,684	-	537,684	-	-
Equipment Replacement	101,387	448,777	550,164	-	-
Special Revenue Funds	23,022	-	23,022	-	-
Unrestricted	40,315	1,212,025	1,252,341	5,649	14,134
Total Net Position	2,046,646	9,659,705	11,706,351	(69,124)	1,533,604
Total Liabilities & Net Position	\$ 5,382,772	\$ 14,354,834	\$ 19,737,606	\$ 877,707	\$ 1,533,604

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Activities – Modified Cash Basis
December 31, 2018

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Change in Net Position					
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business Type Activities	Total	Housing Authority	Airport	
Government Activities:										
General Government	\$ 146,712	\$ 13,955	\$ -	\$ -	\$ (132,757)	\$ -	\$ (132,757)			
Public Safety	140,832	-	-	-	(140,832)	-	(140,832)			
Public Works	334,548	-	86,902	-	(247,646)	-	(247,646)			
Public Service	13,490	-	-	-	(13,490)	-	(13,490)			
Economic Development	296,893	-	101,782	-	(195,110)	-	(195,110)			
Interest Expense & Fees	86,072	-	-	-	(86,072)	-	(86,072)			
Total Government Activities	1,018,546	13,955	188,685	-	(815,907)	-	(815,907)			
Business Type Activities:										
Utility Systems	3,386,098	3,613,832	-	-	-	227,734	227,734			
Total Business Type Activities	3,386,098	3,613,832	-	-	-	227,734	227,734			
Total Primary Government	\$ 4,404,644	\$ 3,627,787	\$ 188,685	\$ -	\$ (815,907)	\$ 227,734	\$ (588,172)			
Component Units:										
Housing Authority	\$ 89,866	\$ 77,760	\$ -	\$ -				\$ (12,106)	\$ -	
Airport	255,285	-	-	181,951				-	(73,333)	
Total Component Units	\$ 345,151	\$ 77,760	\$ -	\$ 181,951				\$ (12,106)	\$ (73,333)	
General Receipts:										
Taxes:										
Property taxes, levied for general purposes					\$ 222,218	\$ -	\$ 222,218	\$ -	\$ 9,404	
Property taxes, levied for special purposes					340,484	-	340,484	-	-	
Sales taxes					315,286	-	315,286	-	-	
Federal & State Aid not restricted to special purposes					90,799	-	90,799	-	4,615	
Earnings on Investments					7,563	14,428	21,992	187	17	
Gain (Loss) on Sale of Assets					2,795	3,933	6,728	-	-	
Other Receipts					15,874	-	15,874	846	8,620	
Total General Receipts					995,018	18,362	1,013,380	1,033	22,657	
Transfers - Net					45,000	(45,000)	-	-	-	
Change in Net Position					224,112	201,096	425,208	(11,072)	(50,677)	
Net Position - Beginning					1,822,534	9,458,609	11,281,142	(58,052)	1,584,280	
Net Position - Ending					\$ 2,046,646	\$ 9,659,705	\$ 11,706,350	\$ (69,124)	\$ 1,533,604	

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

CITY OF PARK RIVER
Park River, North Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2018

ASSETS:	General Fund	1% Sales Tax Fund	Hospital Sales Tax Fund	Street Improv 2018-1	Street Improv 2017-2	Other Governmental Funds	Total Governmental Funds
CURRENT ASSETS							
Cash & Cash Equivalents	\$ 26,607	\$ 316,399	\$ 349,910	\$ 57,735	\$ 5,175	\$ 466,708	\$ 1,222,534
Certificates of Deposits	-	333,913	-	-	-	-	333,913
Other Current Assets	13,720	-	-	-	-	-	13,720
Total Current Assets	40,328	650,312	349,910	57,735	5,175	466,708	1,570,167
OTHER ASSETS							
Loan Receivable	-	229,381	-	-	-	-	229,381
Interfund Balances	-	197,557	-	-	-	-	197,557
Total Other Assets & Debits	-	426,937	-	-	-	-	426,937
Total Assets	\$ 40,328	\$ 1,077,249	\$ 349,910	\$ 57,735	\$ 5,175	\$ 466,708	\$ 1,997,105
LIABILITIES AND FUND BALANCE:							
LONG-TERM LIABILITIES							
Interfund balance	\$ -	\$ -	\$ -	\$ 33,312	\$ 2,685	\$ 240,043	\$ 276,040
Total Long-Term Liabilities	-	-	-	33,312	2,685	240,043	276,040
FUND BALANCE							
Non-Spendable							
Loans Receivable	-	229,381	-	-	-	-	229,381
Restricted For							
Debt Service	-	-	82,218	-	2,490	303,034	387,742
Capital Projects	-	556,561	267,692	24,422	-	-	848,675
Economic Development	-	291,308	-	-	-	16,995	308,303
Equipment Replacement	-	-	-	-	-	101,387	101,387
Special Revenue Funds	-	-	-	-	-	23,022	23,022
Unassigned, Reported In:							
General Fund	40,317	-	-	-	-	-	40,317
Negative	-	-	-	-	-	(217,773)	(217,773)
Total Fund Balance	40,317	1,077,249	349,910	24,422	2,490	226,665	1,721,053
Total Liabilities & Fund Balance	\$ 40,328	\$ 1,077,249	\$ 349,910	\$ 57,735	\$ 5,175	\$ 466,708	\$ 1,997,105

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position –
Modified Cash Basis
December 31, 2018

Total *Fund Balance* for Governmental Funds \$ 1,721,053

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

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

Cost of Capital Assets	4,642,944	
Less: Accumulated Depreciation	<u>(981,237)</u>	
Net Capital Assets		3,661,708

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

Bonds Payable	<u>(3,065,693)</u>	
Total Long-Term Liabilities		(3,336,115)

Total Net Position - Governmental Activities		<u><u>\$ 2,046,646</u></u>
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CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2018

	General Fund	1% Sales Tax Fund	Hospital Sales Tax Fund	Street Improv 2018-1	Street Improv 2017-2	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property Tax	\$ 212,199	\$ -	\$ -	\$ -	\$ -	\$ 10,019	\$ 222,218
Sales Tax	-	157,643	157,643	-	-	-	315,286
Special Assessments	-	-	-	-	-	340,484	340,484
Licenses & Permits	11,120	-	-	-	-	-	11,120
Intergovernmental Sources	171,823	-	-	-	-	107,661	279,484
Earnings on Investments	77	5,888	634	38	52	875	7,563
Other Sources	18,709	-	-	-	-	-	18,709
Total Receipts	\$ 413,928	\$ 163,531	\$ 158,277	\$ 38	\$ 52	\$ 459,038	\$ 1,194,863
Disbursements:							
Current:							
General Government	\$ 122,223	\$ -	\$ -	\$ -	\$ -	\$ 504	\$ 122,727
Public Safety	132,416	-	-	-	-	-	132,416
Public Works	205,061	-	-	3,693	410	-	209,164
Public Service	2,609	-	-	-	-	10,882	13,490
Economic Development	-	59,596	-	-	-	105,512	165,107
Capital Outlay	12,475	67,409	109,460	371,922	30,848	30,187	622,301
Debt Service:							
Principal	-	-	87,790	-	44,578	281,237	413,605
Interest	-	-	1,867	-	6,242	77,963	86,072
Total Disbursements	474,783	127,005	199,117	375,615	82,078	506,284	1,764,882
Excess Receipts over (under) Disbursements	(60,855)	36,526	(40,840)	(375,578)	(82,026)	(47,246)	(570,019)
Other Financing Sources (Uses):							
Sale of Capital Assets	2,795	-	-	-	-	-	2,795
Transfers In	100,214	-	-	-	81,668	68,709	250,590
Bond Proceeds	-	-	-	400,000	315,000	-	715,000
Transfers Out	(20,007)	(130,369)	-	-	-	(55,214)	(205,590)
Total Other Financing Sources (Uses)	83,002	(130,369)	-	400,000	396,668	13,495	762,795
Net Change in Fund Balances	\$ 22,147	\$ (93,843)	\$ (40,840)	\$ 24,422	\$ 314,642	\$ (33,751)	\$ 192,776
Fund Balance - January 1	18,170	1,171,093	390,750	-	(312,151)	260,416	1,528,277
Fund Balance - December 31	\$ 40,317	\$ 1,077,249	\$ 349,910	\$ 24,422	\$ 2,490	\$ 226,665	\$ 1,721,053

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities – Modified Cash Basis
December 31, 2018

Net change in *Fund Balance* - Total Governmental Funds \$ 192,776

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

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

Capital Asset Additions	460,329	
Current Year Depreciation Expense	<u>(127,599)</u>	332,730

Governmental funds report proceeds from issuance of bonds as a revenue. However, in the statement of activities bond proceeds are not recognized as they are recognized as an increase in debt on the statement of Net Position. This is the amount of bonds issued in the current year. (715,000)

Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt principal paid during the year. 413,605

Change in Governmental Activities		<u><u>\$ 224,112</u></u>
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CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2018

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Assets						
Current Assets						
Cash & Equivalents	\$ 447,626	\$ 758,476	\$ 107,314	\$ 356,536	\$ 215,151	\$ 1,885,103
Certificate of Deposits	-	862,698	-	211,093	49,012	1,122,803
Due from Other Funds	-	-	78,484	-	-	78,484
Total Current Assets	447,626	1,621,175	185,797	567,629	264,163	3,086,390
Noncurrent Assets						
Capital Assets net of Accumulated Depreciation	1,010,460	9,607,673	-	650,310	-	11,268,444
Total Noncurrent Assets	1,010,460	9,607,673	-	650,310	-	11,268,444
Total Assets	\$ 1,458,087	\$ 11,228,848	\$ 185,797	\$ 1,217,938	\$ 264,163	\$ 14,354,834
Liabilities & Net Position:						
Customer Deposits	26,441	74,079	-	-	-	100,520
Current Portion of Long Term Debt	75,000	190,346	-	49,552	-	314,898
Total Current Liabilities	101,441	264,425	-	49,552	-	415,418
Non-Current Liabilities						
Bonds Payable	450,000	3,637,521	-	507,088	-	4,594,609
Less: Current Portion of Long Term Debt	(75,000)	(190,346)	-	(49,552)	-	(314,898)
Total Non Current Liabilities	375,000	3,447,175	-	457,536	-	4,279,711
Total Liabilities	476,441	3,711,600	-	507,088	-	4,695,129
Net Position:						
Invested in Capital Assets, net of related debt	560,460	5,970,153	-	143,222	-	6,673,835
Restricted for Capital Projects	-	-	-	-	-	-
Restricted For Debt Service	96,586	1,130,333	-	98,149	-	1,325,068
Restricted for Equipment Replacement	-	246,631	-	-	202,147	448,777
Unrestricted Net Position	324,599	170,133	185,797	469,480	62,017	1,212,025
Total Net Position	981,645	7,517,248	185,797	710,851	264,163	9,659,705
Total Liabilities & Net Position	\$ 1,458,087	\$ 11,228,848	\$ 185,797	\$ 1,217,938	\$ 264,163	\$ 14,354,834

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2018

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Operating Receipts						
Charges for Services	\$ 2,260,519	\$ 902,296	\$ 217,419	\$ 162,838	\$ 38,845	\$ 3,581,917
Other Operating Revenue	1,824	10,084	20,000	7	-	31,915
Total Operating Receipts	2,262,343	912,379	237,419	162,846	38,845	3,613,832
Operating Disbursements						
Salaries & Benefits	166,441	208,622	17,769	58,560	1,374	452,766
Purchased Power/Contract Services	1,694,040	-	209,474	-	-	1,903,514
Other Operating Disbursements	87,154	359,726	1,832	15,669	10,289	474,670
Depreciation	58,439	320,537	-	24,529	-	403,505
Total Operating Disbursements	2,006,074	888,885	229,075	98,757	11,663	3,234,455
Operating Income	256,269	23,494	8,344	64,088	27,182	379,377
Nonoperating Receipts (Disbursements)						
Interest on Investments	276	8,612	44	1,489	602	11,023
Rental Income	-	-	-	3,405	-	3,405
Gain on Disposal of Capital Assets	3,933	-	-	-	-	3,933
Joint Powers Reserve Reimbursements	-	(17,584)	-	-	-	(17,584)
Interest Expense	(12,375)	(109,978)	-	(11,706)	-	(134,058)
Total Nonoperating Receipts (Disbursements)	(8,165)	(118,950)	44	(6,812)	602	(133,281)
Income (Loss) Before Transfers	248,104	(95,456)	8,388	57,277	27,784	246,096
Interfund Transfers In	-	-	-	-	45,009	45,009
Interfund Transfers (Out)	(85,005)	-	-	(5,004)	-	(90,009)
Change in Net Position	\$ 163,099	\$ (95,456)	\$ 8,388	\$ 52,273	\$ 72,793	\$ 201,096
Net Position - January 1	818,547	7,625,422	177,410	645,860	191,370	9,458,609
Restatements	-	(12,718)	-	12,718	-	-
Net Position - January 1 as Restated	818,547	7,612,704	177,410	658,578	191,370	9,458,609
Net Position - December 31	\$ 981,645	\$ 7,517,248	\$ 185,797	\$ 710,851	\$ 264,163	\$ 9,659,705

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds
December 31, 2018

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Cash Flows from Operating Activities						
Receipts from Customers	\$ 2,264,365	\$ 912,379	\$237,419	\$ 162,846	\$ 38,845	\$3,615,854
Payments to Suppliers	(1,781,194)	(355,081)	(211,306)	(15,669)	(10,289)	(2,373,539)
Payments to Employees	(166,441)	(208,622)	(17,769)	(58,560)	(1,374)	(452,766)
Total Cash Flows from Operating Act.	316,730	348,676	8,344	88,617	27,182	789,549
Cash Flows from Noncapital and Financing Activities						
Transfers In	-	-	-	-	45,009	45,009
Other Sources/(Uses)	-	(17,584)	-	-	-	(17,584)
(Inc.)/Decrease in Interfund Balances	-	(1,682)	-	1,682	-	0
Transfers (Out)	(85,005)	-	-	(5,004)	-	(90,009)
Total Cash Flows from Noncapital Financial Activities	(85,005)	(19,267)	-	(3,322)	45,009	(62,584)
Cash Flows from Capital and Related Financing Activities						
Sale of Capital Assets	3,933	-	-	-	-	3,933
Interest Expense	(12,375)	(109,978)	-	(11,706)	-	(134,058)
Inc./Decrease in Bonds Payable	(75,000)	(188,810)	-	(48,759)	-	(312,570)
Equity Changes						
Restatements to Net Position	-	(12,718)	-	12,718	-	-
Total Cash Flows from Capital, Related Financing Activities, and Equity Changes	(83,442)	(311,506)	-	(47,747)	-	(442,695)
Cash Flows From Investing Activities						
Earnings on Investments	276	8,612	44	4,894	602	14,428
Total Cash Flows From Investing Act.	276	8,612	44	4,894	602	14,428
Net Increase (Decrease) in Cash & Cash Equivalents	148,560	26,516	8,388	42,442	72,793	298,699
Cash and Cash Equivalents - January 1	\$ 299,066	\$ 1,594,659	\$ 98,926	\$ 525,187	\$ 191,370	\$2,709,208
Cash and Cash Equivalents - Dec. 31	<u>\$ 447,626</u>	<u>\$ 1,621,175</u>	<u>\$107,314</u>	<u>\$ 567,629</u>	<u>\$264,163</u>	<u>\$3,007,906</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	256,269	23,494	8,344	64,088	27,182	379,377
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense	58,439	320,537	-	24,529	-	403,505
Inc./Decrease in Deposits Payable	2,023	4,645	-	-	-	6,667
Total Adjustments	\$ 60,462	\$ 325,182	\$ 0	\$ 24,529	\$ -	\$ 410,172
Net Cash Provided/(Used) by Operating Activities	<u>\$ 316,730</u>	<u>\$ 348,676</u>	<u>\$ 8,344</u>	<u>\$ 88,617</u>	<u>\$ 27,182</u>	<u>\$ 789,549</u>

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Assets and Liabilities – Fiduciary Funds
December 31, 2018

	Joint Powers Reserve
Assets:	
Cash and Investments	<u>\$ 101,891</u>
Liabilities	
Due to Fiduciary	<u>\$ 101,891</u>

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

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

BLENDDED COMPONENT UNITS – None

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

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

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to entities or individuals who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

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

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

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

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

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

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

The City reports the following major governmental funds:

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

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

D. Cash and Equivalents

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

E. Capital Assets

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

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

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

F. Long-Term Obligations

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

G. Fund Balances and Net Position

Government-wide Financial Statements

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

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

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

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

Fund Financial Statement

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

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

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

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

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

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

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

H. Interfund Transactions

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

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

I. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City’s governing board authorized the following amendments the budget during 2018:

	Expenditures		
Major Funds:			
General Fund	\$ 380,630	\$ 130,990	\$ 511,620
1% Sales Tax	100,000	171,000	271,000
Street Improv 2017-2	45,000	22,500	67,500
Street Improv 2018-1	-	376,000	376,000
Non-Major Funds:			
Economic Development	-	2,000	2,000
Southview TIF	11,075	8,000	19,075
North Star Addition TIF	14,600	31,500	46,100
Street Improv 2012-2	10,200	100	10,300

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the City to invest in:

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

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

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

B. Investments

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

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

At year ended December 31, 2018, the City's carrying amount of cash & equivalents totaled \$4,720,220 and the bank balances totaled \$4,744,106. Of the bank balances, \$1,996,660 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,747,446 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

The City has the following interfund balances:

Fund Name	1/1/2018	Change	12/31/2018
	Receivable (Payable)		Receivable (Payable)
Municipal Highway	(78,484)	-	(78,484)
1% Sales Tax	445,636	(248,079)	197,557
Street Improv Dist 2018-1	-	(33,312)	(33,312)
Street Improv Dist #2017-2 Green Acre	(312,151)	309,466	(2,685)
North Star Addition TIF	(86,119)	-	(86,119)
Street Improv Dist #2017-1	(47,366)	(28,075)	(75,441)
Water Fund	(19,410)	19,230	(180)
Sewer Fund	(2,187)	(14,400)	(16,587)
Garbage Fund	78,484	-	78,484
Water Bond Fund 2005	4,830	(4,830)	-
Water and Sewer Improv Dist 2016-1	16,767	-	16,767
Electrical Fund	8,000	-	8,000
Electric Revenue Bonds 2016	(8,000)	-	(8,000)
	<u>(0)</u>	<u>0</u>	<u>(0)</u>

The Street Improvement Districts 2017-1, 2017-2, and 2018-1 owe the 1% Sales Tax fund \$111,438 for capital improvement expenditures. The amounts are expected to be repaid when funding for the projects is received.

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

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

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

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

The inter-fund transfers for the year ended December 31, 2018, were as follows:

Fund Name	IN	OUT
General Fund	\$ (100,214)	\$ 20,007
Municipal Highway	-	42,739
1% Sales Tax	-	130,369
Funded Depreciation	(20,007)	12,475
Street Improv Dist #7	(23,135)	-
Street Improv Dist #2017-2 Green Acre	(81,668)	-
Street Improv Dist #2017-1	(25,567)	-
Water Fund	(6,405)	-
Electrical Fund	-	85,005
Sewer Fund	-	5,004
Depreciation Fund	(45,009)	-
Water Repair and Replacement	-	6,405
	<u>\$ (302,004)</u>	<u>\$ 302,004</u>

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

NOTE 6 LOANS RECEIVABLE

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

The following summaries loan receivable activity for the year ended December 31, 2018:

	<u>Balance</u>	<u>Loans</u>	<u>Loan</u>	<u>Payments</u>	<u>Balance</u>
	<u>1/1/2018</u>	<u>Issued</u>	<u>Forgiveness</u>	<u>Received</u>	<u>12/31/2018</u>
Walsh Grain, LLC	\$ 110,526	\$ -	\$ -	\$ (22,105)	\$ 88,420
Economic Development Loans	136,525	5,936	(1,500)	-	140,961
Total Loans Receivable	<u>\$ 247,050</u>	<u>\$ 5,936</u>	<u>\$ (1,500)</u>	<u>\$ (22,105)</u>	<u>\$ 229,381</u>

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

Year	Principal	Interest
2019	\$ 22,105	\$ 2,653
2020	22,105	1,989
2021	22,105	1,326
2022	22,104	663
2023	-	-
Total	\$ 88,420	\$ 6,631

NOTE 7 CAPITAL ASSETS

The following schedule shows capital asset activity of governmental funds during 2018:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Governmental Type Assets:				
Non-depreciated assets				
Land	\$ 80,125	\$ -	\$ -	\$ 80,125
Total non-depreciated assets	80,125	-	-	80,125
Depreciable assets				
Equipment	489,389	12,475	-	501,863
Buildings	399,805	45,084	-	444,889
Infrastructure	3,213,297	402,770	-	3,616,067
Total depreciable assets	4,102,491	460,329	-	4,562,819
Less: accumulated depreciation for:				
Equipment	(326,607)	(29,048)	-	(355,655)
Buildings	(258,149)	(11,353)	-	(269,502)
Infrastructure	(268,882)	(87,198)	-	(356,080)
Total accumulated depreciation	(853,638)	(127,599)	-	(981,237)
Net depreciable assets	3,248,853	332,730	-	3,581,583
Net Governmental-Type assets	\$ 3,328,978	\$ 332,730	\$ -	\$ 3,661,708

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

General Government	\$ 23,985
Public Works	95,198
Public Safety	<u>8,416</u>
 Total Depreciation Expense	 <u><u>\$ 127,599</u></u>

The following schedule shows capital asset activity of business type funds during 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
Business Type Assets:				
Non-depreciated assets				
Land	\$ 22,400	\$ -	\$ -	\$ 22,400
Construction in process	-	-	-	-
 Total non-depreciated assets	 22,400	 -	 -	 22,400
Depreciable assets				
Equipment	1,005,949	-	-	1,005,949
Buildings & Distribution Systems	14,754,389	-	-	14,754,389
 Total depreciable assets	 15,760,338	 -	 -	 15,760,338
Less: accumulated depreciation for:				
Equipment	(381,365)	(55,859)	-	(437,224)
Buildings & Distribution Systems	(3,729,423)	(347,646)	-	(4,077,069)
 Total accumulated depreciation	 (4,110,788)	 (403,505)	 -	 (4,514,293)
 Net depreciable assets	 <u>11,649,549</u>	 <u>(403,505)</u>	 <u>-</u>	 <u>11,246,044</u>
 Net Business-Type asset	 <u><u>\$ 11,671,949</u></u>	 <u><u>\$ (403,505)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 11,268,444</u></u>

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

Water	\$ 320,536
Electric	58,439
Sewer	<u>24,530</u>
 Total Depreciation Expense	 <u><u>\$ 403,505</u></u>

The following schedule shows capital asset activity of the City's component units during 2018:

Component Units	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Airport Fixed Assets				
Equipment	\$ 114,530	\$ -	\$ -	\$ 114,530
Buildings & Infrastructure	1,927,903	43,212	-	1,971,115
Total Assets	2,042,433	43,212	-	2,085,645
Airport Accumulated Depreciation				
Equipment	(109,758)	(4,772)	-	(114,530)
Buildings & Infrastructure	(370,564)	(81,081)	-	(451,645)
Total accumulated depreciation	(480,322)	(85,853)	-	(566,175)
Net Airport Assets	1,562,111	(42,641)	-	1,519,470
Housing Authority Fixed Assets				
Furniture & Fixtures	\$ 40,610	\$ -	\$ -	\$ 40,610
Buildings & Infrastructure	1,100,000	-	-	1,100,000
Total Assets	1,140,610	-	-	1,140,610
Housing Authority Accumulated Depreciation				
Furniture & Fixtures	(40,610)	-	-	(40,610)
Buildings & Infrastructure	(234,664)	(27,471)	-	(262,135)
Total accumulated depreciation	(275,274)	(27,471)	-	(302,745)
Net Housing Authority Assets	865,336	(27,471)	-	837,865
Net Component Unit Assets	\$ 2,427,447	\$ (70,112)	\$ -	\$ 2,357,335

NOTE 8 LONG TERM LIABILITIES

During the year ended December 31, 2018, the following changes occurred in long-term liabilities of the city:

Governmental Activities:	1/1/2018	Issued	Paid	12/31/2018	Due Within One Year
Sales Tax Revenue Bonds	\$ 170,008	\$ -	\$ (87,790)	\$ 82,218	\$ 82,218
Special Assessment Bonds	2,156,841	400,000	(249,366)	2,307,475	274,515
Tax Increment Revenue Bonds	705,000	-	(29,000)	676,000	30,000
Notes Payable	-	315,050	(44,628)	270,422	62,522
Total Governmental Activities	\$ 3,031,849	\$ 715,050	\$ (410,784)	\$ 3,336,115	\$ 449,255

Business-Type Activities:	1/1/2018	Issued	Paid	12/31/2018	Due Within One Year
Revenue Bonds	\$ 4,907,178	\$ -	\$ (312,570)	\$ 4,594,609	\$ 314,898
Total Business-Type Activities	\$ 4,907,178	\$ -	\$ (312,570)	\$ 4,594,609	\$ 314,898

Component Unit	1/1/2018	Issued	Paid	12/31/2018	Due Within One Year
Revenue Bonds	\$ 965,598	\$ -	\$ (18,767)	\$ 946,831	\$ 19,742

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

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

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

On May 15, 2015 the City refunded these bonds by issuing Sales Tax Revenue Refunding Bonds Series 2015. The City anticipates net present value savings of \$192,109. The interest rate of the refunding bonds ranges from 1.00% to 1.55%. Annual principal payments starting in 2016 at \$86,471 until final maturity in 2019 of \$82,218. As of December 31, 2018, the City holds \$82,218 in a debt payment reserve for this issue.

Outstanding December 31, 2018

\$82,218

Special Assessment Bonds

Street Improvement District #7

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

Outstanding December 31, 2018 \$35,000

Water & Sewer Improvement District 2012-1

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

Outstanding December 31, 2018 \$206,250

Street Improvement District #2013-1

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

Outstanding December 31, 2018 \$960,000

Refunding Improvement Bonds Series 2015

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

Outstanding December 31, 2018 \$106,250

Street Improvement District #2017-1

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

Outstanding December 31, 2018 \$599,975

Refunding Improvement Bonds Series 2018

\$400,000 Refunding Improvement Bonds, Series 2018 were issued to finance street improvements. The bonds are due in annual installments of \$15,000 to 35,000 through 2033. Interest rates range from 2.5% to 3.9%.

Outstanding December 31, 2018 \$400,000

Total Special Assessment Bonds \$2,307,475

Tax Increment Revenue Bonds

Street Improvement District 2012-2

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

Total Tax Increment Bonds Outstanding December 31, 2018 \$676,000

Notes Payable

The City financed the paving of Green Acres Drive with a note payable to First United Bank. The loan will be with future sales tax revenues. Principal and interest payments are due quarterly until maturity in March 2023. The interest rate is 2.8%.

Notes Payable Outstanding December 31, 2018 \$270,422

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds

Water Revenue Bonds of 2005

The City issued bonds to finance a water pipeline and well system. The bond issue was for \$746,100 and bears interest at 2.5%. Principal payments started in 2006 at \$5,000 and increase throughout the issue to a final payment of \$47,000 in 2025. As of December 31, 2018, the City has \$114,113 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2018 \$314,000

Water Revenue Bonds Series 2006

The City authorized a bond issue to finance Phase II of the water pipeline and well system described above. Phase II consists primarily of improvements to the existing water plant. The bond issue was for \$517,600 and bears interest at 2.5%. Maturity of the issue is September 1, 2026. As of December 31, 2018, the City has \$80,868 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2018 \$255,000

Water Revenue Bonds Series 2014

The City authorized a bond issue to finance the construction of a water tower. The bond issue was for \$2,045,000 and bears interest at .75% to 4.25%. Principal payments started in 2015 at \$55,000 and increase throughout the issue to a final payment of \$80,000 in 2036. As of December 31, 2018, the City has \$495,880 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2018 \$1,855,000

Sewer Revenue Bonds Series 2016

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

Outstanding December 31, 2018 \$300,609

Electric Revenue Bonds Series 2016

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

Outstanding December 31, 2018 \$450,000

Refunding Improvement Bonds Series 2016

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

Outstanding December 31, 2018 \$1,420,000

Total Revenue Bonds – Business-Type Activities \$4,594,609

Component Unit – Park River Housing Authority

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

Outstanding December 31, 2018 \$946,831

The annual requirement to amortize all bonds outstanding as of December 31, 2018, including interest payments are as follows:

Governmental Activities

Year Ending December 31	Sales Tax Revenue Bonds		Special Assessment Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	82,218	637	274,515	57,363	30,000	25,391
2020	-	-	250,410	54,321	31,000	24,664
2021	-	-	251,323	48,273	32,000	23,798
2022	-	-	252,254	41,778	33,000	22,904
2023	-	-	253,203	34,928	34,000	21,983
2024-2028	-	-	645,946	104,478	189,000	91,320
2029-2033	-	-	367,324	35,060	225,000	49,724
2034-2038	-	-	12,500	523	102,000	4,790
2039-2043	-	-	-	-	-	-
Total	\$ 82,218	\$ 637	\$ 2,307,475	\$ 376,724	\$ 676,000	\$ 264,574

Governmental Activities

Year Ending December 31	Note Payable	
	Principal	Interest
2019	60,795	6,965
2020	62,522	5,239
2021	64,297	3,463
2022	66,122	1,638
2023	16,686	118
2024-2028		
2029-2033		
2034-2038		
Total	\$ 270,422	\$ 17,422

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	314,898	137,494
2020	317,065	131,057
2021	324,282	124,425
2022	331,511	117,261
2023	332,853	109,585
2024-2028	914,000	450,146
2029-2033	750,000	333,443
2034-2038	695,000	201,630
2039-2043	500,000	95,400
2044-2048	115,000	1,710,792
2049-2053	-	-
Total	\$ 4,594,609	\$ 3,411,233

Component Unit

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	19,742	46,877
2020	20,752	45,867
2021	21,814	44,805
2022	22,930	43,689
2023	24,103	42,516
2024-2028	140,324	192,769
2029-2033	180,087	153,007
2034-2038	231,116	101,978
2039-2043	285,963	36,511
Total	\$ 946,831	\$ 708,017

NOTE 9 OPERATING LEASE

In 2016, the City entered into a five year lease agreement to lease a New Holland tractor with a purchase option of \$78,594 in December of 2020. Operating lease payments totaled \$12,062 during 2018. The future minimum lease payments are as follows:

Year Ending December 31	Total Payments
2019	12,062
2020	-
Total	\$ 12,062

NOTE 10 CONTINGENT LIABILITIES

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

	<u>Outstanding</u> <u>December 31, 2018</u>
Hillcrest Golf Course to finance the purchase a John Deere Mower	\$15,705

NOTE 11 COMPENSATED ABSENCES

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

NOTE 12 PENSION PLAN

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

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2018, the Employer reported a liability of \$746,193 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the Employer's proportion was 0.044216 percent, which was an increase of 0.000255 percent from its proportion measured as of June 30, 2017.

For the year December 31, 2018, the Employer recognized pension expense of \$118,518. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,975	\$ 25,387
Changes of assumptions	269,360	10,650
Net difference between projected and actual earnings on pension plan investments	-	3,630
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,232	14,786
*Employer contributions subsequent to the measurement date of July 1, 2018	16,189	-
Total	\$ 293,756	\$ 54,453

*\$16,198 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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 December 31:		
2019	\$	72,220
2020		62,349
2021		54,573
2022		31,927
2023		2,045
Thereafter		-
Total	\$	223,114

Actuarial Assumption

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	<u>Service at Beginning of Year</u>	<u>Increase Rate</u>
	0	15.00%
	1	10.00%
	2	8.00%
	<u>Age*</u>	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Estate	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year

general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

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

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

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

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	1,013,938	746,193	522,769

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2018, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2018.

NOTE 13 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2018, the Employer reported a liability of \$32,694 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 0.041513 percent, which was an increase of 0.000030 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Employer recognized OPEB expense of \$4,003. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 980	\$ 676
Changes of assumptions	2,683	-
Net difference between projected and actual earnings on OPEB plan investments	-	703
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	205
*Employer contributions subsequent to the measurement date of July 1, 2018	2,592	-
Total	\$ 6,255	\$ 1,584

\$2,592 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

Year ended December 31:

2019	\$ 240
2020	240
2021	240
2022	550
2023	493
Thereafter	316
Total	\$ 2,079

Actuarial assumptions

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of

arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	37%	5.80%
Sm Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

Discount rate

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net OPEB liability	41,366	32,694	25,260

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2018, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2018.

NOTE 14 PROPERTY TAXES

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

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

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

NOTE 15 RISK MANAGEMENT

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

Reserve Fund (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence. The City of Park River also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Park River pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The State Bonding fund currently provides the City of Park River with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The City of Park River also participates in the North Dakota Worker's Compensation Bureau. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 16 RELATED PARTY TRANSACTIONS

During 2015, the City granted an interest buy down loan of \$4,934 to Lundquist Enterprises, LLP, which is owned and operated by council member Robert Lundquist III. The amount owed by Lundquist Enterprises, LLP on December 31, 2018, was \$4,934.

NOTE 17 DEFICIT FUND BALANCE

The fund balance in the Municipal Highway Fund was (\$78,484) and \$(35,745) at December 31, 2018 and 2017 respectively. The cause of the deficit is the Municipal Highway Fund borrowed from the Sanitation fund to purchase equipment. The amount borrowed will be repaid in annual installments over five years.

The fund balance in the North Star TIF was (\$80,575) and (\$73,661) at December 31, 2018 and 2017 respectively. The cause of the deficit is a timing difference between debt service obligations and tax receipts. The deficit fund balance is expected to be relieved from future tax revenues.

The fund balance in Street Improvement District 2017-1 was (\$58,713) and (\$47,705) at December 31, 2018 and 2017 respectively. The cause of this deficit is a timing difference between project expenditures

and the receipt of project funding. The deficit fund balance is expected to be relieved when financing for the project is completed.

NOTE 18 NEW ACCOUNTING GUIDANCE – GASB 75

On January 1, 2018 the City adopted GASB No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The adoption of these standards requires governments to calculate and report the costs and obligations associated with postretirement benefits other than pensions, and to recognize the long-term obligation as a liability for the first time. Retiree Health Insurance Credit Fund (RHIC) is considered an Other Postemployment Benefit (OPEB) that falls under the scope of GASB Statement No. 75.

Because the City uses the modified cash basis of accounting, no prior period adjustment has been made to the statement of activities.

NOTE 19 SUBSEQUENT EVENT

As of May 04, 2020, the date the financial statements were available to be issued, the City was not aware of any subsequent events that needed to be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
General Fund
December 31, 2018

	Original Budget	Final Budget	Actual	Variance
Receipts:				
Taxes	\$ 208,859	\$ 208,859	\$ 212,199	\$ 3,340
Licenses & Permits	12,025	12,025	11,120	(905)
Intergovernmental Sources	131,500	131,500	171,823	40,323
Earnings on Investments	50	50	77	27
Sale of Property	-	-	2,795	2,795
Other Sources	3,125	3,125	18,709	15,584
Total Receipts	355,559	355,559	416,723	61,164
Disbursements:				
General Government	121,100	127,950	122,223	5,727
Public Safety	159,000	159,300	132,416	26,884
Public Works	98,605	221,705	205,061	16,644
Public Service	1,925	2,665	2,609	56
Capital Outlay	-	-	12,475	(12,475)
Total Disbursements	380,630	511,620	474,783	36,837
Excess Receipts over (under) Disbursements	(25,071)	(156,061)	(58,060)	24,327
Interfund Transfers In	150,000	150,000	100,214	(49,786)
Interfund Transfers (Out)	(20,000)	(20,000)	(20,007)	(7)
Excess Receipts over (under) Expenditures after Interfund Transfers	\$ 104,929	\$ (26,061)	\$ 22,147	\$ 48,208
Fund Balance - January 1	18,170	18,170	18,170	
Fund Balance - December 31	\$ 123,099	\$ (7,891)	\$ 40,317	

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

Year Ended December 31	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2014	0.047808%	303,448	402,720	75.3%	77.70%
2015	0.045151%	307,019	402,237	76.3%	77.15%
2016	0.042845%	417,566	431,772	96.7%	70.46%
2017	0.043961%	706,598	448,778	157.4%	61.98%
2018	0.044216%	746,193	454,237	164.3%	62.80%

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

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

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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	28,674	28,674	0	402,720	7.12%
2015	30,553	30,216	337	402,237	7.51%
2016	31,260	31,440	(180)	431,772	7.28%
2017	32,541	31,692	849	448,778	7.06%
2018	33,457	32,410	1,047	454,237	7.14%

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

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

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

Year Ended December 31	Employer's Proportion Of the Net OPEB Liability (Asset)	Employer's Proportionate Share Of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total OPEB Liability
2017	0.041483%	32,814	448,778	7.3%	59.78%
2018	0.041513%	32,694	454,237	7.2%	61.89%

*Complete data for this schedule is not available prior to 2017.

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

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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	5,217	5,074	143	448,778	1.13%
2018	5,328	5,189	139	454,237	1.14%

*Complete data for this schedule is not available prior to 2017.

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

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2018

NOTE 1 BUDGETS

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

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

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

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

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

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

Expenditures did not exceed budgeted amounts during 2018.

NOTE 2 PENSION PLAN

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018, the most recent measurement date.

Changes of Assumptions

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

NOTE 3 OTHER POST EMPLOYMENT BENEFITS

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018, the most recent measurement date.

Changes of Assumptions

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

SUPPLEMENTAL INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Fund Activity
For the Year Ended December 31, 2018

	Balance 1/1/18	Receipts	Transfers In	Other Financing Sources	Transfers Out	Disbursements	Balance 12/31/2018
Governmental Funds							
Major Funds							
General	\$ 18,170	\$ 413,928	\$ 100,214	\$ 2,795	\$ (20,007)	\$ (474,783)	\$ 40,317
1% Sales Tax Fund	1,171,093	163,531	-	-	(130,369)	(127,005)	1,077,249
Hospital Sales Tax Fund	390,750	158,277	-	-	-	(199,117)	349,910
Street Improvement 2017-2	(312,151)	52	81,668	315,000	-	(82,078)	2,490
Street Improvement 2018-1	0	38	-	400,000	-	(375,615)	24,422
Total Major Funds	\$ 1,267,861	\$ 735,825	\$ 181,881	\$ 717,795	\$ (150,376)	\$ (1,258,598)	\$ 1,494,388
Non-major Funds							
Band Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library Fund	18,547	15,357	-	-	-	(10,882)	23,022
Municipal Highway Fund	(35,745)	-	-	-	(42,739)	-	(78,484)
Economic Development	18,902	18	-	-	-	(1,927)	16,992
Special Assessments	2,955	558	-	-	-	(444)	3,069
Special Assessments Deficiency	6,858	-	-	-	-	-	6,858
Funded Depreciation	93,697	158	20,007	-	(12,475)	-	101,387
Street Improv Dist 7	558	15,298	23,135	-	-	(37,725)	1,266
135th St Improv Dist 2013-1	216,486	180,976	-	-	-	(186,840)	210,622
Southview TIF	-	-	-	-	-	-	-
North Star TIF	(73,661)	48,066	-	-	-	(54,981)	(80,575)
N Star Improv Dist 2012-2	23,499	17,048	-	-	-	(10,273)	30,274
Street Improv Dist 2017-1	(47,705)	41,187	25,567	-	-	(77,762)	(58,713)
Water & Sewer Improv 2012-1	34,222	38,589	-	-	-	(21,866)	50,945
Community Development	1,805	101,782	-	-	-	(103,584)	3
Total Non-major Funds	\$ 260,416	\$ 459,038	\$ 68,709	\$ -	\$ (55,214)	\$ (506,284)	\$ 226,665
Total Governmental Funds	\$ 1,528,277	\$ 1,194,863	\$ 250,590	\$ 717,795	\$ (205,590)	\$ (1,764,882)	\$ 1,721,053
Enterprise Funds							
Major Funds							
Electric Fund	\$ 818,547	\$ 2,262,343	\$ -	\$ 4,210	\$ (85,005)	\$ (2,018,449)	\$ 981,645
Water Fund	7,612,704	912,379	-	(8,972)	-	(998,863)	7,517,248
Garbage Fund	177,410	237,419	-	44	-	(229,075)	185,797
Sewer Fund	658,578	162,846	-	4,894	(5,004)	(110,463)	710,851
Total Major Funds	\$ 9,267,239	\$ 3,574,987	\$ -	\$ 175	\$ (90,009)	\$ (3,356,850)	\$ 9,395,542
Non-major Funds							
Mosquito Spraying Fund	\$ 34,835	\$ 38,845	\$ -	\$ -	\$ -	\$ (11,663)	\$ 62,017
Depreciation Fund	156,536	602	45,009	-	-	-	202,147
Total Non-major Funds	\$ 191,370	\$ 39,447	\$ 45,009	\$ -	\$ -	\$ (11,663)	\$ 264,163
Total Enterprise Funds	\$ 9,458,609	\$ 3,614,434	\$ 45,009	\$ 175	\$ (90,009)	\$ (3,368,513)	\$ 9,659,705
Agency Funds							
Joint Powers Reserve	\$ 94,176	\$ 17,674	\$ -	\$ -	\$ -	\$ (9,959)	\$ 101,891
Total Agency Funds	\$ 94,176	\$ 17,674	\$ -	\$ -	\$ -	\$ (9,959)	\$ 101,891
Component Units							
Airport	\$ 1,584,280	\$ 9,404	\$ -	\$ 195,203.76	\$ -	\$ (255,285)	\$ 1,533,604
Housing Authority	(58,052)	77,760	-	1,033.43	-	(89,866)	(69,124)
Total Component Units	\$ 1,526,229	\$ 87,164	\$ -	\$ 196,237	\$ -	\$ (345,151)	\$ 1,464,480
Total Reporting Entity	\$ 12,607,290	\$ 4,914,136	\$ 295,599	\$ 914,207	\$ (295,599)	\$ (5,488,505)	\$ 12,947,129

Accounting For Success

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

Governing Board
City of Park River
Park River, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Park River, North Dakota's basic financial statements and have issued our report thereon dated May 04, 2020.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2018-1 and 2018-3, as described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

CAVALIER

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P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-3559

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2018-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters


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

City of Park River, North Dakota's Response to Findings

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

Purpose of this Report

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



Mortenson & Rygh
Park River, North Dakota
May 04, 2020

CITY OF PARK RIVER
Park River, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2018-1 Segregation of Duties

Condition:

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

Effect:

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

Cause:

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

Criteria:

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

Recommendation:

If at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the City of Park River do so. We further recommend that the entity implement any controls possible to separate the functions of approval of posting of transactions, reconciliation of accounts, and custody of assets among existing staff. In addition, the governing board's oversight role becomes more important. The governing board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response:

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

2018-2 Financial Statement Preparation

Condition:

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

Effect:

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

Cause:

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

Criteria:

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

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

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

2018-3 Out of Balance Interfund Activity

Condition:

Cash transfers received into the various funds did not match cash transfers out leaving the various funds. In several instances, activity that should have been reported as transfers or was inaccurately coded revenues or expenditures, and activity that should have been reported as revenues or expenditures was inaccurately coded as transfers. Management did identify and correct all material errors before the issuance of our report.

Effect:

The City's ability to detect material misstatements to the financial statements in a timely manner could be adversely affected by the lack of accurate monthly or periodic interfund activity reconciliations. Transfer receipts exceeded transfer disbursements by \$61,034, so transfer activity between the funds was incorrectly posted as revenues or expenditures.

Criteria:

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

Recommendation:

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

Client Response:

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