



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## City of Rolla

Rolla, North Dakota

Audit Report for the Years Ended December 31, 2018 and 2017

*Client Code: PS40100*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# CITY OF ROLLA

## Table of Contents

For the Years Ended December 31, 2018 and 2017

---

City Officials.....	1
Independent Auditor’s Report.....	2
Basic Financial Statements	
2018 Statements	
Statement of Net Position – Modified Cash Basis .....	5
Statement of Activities – Modified Cash Basis .....	6
Balance Sheet - Governmental Funds – Modified Cash Basis.....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – Modified Cash Basis .....	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis .....	10
Statement of Net Position - Proprietary Funds – Modified Cash Basis.....	11
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis .....	12
Statement of Cash Flows - Proprietary Funds – Modified Cash Basis .....	13
2017 Statements	
Statement of Net Position – Modified Cash Basis .....	14
Statement of Activities – Modified Cash Basis .....	15
Balance Sheet - Governmental Funds – Modified Cash Basis.....	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – Modified Cash Basis .....	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis .....	19
Statement of Net Position - Proprietary Funds – Modified Cash Basis.....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis .....	21
Statement of Cash Flows - Proprietary Funds – Modified Cash Basis .....	22
Notes to the Financial Statements .....	23
Supplementary Information	
Budgetary Comparison Schedules.....	43
Notes to the Supplementary Information .....	47
Schedule of Expenditures of Federal Awards – Modified Cash.....	49
Notes to Schedule of Expenditures of Federal Awards.....	50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	51
Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by Uniform Guidance.....	53
Summary of Auditor’s Results .....	55
Schedule of Audit Findings and Questioned Costs .....	56

**CITY OF ROLLA**

Table of Contents - Continued

---

Management’s Corrective Action Plan .....60

Schedule of Prior Year Findings.....63

Governance Communication .....65

**CITY OF ROLLA**

City Officials

December 31, 2018 and 2017

---

CITY OF ROLLA  
Rolla, North Dakota

**CITY OFFICIALS**

As of December 31, 2018

John Hardy	Mayor
Blake Gottbreht	Councilman - President
Becky Albert	Councilwoman - Vice President
Leonard Lange	Councilman
Pat Hemmy	Councilman
Kyle Hardy	Councilman
Hovi Mitchell	Councilwoman
Sandra Allery	City Auditor
Cliff Rush	Public Works Director
Nathan Gustafson	Police Chief

As of December 31, 2017

Scott Mitchell	Mayor
Christopher Albertson	Councilman - President
Pat Hemmy	Councilman - Vice President
Blake Gottbreht	Councilman
Jerry Sparrow	Councilman
LeAnn Vollmer	Councilwoman
Matt Mutzenberger	City Auditor
Cliff Rush	Public Works Director
Nathan Gustafson	Police Chief

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## INDEPENDENT AUDITOR'S REPORT

---

City Council  
City of Rolla  
Rolla, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Rolla, Rolla, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City of Rolla'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 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 unmodified and qualified audit opinions.

**Summary of Opinions**

<b>Opinion Unit</b>	<b>2018</b>	<b>2017</b>
Governmental Activities	Unmodified	Qualified
Business-Type Activities	Unmodified	Qualified
Major Funds		
General Fund	Unmodified	Unmodified
Special Revenue Fund	Unmodified	Qualified
Debt Service Fund	Unmodified	Unmodified
Water Fund	Unmodified	Qualified
Sewer Fund	Unmodified	Qualified
Garbage Fund	Unmodified	Qualified
Infrastructure Fund	Unmodified	Qualified
Aggregate Discretely Presented Component Units	Unmodified	Unmodified

**Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, Special Revenue Fund, Water Fund, Sewer Fund, Garbage Fund, and the Infrastructure Fund**

The City of Rolla did not maintain supporting documentation related to the city water, sewer, garbage, infrastructure, street lighting, and miscellaneous enterprise billings and collections. Due to the lack of supporting documentation, verification of the revenues included in the financial statements was not able to be performed. Utility billing collections reported during the audit period are shown in the table below:

	<b>2017</b>
Major Funds	
Special Revenue Fund	\$ 37,449
Water Fund	433,612
Sewer Fund	133,590
Garbage Fund	226,926
Infrastructure Fund	139,499
Total	\$ 971,075

In addition, there was unsupported prior period adjustments to the opening balances of capital assets for the City as the entity was unable to provide a complete capital asset list that agreed to the amounts reported in the prior period. These unsupported adjustments decreased the City's opening capital asset balance by \$3,088,205.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, the Special Revenue Fund, Water Fund, Sewer Fund, Garbage Fund, and the Infrastructure Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, Special Revenue Fund, Water Fund, Sewer Fund, Garbage Fund, and the Infrastructure Fund of the City of Rolla for the year ended December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with the modified cash basis of accounting described in Note 1.

**Unmodified Opinion**

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the General Fund, Debt Service Fund, and the aggregate discretely presented component units for the year ended December 31, 2017, and the governmental activities, business-type activities, the aggregate discretely presented component units, and each major fund of the City of Rolla for the year ended December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with the modified cash basis of accounting described in Note 1.

**Basis of Accounting**

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

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolla's financial statements. The *budgetary comparison schedules, notes to the supplementary information, schedule of expenditures of federal awards, and notes to the schedule of expenditure of federal awards* are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is also not a required part of the financial statements.

The *budgetary comparison schedules, notes to the supplementary information, schedule of expenditures of federal awards, and notes to the schedule of expenditure of federal awards* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 *budgetary comparison schedules, notes to the supplementary information, schedule of expenditures of federal awards, and notes to the schedule of expenditure of federal awards* are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued on May 2, 2024 on our consideration of the City of Rolla's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Rolla's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rolla's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 2, 2024

**CITY OF ROLLA**

Statement of Net Position – Modified Cash Basis

December 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Job Development Authority	Airport Authority
<b>ASSETS</b>					
Cash and Investments	\$ 1,086,469	\$ 824,124	\$ 1,910,593	\$ 463,005	\$ 283,060
Restricted Investments					
Debt Service	-	163,116	163,116	-	-
Emergencies	-	40,000	40,000	-	-
Short Lived Asset	-	16,101	16,101	-	-
Loans Receivable	-	-	-	41,530	-
Capital Assets, Net	1,747,255	10,441,607	12,188,862	7,000	1,425,377
<b>Total Assets</b>	<b>\$ 2,833,723</b>	<b>\$ 11,484,949</b>	<b>\$ 14,318,672</b>	<b>\$ 511,535</b>	<b>\$ 1,708,437</b>
<b>LIABILITIES</b>					
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	\$ 261,168	\$ 237,607	\$ 498,775	\$ 6,614	\$ -
Due After One Year					
Long-Term Debt	1,269,523	6,168,518	7,438,041	19,522	-
<b>Total Liabilities</b>	<b>\$ 1,530,692</b>	<b>\$ 6,406,125</b>	<b>\$ 7,936,816</b>	<b>\$ 26,136</b>	<b>\$ -</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 216,563	\$ 5,385,482	\$ 5,602,046	\$ 7,000	\$ 1,425,377
Restricted					
Debt Service	79,007	163,116	242,123	-	-
Short Lived Asset	-	16,101	16,101	-	-
General Government	884,649	-	884,649	-	-
Public Works	65,945	-	65,945	-	-
Emergencies	15	40,000	40,015	-	-
Economic/Job Development	3,144	-	3,144	478,399	-
Culture and Recreation	44,652	-	44,652	-	-
Unrestricted	9,056	(525,876)	(516,820)	-	283,060
<b>Total Net Position</b>	<b>\$ 1,303,032</b>	<b>\$ 5,078,824</b>	<b>\$ 6,381,855</b>	<b>\$ 485,399</b>	<b>\$ 1,708,437</b>

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



**CITY OF ROLLA**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-Type Activities	Job Development Authority	Airport Authority
<b>PRIMARY GOVERNMENT</b>								
Governmental Activities								
General Government	\$ 371,205	\$ 113,666	\$ -	\$ -	\$ (257,539)		\$ (257,539)	
Public Safety	272,587	-	-	-	(272,587)		(272,587)	
Public Works	216,424	-	143,709	178,849	106,134		106,134	
Flood Prevention	-	-	35,666	-	35,666		35,666	
Economic Development	21,756	-	-	-	(21,756)		(21,756)	
Culture and Recreation	63,327	-	1,413	-	(61,914)		(61,914)	
Capital Outlay	74,985	-	-	-	(74,985)		(74,985)	
Interest & Fees on Long-Term Debt	39,143	-	-	-	(39,143)		(39,143)	
<b>Total Governmental Activities</b>	<b>\$ 1,059,427</b>	<b>\$ 113,666</b>	<b>\$ 180,788</b>	<b>\$ 178,849</b>	<b>\$ (586,124)</b>		<b>\$ (586,124)</b>	
Business-Type Activities								
Water	\$ 487,680	\$ 418,479	\$ -	\$ 385,836		\$ 316,635	\$ 316,635	
Sewer	273,970	112,239	-	14,072		(147,658)	(147,658)	
Garbage	231,192	221,489	-	-		(9,703)	(9,703)	
Infrastructure	36,250	135,095	-	-		98,845	98,845	
<b>Total Business-Type Activities</b>	<b>\$ 1,029,092</b>	<b>\$ 887,303</b>	<b>\$ -</b>	<b>\$ 399,908</b>	<b>\$ -</b>	<b>\$ 258,119</b>	<b>\$ 258,119</b>	
<b>Total Primary Government</b>	<b>\$ 2,088,518</b>	<b>\$ 1,000,968</b>	<b>\$ 180,788</b>	<b>\$ 578,757</b>	<b>\$ (586,124)</b>	<b>\$ 258,119</b>	<b>\$ (328,005)</b>	
<b>COMPONENT UNITS</b>								
Job Development Authority	\$ 46,250	\$ 8,219	\$ -	\$ -			\$ (38,030)	\$ -
Airport Authority	80,733	14,364	7,491	19,000			-	(39,878)
<b>Total Component Units</b>	<b>\$ 126,983</b>	<b>\$ 22,583</b>	<b>\$ 7,491</b>	<b>\$ 19,000</b>			<b>\$ (38,030)</b>	<b>\$ (39,878)</b>
<b>GENERAL REVENUES</b>								
Taxes								
Property Taxes					\$ 255,141	\$ -	\$ 255,141	\$ -
Sales Taxes					398,872	-	398,872	41,627
Non-Restricted Grants and Contributions					105,762	-	105,762	-
Unrestricted Investment Earnings					17,514	3,319	20,833	4,246
Sale of Capital Assets					464	-	464	-
Miscellaneous					32,349	7,522	39,871	829
Special Item - Loan Forgiveness, Net					-	-	-	(13,000)
Net Cash Transfers					(114,612)	114,612	-	-
<b>Total General Revenues, Transfers, and Special Items</b>					<b>\$ 695,491</b>	<b>\$ 125,453</b>	<b>\$ 820,943</b>	<b>\$ 33,702</b>
<b>Changes in Net Position</b>					<b>\$ 109,367</b>	<b>\$ 383,572</b>	<b>\$ 492,939</b>	<b>\$ (4,328)</b>
<b>Net Position - January 1</b>					<b>\$ 1,193,665</b>	<b>\$ 4,695,252</b>	<b>\$ 5,888,917</b>	<b>\$ 489,728</b>
<b>Net Position - December 31</b>					<b>\$ 1,303,032</b>	<b>\$ 5,078,823</b>	<b>\$ 6,381,855</b>	<b>\$ 1,708,437</b>

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

**CITY OF ROLLA**

Balance Sheet – Governmental Funds – Modified Cash Basis

December 31, 2018

---

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 9,056	\$ 998,405	\$ 79,007	\$ 1,086,469
Total Assets	<u>\$ 9,056</u>	<u>\$ 998,405</u>	<u>\$ 79,007</u>	<u>\$ 1,086,469</u>
Fund Balances				
Restricted				
Debt Service	\$ -	\$ -	\$ 79,007	\$ 79,007
General Government	-	884,649	-	884,649
Public Works/Streets	-	65,945	-	65,945
Emergency	-	15	-	15
Economic Development	-	3,144	-	3,144
Culture & Recreation	-	44,652	-	44,652
Unassigned				
General Fund	9,056	-	-	9,056
Total Fund Balances	<u>\$ 9,056</u>	<u>\$ 998,405</u>	<u>\$ 79,007</u>	<u>\$ 1,086,469</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,056</u>	<u>\$ 998,405</u>	<u>\$ 79,007</u>	<u>\$ 1,086,469</u>

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

**CITY OF ROLLA**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2018

---

<b>Total Fund Balances for Governmental Funds</b>	\$ 1,086,469
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,747,255
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Long-Term Debt	<u>(1,530,692)</u>
<b>Total Net Position of Governmental Activities</b>	<u>\$ 1,303,032</u>

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

**CITY OF ROLLA**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 230,838	\$ 21,511	\$ 2,791	\$ 255,141
Special Assessment Taxes	-	-	178,849	178,849
Sales Taxes	11,013	387,860	-	398,872
Licenses, Permits and Fees	4,095	-	-	4,095
Charges for Services	54,789	54,782	-	109,571
Intergovernmental	141,428	145,122	-	286,550
Interest	17,415	99	-	17,514
Miscellaneous	13,929	18,419	-	32,348
<b>Total Revenues</b>	<b>\$ 473,507</b>	<b>\$ 627,794</b>	<b>\$ 181,640</b>	<b>\$ 1,282,940</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 316,129	\$ 42,744	\$ 6,202	\$ 365,075
Public Safety	239,927	-	-	239,927
Public Works	845	150,900	-	151,745
Economic Development	-	21,756	-	21,756
Culture and Recreation	-	42,897	-	42,897
Capital Outlay	-	74,985	-	74,985
Debt Service				
Principal	9,746	68,144	170,000	247,890
Interest	1,514	5,263	32,366	39,143
<b>Total Expenditures</b>	<b>\$ 568,161</b>	<b>\$ 406,689</b>	<b>\$ 208,568</b>	<b>\$ 1,183,418</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,654)	\$ 221,104	\$ (26,928)	\$ 99,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	\$ -	\$ 85,469	\$ -	\$ 85,469
Sale of Capital Assets	-	464	-	464
Transfers In	113,163	188,373	115,467	417,003
Transfers Out	(5,201)	(349,685)	(176,730)	(531,615)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 107,962</b>	<b>\$ (75,379)</b>	<b>\$ (61,262)</b>	<b>\$ (28,679)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 13,308</b>	<b>\$ 145,726</b>	<b>\$ (88,191)</b>	<b>\$ 70,843</b>
Fund Balance - January 1	\$ (4,252)	\$ 852,679	\$ 167,198	\$ 1,015,625
Fund Balance - December 31	\$ 9,056	\$ 998,405	\$ 79,007	\$ 1,086,469

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

**CITY OF ROLLA**

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

---

**Net Change in Fund Balances - Total Governmental Funds** \$ 70,843

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Depreciation Expense (123,898)

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

Issuance of Long-Term Debt	\$ (85,469)	
Repayment of Long-Term Debt	<u>247,890</u>	<u>162,421</u>

**Change in Net Position of Governmental Activities** \$ 109,366

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

**CITY OF ROLLA**

## Statement of Net Position – Proprietary Funds – Modified Cash Basis

December 31, 2018

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 290,813	\$ 178,736	\$ 92,119	\$ 262,455	\$ 824,124
Restricted Investments					
Debt Service	163,116	-	-	-	163,116
Emergencies	40,000	-	-	-	40,000
Short Lived Asset	16,101	-	-	-	16,101
Total Current Assets	<u>\$ 510,030</u>	<u>\$ 178,736</u>	<u>\$ 92,119</u>	<u>\$ 262,455</u>	<u>\$ 1,043,341</u>
Noncurrent Assets					
Capital Assets, Net	\$ 8,067,418	\$ 2,374,189	\$ -	\$ -	\$ 10,441,607
Total Assets	<u>\$ 8,577,449</u>	<u>\$ 2,552,925</u>	<u>\$ 92,119</u>	<u>\$ 262,455</u>	<u>\$ 11,484,949</u>
<b>LIABILITIES</b>					
Current Liabilities					
Long-Term Debt	\$ 157,607	\$ -	\$ -	\$ 80,000	\$ 237,607
Noncurrent Liabilities					
Long-Term Debt	\$ 4,898,518	\$ -	\$ -	\$ 1,270,000	\$ 6,168,518
Total Liabilities	<u>\$ 5,056,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,000</u>	<u>\$ 6,406,125</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 3,011,293	\$ 2,374,189	\$ -	\$ -	\$ 5,385,482
Restricted					
Debt Service	163,116	-	-	-	163,116
Emergencies	40,000	-	-	-	40,000
Short Lived Asset	16,101	-	-	-	16,101
Unrestricted	290,813	178,736	92,119	(1,087,545)	(525,876)
Total Net Position	<u>\$ 3,521,324</u>	<u>\$ 2,552,925</u>	<u>\$ 92,119</u>	<u>\$ (1,087,545)</u>	<u>\$ 5,078,824</u>

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

# CITY OF ROLLA

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis  
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 418,479	\$ 112,239	\$ 221,489	\$ 135,095	\$ 887,303
Miscellaneous	2,028	1,700	3,794	-	7,522
<b>Total Operating Revenues</b>	<b>\$ 420,507</b>	<b>\$ 113,939</b>	<b>\$ 225,283</b>	<b>\$ 135,095</b>	<b>\$ 894,825</b>
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 75,917	\$ 88,694	\$ 13,459	\$ -	\$ 178,069
Health Insurance	10,029	9,980	-	-	20,009
Construction	-	7,228	-	-	7,228
Engineering Fees	-	33,672	-	-	33,672
Sewer Jet	-	905	-	-	905
Utilities	1,092	1,128	615	-	2,835
Garbage	-	-	210,802	-	210,802
Supplies	24,328	9,022	885	-	34,236
Repair/Maintenance	26,219	14,048	795	-	41,063
Office Supplies/Postage	-	3,042	-	-	3,042
Gas, Oil, Diesel Fuel	37,651	6,470	3,334	-	47,455
Machinery & Equipment	1,418	-	47	-	1,465
Dues and Memberships	861	-	75	-	936
Professional Services	6,910	-	-	-	6,910
Contract Labor	2,800	17,450	1,180	-	21,430
Miscellaneous Expense	34,797	-	-	-	34,797
Depreciation	114,759	82,332	-	-	197,091
<b>Total Operating Expenses</b>	<b>\$ 336,782</b>	<b>\$ 273,970</b>	<b>\$ 231,192</b>	<b>\$ -</b>	<b>\$ 841,944</b>
<b>Operating Income</b>	<b>\$ 83,724</b>	<b>\$ (160,031)</b>	<b>\$ (5,908)</b>	<b>\$ 135,095</b>	<b>\$ 52,881</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	\$ 2,338	\$ 981	\$ -	\$ -	\$ 3,319
Federal Grants	385,836	-	-	-	385,836
Special Assessments	-	14,072	-	-	14,072
Interest Expense and Service Charges	(150,898)	-	-	(36,250)	(187,148)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 237,276</b>	<b>\$ 15,053</b>	<b>\$ -</b>	<b>\$ (36,250)</b>	<b>\$ 216,080</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 321,001</b>	<b>\$ (144,978)</b>	<b>\$ (5,908)</b>	<b>\$ 98,845</b>	<b>\$ 268,960</b>
Transfers In	\$ 259,900	\$ 9,298	\$ 14,000	\$ 153,177	\$ 436,375
Transfers Out	(154,587)	(14,000)	-	(153,177)	(321,764)
<b>Change in Net Position</b>	<b>\$ 426,314</b>	<b>\$ (149,679)</b>	<b>\$ 8,092</b>	<b>\$ 98,845</b>	<b>\$ 383,572</b>
<b>Net Position - January 1</b>	<b>\$ 3,095,010</b>	<b>\$ 2,702,604</b>	<b>\$ 84,028</b>	<b>\$ (1,186,390)</b>	<b>\$ 4,695,252</b>
<b>Net Position - December 31</b>	<b>\$ 3,521,324</b>	<b>\$ 2,552,925</b>	<b>\$ 92,119</b>	<b>\$ (1,087,545)</b>	<b>\$ 5,078,824</b>

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

**CITY OF ROLLA**

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

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 418,479	\$ 112,239	\$ 221,489	\$ 135,095	\$ 887,303
Payments to Suppliers	(136,077)	(85,737)	(217,733)	-	(439,547)
Payments to Employees	(85,946)	(105,901)	(13,459)	-	(205,306)
Other Receipts	2,028	1,700	3,794	-	7,522
Net Cash Provided (Used) by Operating Activities	\$ 198,484	\$ (77,699)	\$ (5,908)	\$ 135,095	\$ 249,972
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	\$ 259,900	\$ 9,298	\$ 14,000	\$ 153,177	\$ 283,198
Transfers Out	(154,587)	(14,000)	-	(153,177)	(168,587)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 105,313	\$ (4,702)	\$ 14,000	\$ -	\$ 114,612
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions	\$ 385,836	\$ 14,072	\$ -	\$ -	\$ 399,908
Purchases and Construction of Capital Assets	(389,778)	-	-	-	(389,778)
Principal Paid on Capital Debt	(149,454)	-	-	(120,000)	(269,454)
Interest and Fees Paid on Capital Debt	(150,898)	-	-	(36,250)	(187,148)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (304,294)	\$ 14,072	\$ -	\$ (156,250)	\$ (446,471)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	\$ 2,338	\$ 981	\$ -	\$ -	\$ 3,319
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 1,842	\$ (67,348)	\$ 8,092	\$ (21,155)	\$ (78,569)
Cash and Cash Equivalents - January 1	\$ 508,189	\$ 246,084	\$ 84,028	\$ 283,610	\$ 1,121,910
Cash and Cash Equivalents - December 31	\$ 510,031	\$ 178,736	\$ 92,119	\$ 262,455	\$ 1,043,341
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 83,724	\$ (160,031)	\$ (5,908)	\$ 135,095	\$ 52,881
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 114,759	\$ 82,332	\$ -	\$ -	\$ 197,091
Net Cash Provided (Used) by Operating Activities	\$ 198,484	\$ (77,699)	\$ (5,908)	\$ 135,095	\$ 249,972

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



**CITY OF ROLLA**

Statement of Net Position – Modified Cash Basis

December 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Job Development Authority	Airport Authority
<b>ASSETS</b>					
Cash and Investments	\$ 1,015,625	\$ 922,862	\$ 1,938,487	\$ 454,307	\$ 265,932
Restricted Investments					
Debt Service	-	148,315	148,315	-	-
Emergencies	-	40,000	40,000	-	-
Short Lived Asset	-	10,734	10,734	-	-
Loans Receivable	-	-	-	68,106	-
Capital Assets, Net	1,871,152	10,248,921	12,120,073	-	1,462,225
Total Assets	\$ 2,886,778	\$ 11,370,831	\$ 14,257,609	\$ 522,413	\$ 1,728,157
<b>LIABILITIES</b>					
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	\$ 239,771	\$ 270,781	\$ 510,552	\$ 6,549	\$ -
Due After One Year					
Long-Term Debt	1,453,342	6,404,798	7,858,140	26,136	-
Total Liabilities	\$ 1,693,113	\$ 6,675,579	\$ 8,368,692	\$ 32,685	\$ -
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 178,040	\$ 5,043,341	\$ 5,221,381	\$ -	\$ 1,462,225
Restricted					
Debt Service	167,198	148,315	315,513	-	-
Short Lived Asset	-	10,734	10,734	-	-
General Government	590,104	-	590,104	-	-
Public Safety	5,589	-	5,589	-	-
Public Works	188,890	-	188,890	-	-
Emergencies	15	40,000	40,015	-	-
Economic/Job Development	9,041	-	9,041	489,728	-
Culture and Recreation	59,040	-	59,040	-	-
Unrestricted	(4,252)	(547,138)	(551,390)	-	265,932
Total Net Position	\$ 1,193,665	\$ 4,695,252	\$ 5,888,917	\$ 489,728	\$ 1,728,157

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

**CITY OF ROLLA**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Job Development Authority	Airport Authority
<b>PRIMARY GOVERNMENT</b>									
Governmental Activities									
General Government	\$ 390,582	\$ 108,291	\$ -	\$ -	\$ (282,290)		\$ (282,290)		
Public Safety	318,399	-	-	25,745	(292,654)		(292,654)		
Public Works	247,347	-	141,229	88,644	(17,474)		(17,474)		
Flood Prevention	-	-	8,976	-	8,976		8,976		
Economic Development	9,000	-	-	-	(9,000)		(9,000)		
Culture and Recreation	55,622	-	2,850	-	(52,772)		(52,772)		
Capital Outlay	438,061	-	-	-	(438,061)		(438,061)		
Interest & Fees on Long-Term Debt	31,764	-	-	-	(31,764)		(31,764)		
<b>Total Governmental Activities</b>	<b>\$ 1,490,774</b>	<b>\$ 108,291</b>	<b>\$ 153,055</b>	<b>\$ 114,389</b>	<b>\$ (1,115,039)</b>		<b>\$ (1,115,039)</b>		
Business-Type Activities									
Water	\$ 502,041	\$ 434,043	\$ -	\$ 1,108,522		\$ 1,040,524	\$ 1,040,524		
Sewer	228,930	133,590	-	5,578		(89,761)	(89,761)		
Garbage	234,298	226,926	-	-		(7,372)	(7,372)		
Infrastructure	34,223	139,544	-	-		105,321	105,321		
<b>Total Business-Type Activities</b>	<b>\$ 999,491</b>	<b>\$ 934,103</b>	<b>\$ -</b>	<b>\$ 1,114,100</b>	<b>\$ -</b>	<b>\$ 1,048,712</b>	<b>\$ 943,391</b>		
<b>Total Primary Government</b>	<b>\$ 2,490,265</b>	<b>\$ 1,042,394</b>	<b>\$ 153,055</b>	<b>\$ 1,228,489</b>	<b>\$ (1,115,039)</b>	<b>\$ 1,048,712</b>	<b>\$ (171,648)</b>		
<b>COMPONENT UNITS</b>									
Job Development Authority	\$ 52,640	\$ 14,337	\$ -	\$ -			\$ (38,303)	\$ -	
Airport	78,019	12,750	9,297	-			-	(55,971)	
<b>Total Component Units</b>	<b>\$ 130,659</b>	<b>\$ 27,087</b>	<b>\$ 9,297</b>	<b>\$ -</b>			<b>\$ (38,303)</b>	<b>\$ (55,971)</b>	
<b>GENERAL REVENUES</b>									
Property Taxes					\$ 217,935	\$ -	\$ 217,935	\$ -	\$ 15,379
Sales Taxes					406,973	-	406,973	42,473	-
Non-Restricted Grants and Contributions					128,600	-	128,600	-	-
Unrestricted Investment Earnings					9,309	6,275	15,584	3,285	4,155
Sale of Capital Assets					880	-	880	-	-
Miscellaneous					28,494	249,496	277,990	300	312
Insurance Proceeds					29,750	-	29,750	-	-
Bond Proceeds					-	-	-	-	-
Net Cash Transfers					(146,771)	146,771	-	-	-
<b>Total General Revenues and Transfers</b>					<b>\$ 675,170</b>	<b>\$ 402,541</b>	<b>\$ 1,077,712</b>	<b>\$ 46,058</b>	<b>\$ 19,847</b>
<b>Changes in Net Position</b>					<b>\$ (439,869)</b>	<b>\$ 1,451,254</b>	<b>\$ 1,011,385</b>	<b>\$ 7,755</b>	<b>\$ (36,124)</b>
<b>Net Position - January 1</b>					<b>\$ 3,269,305</b>	<b>\$ 4,481,106</b>	<b>\$ 7,750,411</b>	<b>\$ 502,895</b>	<b>\$ 1,771,808</b>
<b>Prior Period Adjustments</b>					<b>\$ (1,635,771)</b>	<b>\$ (1,237,108)</b>	<b>\$ (2,872,879)</b>	<b>\$ (20,922)</b>	<b>\$ (7,526)</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 1,633,534</b>	<b>\$ 3,243,998</b>	<b>\$ 4,877,532</b>	<b>\$ 481,973</b>	<b>\$ 1,764,282</b>
<b>Net Position - December 31</b>					<b>\$ 1,193,665</b>	<b>\$ 4,695,252</b>	<b>\$ 5,888,917</b>	<b>\$ 489,728</b>	<b>\$ 1,728,157</b>

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

**CITY OF ROLLA**

Balance Sheet – Governmental Funds – Modified Cash Basis  
 December 31, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 848,428	\$ 167,198	\$ 1,015,625
Due from Other Funds	-	4,252	-	4,252
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 852,679</b>	<b>\$ 167,198</b>	<b>\$ 1,019,877</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to Other Funds	\$ 4,252	\$ -	\$ -	\$ 4,252
<b>Total Liabilities</b>	<b>\$ 4,252</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,252</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Debt Service	\$ -	\$ -	\$ 167,198	\$ 167,198
General Government	-	590,104	-	590,104
Public Safety	-	5,589	-	5,589
Public Works/Streets	-	188,890	-	188,890
Emergency	-	15	-	15
Economic Development	-	9,041	-	9,041
Culture & Recreation	-	59,040	-	59,040
<b>Unassigned</b>				
General Fund	(4,252)	-	-	(4,252)
<b>Total Fund Balances</b>	<b>\$ (4,252)</b>	<b>\$ 852,679</b>	<b>\$ 167,198</b>	<b>\$ 1,015,625</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ -</b>	<b>\$ 852,679</b>	<b>\$ 167,198</b>	<b>\$ 1,019,877</b>

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

**CITY OF ROLLA**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2017

---

**Total Fund Balances for Governmental Funds** \$ 1,015,625

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 1,871,152

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.  
Long-Term Debt \$ (1,693,113)

**Total Net Position of Governmental Activities** \$ 1,193,665

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

**CITY OF ROLLA**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 196,301	\$ 19,248	\$ 2,386	\$ 217,935
Special Assessment Taxes	-	-	88,644	88,644
Sales Taxes	11,236	395,737	-	406,973
Licenses, Permits and Fees	4,055	-	-	4,055
Charges for Services	60,584	43,653	-	104,236
Intergovernmental	163,321	144,079	-	307,400
Interest	9,194	115	-	9,309
Miscellaneous	11,828	16,667	-	28,495
<b>Total Revenues</b>	<b>\$ 456,520</b>	<b>\$ 619,498</b>	<b>\$ 91,029</b>	<b>\$ 1,167,047</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 312,121	\$ 68,418	\$ 6,912	\$ 387,452
Public Safety	382,032	-	-	382,032
Public Works	948	239,940	-	240,888
Economic Development	-	9,000	-	9,000
Culture and Recreation	-	35,192	-	35,192
Capital Outlay	-	438,061	-	438,061
Debt Service				
Principal	-	58,497	124,723	183,220
Interest	-	6,315	25,448	31,764
<b>Total Expenditures</b>	<b>\$ 695,101</b>	<b>\$ 855,423</b>	<b>\$ 157,083</b>	<b>\$ 1,707,607</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (238,581)	\$ (235,926)	\$ (66,053)	\$ (540,560)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	\$ 51,670	\$ 55,240	\$ -	\$ 106,910
Bond Proceeds	-	438,061	-	438,061
Sale of Capital Assets	880	-	-	880
Insurance Proceeds	29,750	-	-	29,750
Transfers In	60,000	52,427	9,040	121,467
Transfers Out	(22,452)	(236,746)	(9,040)	(268,238)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 119,848</b>	<b>\$ 308,982</b>	<b>\$ 0</b>	<b>\$ 428,831</b>
<b>Net Change in Fund Balances</b>	<b>\$ (118,733)</b>	<b>\$ 73,057</b>	<b>\$ (66,053)</b>	<b>\$ (111,730)</b>
Fund Balance - January 1	\$ 118,154	\$ 776,518	\$ 466,148	\$ 1,360,820
Prior Period Adjustment	\$ (3,673)	\$ 3,105	\$ (232,897)	\$ (233,465)
Fund Balance - January 1, as restated	\$ 114,481	\$ 779,623	\$ 233,251	\$ 1,127,355
Fund Balance - December 31	\$ (4,252)	\$ 852,679	\$ 167,198	\$ 1,015,625

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

**CITY OF ROLLA**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2017

---

**Net Change in Fund Balances - Total Governmental Funds** \$ (111,730)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	\$ 168,715	
Current Year Depreciation Expense	<u>(135,102)</u>	33,613

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

Issuance of Long-Term Debt	(544,971)	
Repayment of Long-Term Debt	<u>183,220</u>	<u>(361,752)</u>

**Change in Net Position of Governmental Activities** \$ (439,869)

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

**CITY OF ROLLA**

Statement of Net Position – Proprietary Funds – Modified Cash Basis

December 31, 2017

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ 309,140	\$ 246,084	\$ 84,028	\$ 283,610	\$ 922,862
Restricted Investments					
Debt Service	148,315	-	-	-	148,315
Emergencies	40,000	-	-	-	40,000
Short Lived Asset	10,734	-	-	-	10,734
Total Current Assets	\$ 508,189	\$ 246,084	\$ 84,028	\$ 283,610	\$ 1,121,911
Noncurrent Assets					
Capital Assets, Net	\$ 7,792,400	\$ 2,456,521	\$ -	\$ -	\$ 10,248,921
Total Assets	\$ 8,300,589	\$ 2,702,605	\$ 84,028	\$ 283,610	\$ 11,370,831
<b>LIABILITIES</b>					
Current Liabilities					
Long-Term Debt	\$ 150,781	\$ -	\$ -	\$ 120,000	\$ 270,781
Noncurrent Liabilities					
Long-Term Debt	\$ 5,054,798	\$ -	\$ -	\$ 1,350,000	\$ 6,404,798
Total Liabilities	\$ 5,205,579	\$ -	\$ -	\$ 1,470,000	\$ 6,675,579
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 2,586,821	\$ 2,456,521	\$ -	\$ -	\$ 5,043,341
Restricted					
Debt Service	148,315	-	-	-	148,315
Emergencies	40,000	-	-	-	40,000
Short Lived Asset	10,734	-	-	-	10,734
Unrestricted	309,140	246,084	84,028	(1,186,390)	(547,138)
Total Net Position	\$ 3,095,009	\$ 2,702,605	\$ 84,028	\$ (1,186,390)	\$ 4,695,252

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

**CITY OF ROLLA**

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Modified Cash Basis  
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 433,612	\$ 133,590	\$ 226,926	\$ 139,499	\$ 933,626
Miscellaneous	432	1,700	10,615	45	12,792
<b>Total Operating Revenues</b>	<b>\$ 434,043</b>	<b>\$ 135,290</b>	<b>\$ 237,540</b>	<b>\$ 139,544</b>	<b>\$ 946,418</b>
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 61,294	\$ 73,406	\$ 11,965	\$ -	\$ 146,664
Health Insurance	11,361	12,943	-	-	24,304
Legal Fees	8	-	-	-	8
Sewer Jet	-	8,973	-	-	8,973
Utilities	1,174	1,158	600	-	2,933
Garbage	-	-	209,880	-	209,880
Supplies	43,505	1,662	391	-	45,557
Repair/Maintenance	57,167	18,755	7,591	-	83,514
Office Supplies/Postage	-	4,942	-	-	4,942
Gas, Oil, Diesel Fuel	29,254	6,556	3,871	-	39,680
Machinery & Equipment	5,726	2,285	-	-	8,011
Dues and Memberships	535	-	-	-	535
Professional Services	2,113	-	-	-	2,113
Contract Labor	15,114	11,134	-	-	26,248
Miscellaneous Expense	1,667	37	-	-	1,705
Depreciation	118,551	83,823	-	-	202,374
<b>Total Operating Expenses</b>	<b>\$ 347,468</b>	<b>\$ 225,675</b>	<b>\$ 234,298</b>	<b>\$ -</b>	<b>\$ 807,441</b>
Operating Income	\$ 86,575	\$ (90,385)	\$ 3,243	\$ 139,544	\$ 138,977
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Earnings	\$ 2,649	\$ 3,626	\$ -	\$ -	\$ 6,275
Federal Grants	1,108,522	-	-	-	1,108,522
Special Assessments	-	5,578	-	-	5,578
Other Nonoperating Revenues	237,181	-	-	-	237,181
Interest Expense and Service Charges	(154,573)	(3,254)	-	(34,223)	(192,050)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 1,193,779</b>	<b>\$ 5,950</b>	<b>\$ -</b>	<b>\$ (34,223)</b>	<b>\$ 1,165,506</b>
Income (Loss) Before Contributions and Transfers	\$ 1,280,354	\$ (84,435)	\$ 3,243	\$ 105,321	\$ 1,304,483
Transfers In	\$ 258,466	\$ -	\$ 14,000	\$ 156,900	\$ 429,366
Transfers Out	(111,695)	(14,000)	-	(156,900)	(282,595)
Change in Net Position	\$ 1,427,125	\$ (98,435)	\$ 17,243	\$ 105,321	\$ 1,451,254
Net Position - January 1	\$ 1,538,732	\$ 2,658,709	\$ 66,785	\$ 216,880	\$ 4,481,106
Prior Period Adjustment	\$ 129,153	\$ 142,330	\$ -	\$ (1,508,591)	\$ (1,237,108)
Net Position - January 1, As Restated	\$ 1,667,885	\$ 2,801,039	\$ 66,785	\$ (1,291,711)	\$ 3,243,998
Net Position - December 31	\$ 3,095,010	\$ 2,702,604	\$ 84,028	\$ (1,186,390)	\$ 4,695,252

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



# CITY OF ROLLA

## Statement of Cash Flows – Proprietary Funds – Modified Cash Basis For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Infrastructure Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 433,612	\$ 133,590	\$ 226,926	\$ 139,499	\$ 933,626
Payments to Suppliers	(156,263)	(55,503)	(222,333)	-	(434,099)
Payments to Employees	(72,654)	(86,349)	(11,965)	-	(170,968)
Other Receipts	432	1,700	10,615	45	12,792
Net Cash Provided (Used) by Operating Activities	\$ 205,127	\$ (6,562)	\$ 3,243	\$ 139,544	\$ 341,351
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	\$ 258,466	\$ -	\$ 14,000	\$ 156,900	\$ 272,466
Transfers Out	(111,695)	(14,000)	-	(156,900)	(125,695)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 146,771	\$ (14,000)	\$ 14,000	\$ -	\$ 146,771
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital Contributions	\$ 1,108,522	\$ 5,578	\$ -	\$ -	\$ 1,114,100
Purchases and Construction of Capital Assets	(1,956,313)	-	-	-	(1,956,313)
Reimbursement for Overpayment on Project	237,181	-	-	-	237,181
Bond Proceeds	-	-	-	87,780	87,780
Principal Paid on Capital Debt	(146,424)	(350,000)	-	(119,604)	(616,028)
Interest and Fees Paid on Capital Debt	(154,573)	(3,254)	-	(34,223)	(192,050)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (911,607)	\$ (347,676)	\$ -	\$ (66,047)	\$ (1,325,330)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	\$ 2,649	\$ 3,626	\$ -	\$ -	\$ 6,275
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (557,061)	\$ (364,612)	\$ 17,243	\$ 73,497	\$ (830,933)
Cash and Cash Equivalents - January 1	\$ 1,006,820	\$ 433,816	\$ 66,785	\$ 216,880	\$ 1,724,301
Prior Period Adjustment	\$ 58,430	\$ 176,880	\$ -	\$ (6,767)	\$ 228,542
Cash and Cash Equivalents - January 1, as Restated	\$ 1,065,250	\$ 610,696	\$ 66,785	\$ 210,113	\$ 1,952,844
Cash and Cash Equivalents - December 31	\$ 508,189	\$ 246,084	\$ 84,028	\$ 283,610	\$ 1,121,910
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 86,575	\$ (90,385)	\$ 3,243	\$ 139,544	\$ 138,977
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	\$ 118,551	\$ 83,823	\$ -	\$ -	\$ 202,374
Net Cash Provided (Used) by Operating Activities	\$ 205,127	\$ (6,562)	\$ 3,243	\$ 139,544	\$ 341,351

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

# CITY OF ROLLA

Notes to the Financial Statements

For the Years Ended December 31, 2018 and 2017

---

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rolla ("City") have been prepared on the modified cash basis of accounting, 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 City's accounting policies are described below.

### Reporting Entity

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

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

### Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Discretely Presented Component Units: The component unit columns in the government wide 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.

Rolla Job Development Authority ("Job Development Authority")- The Job Development Authority manages economic development in the Rolla area. The City's governing board appoints a voting majority of the members of the Job Development Authority Board. All transactions are also reviewed and approved by the City Council. The City has the authority to approve or modify the Job Development Authority's operational and capital budgets.

Rolla Airport Authority ("Airport") - The Airport manages the local airport facility. The authority's five-member board is appointed by the City Commission. The authority is fiscally dependent upon the city because the City Council levies taxes and must approve any bond issuances.

### Basis of Presentation

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

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

## CITY OF ROLLA

### Notes to the Financial Statements – Continued

---

*Fund Financial Statements.* The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. Revenue sources in this fund are restricted solely for debt retirement.

The City reports the following major enterprise funds:

Water Fund - This fund accounts for the activity of the Water Department. The department operates the water distribution system in the City of Rolla.

Sewer Fund - This fund accounts for the activities of the City's sewer collection system.

Garbage Fund - This fund accounts for the activities of the City's garbage collection system.

Infrastructure Fund – This fund accounts for sur-charges on utility bills to be used solely for debt retirement.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets with a provision for depreciation, job development loans receivable and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

### **Cash**

Cash and cash equivalents include amounts in demand deposits, money market accounts, and certificates of deposit with maturities of less than 90 days.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

---

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund and sewer fund in the enterprise fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Buildings	50 Years
Vehicles, Machinery & Equipment	7-15 Years
Buildings & Land Improvements	10-25 Years
Infrastructure	15-50 Years
Furniture	7-15 Years
Land	Indefinite

**Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Balance**

*Fund Balance Spending Policy.* It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the City to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

**Net Position**

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.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**Interfund Transactions**

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

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

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

**NOTE 2: PRIOR PERIOD ADJUSTMENTS**

Beginning net position adjustments were necessary for restating net capital assets, long term debt reclassifications, fund balance classifications, removing compensated absences and for removing activity relating to Pensions. Beginning fund balance adjustments were necessary for reclassifications of fund types. The results decreased beginning net position of the governmental activities for the City, decreased beginning fund balance for the General Fund, increased beginning fund balance for the Special Revenue Fund, increased beginning fund balance for the Debt Service Fund, decreased beginning net position for the Water and Sewer Enterprise Funds, and increased net position for the Nonmajor Enterprise Fund. Adjustments to beginning net position and fund balance are as follows:

<b>Primary Government - Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 3,269,305
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Deferred Outflows for Pension PPA	(55,093)
Deferred Inflows for Pension PPA	48,815
Net Pension Liability PPA	190,395
Capital Asset, Net PPA	(3,088,205)
Long Term Debt Reclass PPA	1,501,784
Fund Balance PPA	(233,468)
Net Position January 1, as restated	\$ 1,633,534

<b>Primary Government - General Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 118,154
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Fund Balance PPA	(3,673)
Fund Balance January 1, as restated	\$ 114,481

<b>Primary Government - Special Revenue Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 776,518
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Fund Balance Classification Change PPA	3,105
Fund Balance January 1, as restated	\$ 779,623

<b>Primary Government - Debt Service Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 466,148
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Fund Balance Classification Change PPA	(232,897)
Fund Balance January 1, as restated	\$ 233,251

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

<b>Enterprise Fund - Water</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 1,538,732
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Fund Balance Classification Change PPA	58,430
Due from Fund PPA	4,822
Long Term Debt Reclass PPA	15,870
Capital Asset, Net PPA	50,031
Net Position January 1, as restated	\$ 1,667,885

<b>Enterprise Fund - Sewer</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 2,658,709
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Fund Balance Classification Change PPA	176,880
Capital Asset, Net PPA	(34,550)
Net Position January 1, as restated	\$ 2,801,039

<b>Enterprise Fund - Infrastructure</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 216,880
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Fund Balance Classification Change PPA	(6,767)
Long Term Debt Reclass PPA	(1,501,824)
Net Position January 1, as restated	\$ (1,291,711)

**Component Unit – Airport Authority**

Beginning net position adjustments were necessary for restating net capital assets. The results decreased beginning net position of the governmental activities for the Airport Authority. Adjustments to beginning net position are as follows:

<b>Component Unit - Airport Authority</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 1,771,808
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Capital Asset, Net PPA	(7,526)
Net Position January 1, as restated	\$ 1,764,282

**Component Unit – Job Development Authority**

Beginning net position adjustments were necessary for restating net capital assets. The results decreased beginning net position of the governmental activities for the Job Development Authority. Adjustments to beginning net position are as follows:

<b>Component Unit - Job Development Authority</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 502,895
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Capital Asset, Net PPA	(20,922)
Net Position January 1, as restated	\$ 481,973

**NOTE 3: DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended December 31, 2018, the City's and Job Development Authority's carrying amount of deposits totaled \$2,592,615, and the bank balances totaled \$2,348,023. Of the bank balances, \$276,625 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2017, the City's and Job Development Authority's carrying amount of deposits totaled \$2,591,643, and the bank balances totaled \$2,633,178. Of the bank balances, \$291,376 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Airport's carrying amount of deposits totaled \$283,060, and the bank balances totaled \$283,060, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2017, the Airport's carrying amount of deposits totaled \$265,932, and the bank balances totaled \$265,932, all of which were covered by Federal Depository Insurance.

**NOTE 4 RESTRICTED INVESTMENTS**

According to the terms of the District's loan and bond agreements, the District must maintain \$157,342 in reserve accounts restricted for debt service, \$40,000 for emergencies and extensions, and a short lived asset reserve will have annual transfers for the life of the loan in the amount of \$6,533. At December 31, 2018, \$219,217 was held in the required reserves.

**NOTE 5: PROPERTY TAXES**

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

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**NOTE 6: CAPITAL ASSETS**

**Governmental Activities**

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

<b>Governmental Activities</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/18</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,000</b>
<i>Capital assets, being depreciated</i>					
Buildings	\$ 1,032,882	\$ -	\$ -	\$ -	\$ 1,032,882
Infrastructure Improvements	1,233,920	-	-	-	1,233,920
Machinery & Equipment	785,534	-	41,055	-	744,479
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,052,336</b>	<b>\$ -</b>	<b>\$ 41,055</b>	<b>\$ -</b>	<b>\$ 3,011,281</b>
<i>Less accumulated depreciation for</i>					
Buildings	\$ 789,190	\$ 23,566	\$ -	\$ -	\$ 812,756
Infrastructure Improvements	72,945	24,935	-	\$ -	97,880
Machinery & Equipment	394,049	75,397	41,055	-	428,391
<b>Total Accumulated Depreciation</b>	<b>\$ 1,256,184</b>	<b>\$ 123,898</b>	<b>\$ 41,055</b>	<b>\$ -</b>	<b>\$ 1,339,026</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,796,152</b>	<b>\$ (123,898)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,672,255</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,871,152</b>	<b>\$ (123,898)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,747,255</b>

<b>Governmental Activities</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 75,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,000</b>
<i>Capital assets, being depreciated</i>					
Buildings	\$ 1,032,882	\$ -	\$ -	\$ -	\$ 1,032,882
Infrastructure Improvements	1,233,920	-	-	-	1,233,920
Machinery & Equipment	719,129	190,015	123,610	-	785,534
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 2,985,931</b>	<b>\$ 190,015</b>	<b>\$ 123,610</b>	<b>\$ -</b>	<b>\$ 3,052,336</b>
<i>Less accumulated depreciation for</i>					
Buildings	\$ 765,624	\$ 23,566	\$ -	\$ -	\$ 789,190
Infrastructure Improvements	48,010	24,935	-	-	72,945
Machinery & Equipment	409,758	86,600	102,310	-	394,049
<b>Total Accumulated Depreciation</b>	<b>\$ 1,223,392</b>	<b>\$ 135,101</b>	<b>\$ 102,310</b>	<b>\$ -</b>	<b>\$ 1,256,184</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,762,538</b>	<b>\$ 54,914</b>	<b>\$ 21,300</b>	<b>\$ -</b>	<b>\$ 1,796,152</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,837,538</b>	<b>\$ 54,914</b>	<b>\$ 21,300</b>	<b>\$ -</b>	<b>\$ 1,871,152</b>

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

<b>Governmental Activities</b>	<b>2018</b>	<b>2017</b>
General Government	\$ 6,130	\$ 8,130
Public Works	64,679	64,679
Public Safety	32,659	41,863
Culture & Recreation	20,430	20,430
<b>Total Depreciation Expense</b>	<b>\$ 123,898</b>	<b>\$ 135,101</b>



**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**Business-Type Activities**

Water Fund

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

<b>Business-Type Activity - Water Fund</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/18</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 3,229,157	\$ 389,778	\$ -	\$ -	\$ 3,618,935
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 3,229,157</b>	<b>\$ 389,778</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,618,935</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 3,922,521	\$ -	\$ -	\$ -	\$ 3,922,521
Buildings	1,491,611	-	-	-	1,491,611
Machinery & Equipment	49,692	-	-	-	49,692
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 5,463,824</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,463,824</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	78,450	78,450	-	-	156,901
Buildings	783,864	33,629	-	-	817,492
Machinery & Equipment	38,267	2,680	-	-	40,947
<b>Total Accumulated Depreciation</b>	<b>\$ 900,581</b>	<b>\$ 114,759</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,015,340</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 4,563,243</b>	<b>\$ (114,759)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,448,484</b>
<b>Total Capital Assets, Net</b>	<b>\$ 7,792,400</b>	<b>\$ 275,018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,067,418</b>

<b>Business-Type Activity - Water Fund</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 5,195,365	\$ 1,956,313	\$ -	\$ (3,922,521)	\$ 3,229,157
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 5,195,365</b>	<b>\$ 1,956,313</b>	<b>\$ -</b>	<b>\$ (3,922,521)</b>	<b>\$ 3,229,157</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ -	\$ -	\$ -	\$ 3,922,521	\$ 3,922,521
Buildings	1,491,611	-	-	-	1,491,611
Machinery & Equipment	49,692	-	-	-	49,692
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,541,303</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,922,521</b>	<b>\$ 5,463,824</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ -	\$ 78,450	\$ -	\$ -	\$ 78,450
Buildings	750,235	33,629	-	-	783,864
Machinery & Equipment	31,795	6,472	-	-	38,267
<b>Total Accumulated Depreciation</b>	<b>\$ 782,030</b>	<b>\$ 118,551</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 900,581</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 759,273</b>	<b>\$ (118,551)</b>	<b>\$ -</b>	<b>\$ 3,922,521</b>	<b>\$ 4,563,243</b>
<b>Total Capital Assets, Net</b>	<b>\$ 5,954,638</b>	<b>\$ 1,837,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,792,400</b>

Depreciation expense was charged to the Water function.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

Sewer Fund

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

<b>Business-Type Activity - Sewer Fund</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/18</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 94,000	\$ -	\$ -		\$ 94,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 94,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,000</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 2,939,102	\$ -	\$ -	\$ -	\$ 2,939,102
Buildings	250,000	-	-	-	250,000
Machinery & Equipment	168,051	-	-	-	168,051
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,357,153</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,357,153</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 780,761	\$ 62,740	\$ -		\$ 843,501
Buildings	123,500	9,500	-		133,000
Machinery & Equipment	90,372	10,092	-	-	100,463
<b>Total Accumulated Depreciation</b>	<b>\$ 994,632</b>	<b>\$ 82,332</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,076,964</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,362,521</b>	<b>\$ (82,332)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,280,189</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 2,456,521</b>	<b>\$ (82,332)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,374,189</b>

<b>Business-Type Activity - Sewer Fund</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 94,000	\$ -	\$ -		\$ 94,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 94,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,000</b>
<i>Capital assets, being depreciated</i>					
Infrastructure	\$ 2,939,102	\$ -	\$ -		\$ 2,939,102
Buildings	250,000	-	-		250,000
Machinery & Equipment	168,051	-	-	-	168,051
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,357,153</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,357,153</b>
<i>Less accumulated depreciation for</i>					
Infrastructure	\$ 718,021	\$ 62,740	\$ -		\$ 780,761
Buildings	114,000	9,500	-		123,500
Machinery & Equipment	78,789	11,583	-	-	90,372
<b>Total Accumulated Depreciation</b>	<b>\$ 910,810</b>	<b>\$ 83,823</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 994,632</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,446,343</b>	<b>\$ (83,823)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,362,521</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 2,540,343</b>	<b>\$ (83,823)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,456,521</b>

Depreciation expense was charged to the Sewer function.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

Airport Authority

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

<b>Airport Authority</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/18</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 14,540	\$ -	\$ -	\$ -	\$ 14,540
Construction in Progress	-	20,000	-	-	20,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 14,540</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,540</b>
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 1,549,878	\$ -	\$ -	\$ -	\$ 1,549,878
Machinery & Equipment	302,816	-	-	-	302,816
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,852,694</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,852,694</b>
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 224,748	\$ 50,721	\$ -	\$ -	\$ 275,469
Machinery & Equipment	180,261	6,128	-	-	186,389
<b>Total Accumulated Depreciation</b>	<b>\$ 405,009</b>	<b>\$ 56,849</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 461,858</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,447,685</b>	<b>\$ (56,849)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,390,837</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,462,225</b>	<b>\$ (36,849)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,425,377</b>

<b>Airport Authority</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 14,540	\$ -	\$ -	\$ -	\$ 14,540
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 14,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,540</b>
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 1,549,878	\$ -	\$ -	\$ -	\$ 1,549,878
Machinery & Equipment	302,816	-	-	-	302,816
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,852,694</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,852,694</b>
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 174,028	\$ 50,721	\$ -	\$ -	\$ 224,748
Machinery & Equipment	174,133	6,128	-	-	180,261
<b>Total Accumulated Depreciation</b>	<b>\$ 348,161</b>	<b>\$ 56,848</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 405,009</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,504,534</b>	<b>\$ (56,848)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,447,685</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,519,074</b>	<b>\$ (56,848)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,462,225</b>

Depreciation expense was charged to the general government function.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

Job Development Authority

The following is a summary of changes in capital assets for the years ended 2018 and 2017:

<b>Job Development Authority</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/18</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ 7,000	\$ -	\$ -	\$ 7,000
<b>Total Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ 7,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,000</b>

<b>Job Development Authority</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated</i>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Depreciation expense was charged to the economic development function.

**NOTE 7: CONSTRUCTION COMMITMENTS**

**Component Unit – Airport Authority**

The Airport had the following open engineering and construction commitment on a hangar project at December 31, 2018:

Project	Original Contract	Change Orders	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
Design and Construction of Aircraft Storage Hangar	\$ 59,787	\$ -	\$ 59,787	\$ 20,000	\$ -	\$ 39,787	33.45%

**NOTE 8: FUND DEFICITS**

The City had the following deficit fund balances at December 21, 2018 and 2017::

<b>Business-Type Activities</b>	<b>2018</b>
<b>Sewer Fund</b>	
CDBG 2018-1 Sewer Improvement	\$ (40,900)

<b>Governmental Activities</b>	<b>2017</b>
<b>General Fund</b>	
General Fund	\$ (4,102)
<b>Debt Service Funds</b>	
Debt Sewer/Lagoon 27	\$ (23,371)
Debt 2015-1 Street Improvement	(6,128)
Debt 2017-1 Street Improvement	(2,068)
<b>Total Debt Service Fund</b>	<b>\$ (31,566)</b>

The City will relieve the 2018 deficit in the sewer fund with future transfers. The 2017 fund deficits will be relieved with future sales tax and special assessment collections and transfers.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**NOTE 9: LONG-TERM LIABILITIES**

**Governmental Activities**

The following changes occurred in long-term liabilities for the years ended 2018 and 2017:

<b>Governmental Activities</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/18</b>	<b>Due Within One Year</b>
Long-Term Debt					
Leases Payable	\$ 63,633	\$ -	\$ 31,348	\$ 32,285	\$ 32,285
Loans Payable	181,419	-	46,542	134,877	47,668
Special Assessment Bonds Payable	1,010,000	-	80,000	930,000	80,000
Sales Tax Bonds Payable	438,061	85,469	90,000	433,530	101,216
<b>Total Long-Term Debt</b>	<b>\$ 1,693,113</b>	<b>\$ 85,469</b>	<b>\$ 247,890</b>	<b>\$ 1,530,692</b>	<b>\$ 261,168</b>

<b>Governmental Activities</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/17</b>	<b>Due Within One Year</b>
Long-Term Debt					
Leases Payable	\$ 94,071	\$ -	\$ 30,438	\$ 63,633	\$ 31,348
Loans Payable	102,527	106,950	28,059	181,419	46,651
Special Assessment Bonds Payable	1,085,000	-	75,000	1,010,000	80,000
Sales Tax Bonds Payable	49,723	438,061	49,723	438,061	81,771
<b>Total Long-Term Debt</b>	<b>\$ 1,331,321</b>	<b>\$ 545,011</b>	<b>\$ 183,220</b>	<b>\$ 1,693,113</b>	<b>\$ 239,771</b>

The annual requirements to amortize the outstanding long-term debt at December 31, 2018 is as follows:

<b>PRIMARY GOVERNMENT</b>										
<b>Governmental Activities</b>										
<b>Year Ending December 31</b>	<b>Loans Payable</b>		<b>Leases Payable</b>		<b>Special Assessment Bonds Payable</b>		<b>Sales Tax Revenue Bonds Payable</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 47,668	\$ 3,749	\$ 32,285	\$ 965	\$ 80,000	\$ 20,828	\$ 101,216	\$ 9,380	\$ 261,168	\$ 34,922
2020	40,924	2,619	-	-	80,000	19,553	104,706	6,806	225,630	28,977
2021	34,677	1,289	-	-	80,000	18,196	108,196	4,145	222,873	23,630
2022	11,608	372	-	-	80,000	16,759	119,412	3,901	211,020	21,032
2023	-	-	-	-	85,000	15,115	-	-	85,000	15,115
2024-2028	-	-	-	-	435,000	44,055	-	-	435,000	44,055
2029-2033	-	-	-	-	90,000	1,350	-	-	90,000	1,350
<b>Total</b>	<b>\$ 134,877</b>	<b>\$ 8,030</b>	<b>\$ 32,285</b>	<b>\$ 965</b>	<b>\$ 930,000</b>	<b>\$ 135,855</b>	<b>\$ 433,530</b>	<b>\$ 24,231</b>	<b>\$ 1,530,692</b>	<b>\$ 169,081</b>

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**Business-Type Activities**

The following changes occurred in long-term liabilities for the years ended 2018 and 2017:

<b>Enterprise Activities</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/18</b>	<b>Due Within One Year</b>
Long-Term Debt					
Loans Payable	\$ 1,430,000	\$ -	\$ 80,000	\$ 1,350,000	\$ 80,000
Revenue Bonds Payable	5,245,579	-	189,454	5,056,125	157,607
<b>Total Long-Term Liabilities</b>	<b>\$ 6,675,579</b>	<b>\$ -</b>	<b>\$ 269,454</b>	<b>\$ 6,406,125</b>	<b>\$ 237,607</b>

<b>Enterprise Activities</b>	<b>Restated Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/17</b>	<b>Due Within One Year</b>
Long-Term Debt					
Loans Payable	\$ 1,422,824	\$ 87,780	\$ 80,604	\$ 1,430,000	\$ 80,000
Revenue Bonds Payable	5,781,004	-	535,424	5,245,579	190,781
<b>Total Long-Term Debt</b>	<b>\$ 7,203,828</b>	<b>\$ 87,780</b>	<b>\$ 616,028</b>	<b>\$ 6,675,579</b>	<b>\$ 270,781</b>

The annual requirements to amortize the outstanding long-term debt at December 31, 2018 is as follows:

<b>PRIMARY GOVERNMENT</b>				
<b>Business-Type Activities</b>				
<b>Year Ending December 31</b>	<b>Loans Payable</b>		<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 80,000	\$ 27,000	157,607	143,789
2020	85,000	25,400	160,499	139,032
2021	85,000	23,700	273,654	139,842
2022	90,000	22,000	100,636	124,506
2023	90,000	20,200	104,710	121,617
2024-2028	485,000	72,900	566,391	562,194
2029-2033	435,000	7,872	645,830	476,873
2034-2038	-	-	547,856	393,979
2039-2043	-	-	628,343	313,490
2044-2048	-	-	720,641	221,194
2049-2053	-	-	826,671	115,163
2054-2058	-	-	323,288	9,974
<b>Total</b>	<b>\$ 1,350,000</b>	<b>\$ 199,072</b>	<b>\$ 5,056,125</b>	<b>\$ 2,761,654</b>

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

Job Development Authority

The following changes occurred in long-term liabilities for the years ended 2018 and 2017:

<b>Job Development Authority</b>	<b>Balance 1/1/18</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/18</b>	<b>Due Within One Year</b>
Long-Term Debt					
Notes Payable	\$ 32,685	\$ -	\$ 6,549	\$ 26,136	\$ 6,614
<b>Total Long-Term Debt</b>	<b>\$ 32,685</b>	<b>\$ -</b>	<b>\$ 6,549</b>	<b>\$ 26,136</b>	<b>\$ 6,614</b>

<b>Job Development Authority</b>	<b>Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/17</b>	<b>Due Within One Year</b>
Long-Term Debt					
Notes Payable	\$ 39,169	\$ -	\$ 6,484	\$ 32,685	\$ 6,549
<b>Total Long-Term Debt</b>	<b>\$ 39,169</b>	<b>\$ -</b>	<b>\$ 6,484</b>	<b>\$ 32,685</b>	<b>\$ 6,549</b>

The annual requirements to amortize the outstanding long-term debt at December 31, 2018 is as follows:

<b>JOB DEVELOPMENT AUTHORITY</b>		
<b>Year Ending December 31</b>	<b>Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 6,614	\$ 255
2020	6,680	188
2021	6,747	122
2022	6,094	55
2023	-	-
<b>Total</b>	<b>\$ 26,136</b>	<b>\$ 620</b>

**NOTE 10: PENSION PLAN**

**General Information about the NDPERS 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



**CITY OF ROLLA**

Notes to the Financial Statements – Continued

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

At December 31, 2018 and 2017, the City’s proportionate share of the net pension liability was \$762,985 and \$549,320 respectively. The net pension liability was measured as of June 30, 2018 and 2017 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018 and 2017, the City’s proportion was .045211 and .034176 percent, respectively, which was an increase of .011035 percent for 2018 and an increase of .003104 percent for 2017. The Employer’s share of the net pension liability as well as the deferred inflows or outflows of resources are not reported in financial statements as the City is reporting on the modified cash basis of accounting.

**Actuarial Assumptions**

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

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	10.00%
	36 – 40	7.50%
	41 – 49	6.75%
	50+	6.50%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

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%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

---

The Employer’s share of the net pension liability as well as the deferred inflows or outflows of resources are not reported in financial statements as the City is reporting on the modified cash basis of accounting.

**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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
City	\$ 1,036,755	\$ 762,985	\$ 534,533

**Pension Plan Fiduciary Net Position**

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

**NOTE 11: OPEB PLAN**

**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.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

---

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 and 2017, the City's proportionate share of the net OPEB liability was \$33,430 and \$25,509 respectively. The net OPEB liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective 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 and 2017, the City's proportion was .042447 and .032249 percent, respectively, which was an increase of .010198 percent for 2018 and an increase of .032249 percent for 2017. The Employer's share of the net OPEB liability as well as the deferred inflows or outflows of resources are not reported in financial statements as the City is reporting on the modified cash basis of accounting.

**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 or 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

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Domestic 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:

<b>Proportionate Share of the Net OPEB Liability</b>	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City	\$ 42,297	\$ 33,430	\$ 25,829

**NOTE 12: TRANSERS**

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2018 and 2017:

	<b>2018</b>		<b>2017</b>	
	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds</b>				
General Fund	\$ 113,163	\$ 5,201	\$ 60,000	\$ 22,452
Special Revenue Fund	188,373	349,685	52,427	236,746
Debt Service Fund	115,467	176,730	9,040	9,040
<b>Business-Type Funds</b>				
Water Fund	259,900	154,587	258,466	111,695
Sewer Fund	9,298	14,000	-	14,000
Garbage Fund	14,000	-	14,000	-
Infrastructure Fund	153,177	153,177	156,900	156,900
<b>Total Transfers</b>	<b>\$ 853,379</b>	<b>\$ 853,379</b>	<b>\$ 550,832</b>	<b>\$ 550,832</b>

Transfers are used to move unrestricted general revenue to finance programs that the City accounts for in other funds in accordance with budget authority and to subsidize other programs.

**CITY OF ROLLA**

Notes to the Financial Statements – Continued

**NOTE 13: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$6,000,000 per occurrence for general liability and for automobile, and \$1,242,975 for public assets (mobile equipment and portable property).

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker’s compensation with the North Dakota Workforce Safety and Insurance.

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

**NOTE 14: LOANS RECEIVABLE**

**Job Development Authority**

The Rolla Job Development Authority provides loans to businesses for startup costs or expansion costs. The Job Development Authority had the following loans receivable activity for the year ended December 31, 2018.

	<b>Balance January 1</b>	<b>New Loans</b>	<b>Principal Payments</b>	<b>Loan Forgiveness</b>	<b>Balance December 31</b>
Loans Receivable	\$ 68,106	\$ -	\$ 6,576	\$ 20,000	\$ 41,530

**NOTE 15: SUBSEQUENT EVENTS**

During 2020, the Airport Authority entered into two commitments for the development of a new hangar. The construction contract for the project was \$717,662 and the administration contract for the project was \$86,041. The Airport also entered into cost share agreements with the Federal Aviation Administration and ND Aeronautics Commission for the project.

**NOTE 16: CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits incident to its operations. In the opinion of City Counsel and management, such claims against the City not covered by insurance would not materially affect the financial condition of the City.

**NOTE 17: SPECIAL ITEM**

In 2018, the Rolla Job Development Authority obtained land from Revitalize Rolla in exchange for their loan receivable balance. The loan receivable balance of \$20,000 was forgiven in exchange for land with an assessed value of \$7,000 which was provided by Rolette County. In 2018, the difference of \$13,000 will be recorded as a loan forgiveness special item on the Statement of Activities. The land value of \$7,000 will be recorded as a capital asset.

**CITY OF ROLLA**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 230,448	\$ 230,448	\$ 230,838	\$ 390
Sales Taxes	11,000	11,000	11,013	13
Licenses, Permits and Fees	3,150	3,150	4,095	945
Charges for Services	67,250	67,250	54,789	(12,461)
Intergovernmental	93,650	93,650	141,428	47,778
Interest	8,100	8,100	17,415	9,315
Miscellaneous	6,660	6,660	13,929	7,269
<b>Total Revenues</b>	<b>\$ 420,258</b>	<b>\$ 420,258</b>	<b>\$ 473,507</b>	<b>\$ 53,249</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 293,510	\$ 293,510	\$ 316,129	\$ (22,619)
Public Safety	238,325	238,325	239,927	(1,602)
Public Works	1,400	1,400	845	555
Debt Service:				
Principal	-	-	9,746	(9,746)
Interest	-	-	1,514	(1,514)
<b>Total Expenditures</b>	<b>\$ 533,235</b>	<b>\$ 533,235</b>	<b>\$ 568,161</b>	<b>\$ (34,926)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (112,977)	\$ (112,977)	\$ (94,654)	\$ 18,323
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 113,163	\$ 113,163
Transfers Out	(13,912)	(13,912)	(5,201)	8,711
<b>Total Other Financing Sources and Uses</b>	<b>\$ (13,912)</b>	<b>\$ (13,912)</b>	<b>\$ 107,962.44</b>	<b>\$ 121,874</b>
<b>Net Change in Fund Balances</b>	<b>\$ (126,889)</b>	<b>\$ (126,889)</b>	<b>\$ 13,308</b>	<b>\$ 140,197</b>
Fund Balances - January 1	\$ (4,252)	\$ (4,252)	\$ (4,252)	\$ -
Fund Balances - December 31	\$ (131,141)	\$ (131,141)	\$ 9,056	\$ 140,197

The accompanying required supplementary information notes are an integral part of this schedule.

**CITY OF ROLLA**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Tax	\$ 21,648	\$ 21,648	\$ 21,511	\$ (137)
Sales Taxes	400,000	400,000	387,860	(12,140)
Charges for Services	59,700	59,700	54,782	(4,918)
Intergovernmental	143,600	143,600	145,122	1,522
Interest Income	50	50	99	49
Miscellaneous	26,575	26,575	18,419	(8,156)
<b>Total Revenues</b>	<b>\$ 651,573</b>	<b>\$ 651,573</b>	<b>\$ 627,794</b>	<b>\$ (23,779)</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 42,200	\$ 42,200	\$ 42,744	\$ (544)
Public Works	90,255	90,255	150,900	(60,645)
Economic Development	18,000	18,000	21,756	(3,756)
Culture & Recreation	34,600	34,600	42,897	(8,297)
Capital Outlay	-	-	74,985	(74,985)
Debt Service:				
Principal	66,045	66,045	68,144	(2,099)
Interest	-	-	5,263	(5,263)
<b>Total Expenditures</b>	<b>\$ 251,100</b>	<b>\$ 251,100</b>	<b>\$ 406,689</b>	<b>\$ (155,589)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 400,473	\$ 400,473	\$ 221,104	\$ (179,369)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 17,000.00	\$ 17,000.00	\$ 188,373	\$ 171,373
Sale of Capital Asset	-	-	464	464
Bond Proceeds	-	-	85,469	85,469
Transfers Out	(431,016)	(431,016)	(349,685)	81,332
<b>Total Other Financing Sources and Uses</b>	<b>\$ (414,016)</b>	<b>\$ (414,016)</b>	<b>\$ (75,379)</b>	<b>\$ 338,638</b>
<b>Net Change in Fund Balances</b>	<b>\$ (13,543)</b>	<b>\$ (13,543)</b>	<b>\$ 145,726</b>	<b>\$ 159,269</b>
Fund Balances - January 1	\$ 852,679	\$ 852,679	\$ 852,679	\$ -
Fund Balances - December 31	\$ 839,136	\$ 839,136	\$ 998,405	\$ 159,269

The accompanying required supplementary information notes are an integral part of this schedule.

**CITY OF ROLLA**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 239,201	\$ 239,201	\$ 196,301	\$ (42,900)
Sales Taxes	12,000	12,000	11,236	(764)
Licenses, Permits and Fees	3,250	3,250	4,055	805
Charges for Services	90,150	90,150	60,584	(29,566)
Intergovernmental	131,000	131,000	163,321	32,321
Interest	8,500	8,500	9,194	694
Miscellaneous	2,800	2,800	11,828	9,028
<b>Total Revenues</b>	<b>\$ 486,901</b>	<b>\$ 486,901</b>	<b>\$ 456,520</b>	<b>\$ (30,382)</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 320,718	\$ 320,718	\$ 312,121	\$ 8,597
Public Safety	282,885	282,885	382,032	(99,147)
Public Works	1,400	1,400	948	453
<b>Total Expenditures</b>	<b>\$ 605,003</b>	<b>\$ 605,003</b>	<b>\$ 695,101</b>	<b>\$ (90,098)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (118,102)	\$ (118,102)	\$ (238,581)	\$ (120,480)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 60,000	\$ 60,000
Lease Proceeds	-	-	51,670	51,670
Insurance Proceeds	-	-	29,750	29,750
Sale of Capital Assets	-	-	880	880
Transfers Out	(22,452)	(22,452)	(22,452)	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ (22,452)</b>	<b>\$ (22,452)</b>	<b>\$ 119,848.29</b>	<b>\$ 142,300</b>
<b>Net Change in Fund Balances</b>	<b>\$ (140,554)</b>	<b>\$ (140,554)</b>	<b>\$ (118,733)</b>	<b>\$ 21,821</b>
Fund Balances - January 1	\$ 118,154	\$ 118,154	\$ 118,154	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (3,673)	\$ (3,673)
Fund Balance - January 1, as restated	\$ 118,154	\$ 118,154	\$ 114,481	\$ (3,673)
<b>Fund Balances - December 31</b>	<b>\$ (22,400)</b>	<b>\$ (22,400)</b>	<b>\$ (4,252)</b>	<b>\$ 18,148</b>

The accompanying required supplementary information notes are an integral part of this schedule.



**CITY OF ROLLA**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Tax	\$ 21,948	\$ 21,948	\$ 19,248	\$ (2,700)
Sales Taxes	288,000	288,000	395,737	107,737
Charges for Services	5,500	5,500	43,653	38,153
Intergovernmental	132,825	132,825	144,079	11,254
Interest Income	112	112	115	3
Miscellaneous	13,200	13,200	16,667	3,467
<b>Total Revenues</b>	<b>\$ 461,585</b>	<b>\$ 461,585</b>	<b>\$ 619,498</b>	<b>\$ 157,913</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 52,514	\$ 52,514	\$ 68,418	\$ (15,905)
Public Works	115,391	115,391	239,940	(124,549)
Economic Development	18,000	18,000	9,000	9,000
Culture & Recreation	31,100	31,100	35,192	(4,092)
Capital Outlay	-	-	438,061	(438,061)
Debt Service:				
Principal	29,024	29,024	58,497	(29,473)
Interest	-	-	6,315	(6,315)
<b>Total Expenditures</b>	<b>\$ 246,029</b>	<b>\$ 246,029</b>	<b>\$ 855,423</b>	<b>\$ (609,394)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 215,556	\$ 215,556	\$ (235,926)	\$ (451,481)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 22,452.00	\$ 22,452.00	\$ 52,427	\$ 29,975
Loan Proceeds	-	-	55,240	55,240
Bond Proceeds	-	-	438,061	438,061
Transfers Out	(237,413)	(237,413)	(236,746)	667
<b>Total Other Financing Sources and Uses</b>	<b>\$ (214,961)</b>	<b>\$ (214,961)</b>	<b>\$ 308,982</b>	<b>\$ 523,943</b>
<b>Net Change in Fund Balances</b>	<b>\$ 595</b>	<b>\$ 595</b>	<b>\$ 73,057</b>	<b>\$ 72,462</b>
Fund Balances - January 1	\$ 776,518	\$ 776,518	\$ 776,518	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 3,105	\$ 3,105
Fund Balances - January 1 Restated	\$ 776,518	\$ 776,518	\$ 779,623	\$ 3,105
Fund Balances - December 31	\$ 777,113	\$ 777,113	\$ 852,679	\$ 75,566

The accompanying required supplementary information notes are an integral part of this schedule.

# CITY OF ROLLA

Notes to the Supplementary Information  
For the Years Ended December 31, 2018 and 2017

---

## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).
- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability of the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

## NOTE 2 LEGAL COMPLIANCE - BUDGETS

The board of City commissioners did not amend the 2018 and 2017 City expenditure budgets.

## NOTE 3 LEGAL COMPLIANCE - BUDGETS

**CITY OF ROLLA**

Notes to the Supplementary Information - Continued

---

During fiscal year 2018, the City of Rolla had the following fund expenditures in excess of budgeted amounts:

2018	Expenditures		
	Budget	Actual	Overspent
General Fund	\$ 533,235	\$ 568,161	\$ (34,926)
Special Revenue Fund	251,100	406,689	(155,589)

During fiscal year 2017, the City of Rolla had the following fund expenditures in excess of budgeted amounts:

2017	Expenditures		
	Budget	Actual	Overspent
General Fund	\$ 605,003	\$ 695,101	\$ (90,098)
Special Revenue Fund	246,029	855,423	(609,394)

# CITY OF ROLLA

## Schedule of Expenditures of Federal Awards – Modified Cash Basis For the Years Ended December 31, 2018 and 2017

ALN Number	Program Title	Pass-Through Grantor's Number	Fiscal Year 2017 Expenditures	Fiscal Year 2018 Expenditures	Total Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
Passed through the State Department of Emergency Management					
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	\$ 7,920	\$ 31,470	\$ 39,390
Total U.S. Department of Homeland Security			\$ 7,920	\$ 31,470	\$ 39,390
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Direct Grant					
10.760	Water and Waste Disposal Systems for Rural Communities	N/A	\$ 1,108,522	\$ 385,836	\$ 1,494,358
10.766	Community Facilities Loans and Grants	N/A	\$ 25,745	\$ -	\$ 25,745
Total U.S. Department of Agriculture			\$ 1,134,267	\$ 385,836	\$ 1,520,103
Total Expenditures of Federal Awards			\$ 1,142,187	\$ 417,306	\$ 1,559,493

## **CITY OF ROLLA**

Notes to the Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 2018 and 2017

---

### **NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified cash basis of accounting. For certain programs shown on the schedule of expenditures of federal awards, federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City received federal awards both directly and indirectly through passthrough entities. The City has not provided any federal financial assistance to subrecipients.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

### **NOTE 3 PASS-THROUGH GRANT NUMBER**

For Federal programs marked "N/A", the City was unable to obtain a pass-through grant number.

### **NOTE 4 INDIRECT COST RATE**

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

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

---

### Independent Auditor's Report

City Council  
City of Rolla  
Rolla, North Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Rolla as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City of Rolla's basic financial statements, and have issued our report thereon dated May 2, 2024. Our report issued a qualified opinion over the special revenue fund, water fund, sewer fund, garbage fund, infrastructure fund, governmental activities, business-type activities, and the aggregate discretely presented component units in 2017 because the City of Rolla did not maintain supporting documentation related to the 2017 city water, sewer, garbage, and infrastructure enterprise billings and collections. Additionally, unsupported opening balance adjustments were made for the City's capital asset balances as the entity was unable to provide a capital asset listing that agreed to the prior audit.

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

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

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

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

**CITY OF ROLLA**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

---

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Rolla’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 Rolla’s Response to Findings**

City of Rolla’s response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs*. The City of Rolla’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.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 2, 2024

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave, Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

---

### Independent Auditor's Report

City Council  
City of Rolla  
Rolla, North Dakota

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

We have audited the City of Rolla's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Rolla's major federal programs for the years ended December 31, 2018 and 2017. The City of Rolla's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

#### **Opinion on Each Major Federal Program**

In our opinion, the City of Rolla complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2018 and 2017.



**THE CITY OF ROLLA**

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

---

**Report on Internal Control over Compliance**

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

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

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

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 2, 2024

**CITY OF ROLLA**

Summary of Auditor's Results

For the Years Ended December 31, 2018 and 2017

**Financial Statements**

Type of Report Issued:

Opinion Unit	2018	2017
Governmental Activities	Unmodified	Qualified
Business-Type Activities	Unmodified	Qualified
Major Funds		
General Fund	Unmodified	Unmodified
Special Revenue Fund	Unmodified	Qualified
Debt Service Fund	Unmodified	Unmodified
Water Fund	Unmodified	Qualified
Sewer Fund	Unmodified	Qualified
Garbage Fund	Unmodified	Qualified
Infrastructure Fund	Unmodified	Qualified
Aggregate Discretely Presented Component Units	Unmodified	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?   X   Yes        None Noted

Significant deficiencies identified not considered to be material weaknesses?        Yes   X   None Noted

Noncompliance material to financial statements noted?        Yes   X   None Noted

**Federal Awards**Internal Control Over Major Programs

Material weaknesses identified?        Yes   X   None noted

Reportable conditions identified not considered to be material weaknesses?        Yes   X   None noted

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

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?        Yes   X   None noted

**Identification of Major Programs**

CFDA Number	Name of Federal Program or Cluster
10.760	Water & Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and B programs:   \$ 750,000  Auditee qualified as low-risk auditee?        Yes   X   No

## **CITY OF ROLLA**

Schedule of Audit Findings and Questioned Costs  
For the Years Ended December 31, 2018 and 2017

---

### **2018-001 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS**

#### **Condition**

The City of Rolla did not maintain supporting documentation related to the 2017 city water, sewer, garbage, infrastructure, and miscellaneous utility billings and collections. Total collections recorded during the audit period totaled \$971,075. Due to the lack of supporting documentation, we were unable to perform testing related to these activities to ensure billings were proper and collections were deposited into the proper fund. In addition, the City of Rolla did not maintain supporting documentation for the street lighting billings, however, alternate procedures were able to be performed in order to obtain assurance on the amounts. Street lighting billings totaled \$24,566.

#### **Effect**

The City of Rolla may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

#### **Cause**

Due to storage limitations in the Banyon accounting system, the support documentation for 2017 has been deleted.

#### **Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to supporting documentation, management is responsible for adequate internal controls surrounding the review process and without supporting documentation, the review process will not be effective.

#### **Prior Recommendation**

No.

#### **Recommendation**

We recommend the City of Rolla establish policies and procedures to ensure supporting documentation is maintained for all utility billings and collections.

#### **City of Rolla's Response**

See the Corrective Action Plan.

**CITY OF ROLLA**

Schedule of Audit Findings and Questioned Costs – Continued

---

**2018-002 CAPITAL ASSET MAINTENANCE – CITY, AIRPORT AUTHORITY & JOB DEVELOPMENT AUTHORITY  
– MATERIAL WEAKNESS**

**Condition**

Material prior period adjustments were made to the City governmental and business-type activities as well as the Airport Authority and Job Development Authority activities to agree the prior audit balance to the City and Airport capital asset listings.

Additionally, the Job Development Authority did not have procedures in place to provide a value for a material capital asset addition received in 2018. During the audit, the Rolette County was able to provide an assessed value for the land.

**Effect**

The financial statements may have been materially misstated if the December 31, 2017 financial statements did not include the capital asset adjustments. In addition, due to the unsupported material prior period adjustments, a qualified opinion was issued on the opening balance for the City's and Airport's capital assets.

**Cause**

The City of Rolla, Rolla Airport Authority and Rolla Job Development Authority do not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the capital assets, management is responsible for adequate internal controls surrounding the review of the capital asset listing to ensure accuracy.

**Prior Recommendation**

No.

**Recommendation**

We recommend the City of Rolla, the Rolla Airport Authority, and Rolla Job Development Authority review its procedures for maintaining the capital asset listing to ensure accuracy for all additions and deletions, including construction-in-progress.

**City of Rolla's Response**

See the Corrective Action Plan.

**2018-003 AUDIT ADJUSTMENTS – CITY & JOB DEVELOPMENT AUTHORITY - MATERIAL WEAKNESS**

**Condition**

During the audit of the City of Rolla and Rolla Job Development Authority, we proposed adjusting entries to the financial statements in accordance with the modified cash basis of accounting. The adjustments were approved by management and are reflected in the financial statements.

**Effect**

There is an increased risk of material misstatement to City of Rolla's and Rolla Job Development Authority's financial statements.

**Cause**

The City of Rolla and Rolla Job Development Authority may not have had procedures in place to ensure the financial statements are complete and accurate.

**Criteria**

The City of Rolla and Rolla Job Development Authority are responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

Yes.

**Recommendation**

We recommend the City of Rolla and Rolla Job Development Authority review their procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with the modified cash basis of accounting.

**City of Rolla's Response**

See the Corrective Action Plan.

**2018-004 SEGREGATION OF DUTIES– CITY, AIRPORT AUTHORITY & JOB DEVELOPMENT AUTHORITY – MATERIAL WEAKNESS**

**Condition**

The City of Rolla, Rolla Job Development Authority, and Rolla Airport Authority have one person responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the City's, Airport Authority's, and Job Development Authority's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the City, Airport Authority, and Job Development Authority.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the City, Airport Authority, and Job Development Authority.

**Prior Recommendation**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**City of Rolla's Response**

See the Corrective Action Plan.



**City of Rolla**  
**14 First Street SE**  
**PO Box 1200**  
**Rolla, ND 58367-1200**  
**Phone: 701-477-3610**  
**Fax: 701-477-9633**  
**cityofrolla@utma.com**

---

**Date:** April 24, 2024  
**To:** Joshua C. Gallon, ND State Auditor  
**From:** Valerie McCloud, City Auditor  
**RE:** City of Rolla – FY2018 Management's Response

**Contact Person Responsible for Corrective Action Plan: Valerie McCloud, City Auditor**

**Section I – Financial Statement Findings:**

---

**2018-001 LACK OF SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS**

**Condition:**

The City of Rolla did not maintain supporting documentation related to the 2017 city water, sewer, garbage, infrastructure, and miscellaneous utility billings and collections. Total collections recorded during the audit period totaled \$971,075. Due to the lack of supporting documentation, we were unable to perform testing related to these activities to ensure billings were proper and collections were deposited into the proper fund. In addition, the City of Rolla did not maintain supporting documentation for the street lighting billings, however, alternate procedures were able to be performed in order to obtain assurance on the amounts. Street lighting billings totaled \$24,566.

**Management's Response:**

We Agree. The City maintains supporting documentation for utility billings through Banyon. Due to record retention capacity limitations, the 2017 records have been deleted. The City was able to provide supporting documentation for 2018 and will be able to provide information going forward.

**Anticipated Completion Date:**

FY 2023

**2018-002 CAPITAL ASSET MAINTENANCE - CITY, AIRPORT AUTHORITY & JOB DEVELOPMENT AUTHORITY – MATERIAL WEAKNESS**

**Condition:**

Material prior period adjustments were made to the City governmental and business-type activities as well as the Airport Authority and Job Development Authority activities to agree the prior audit balance to the City and Airport capital asset listings.

---

City of Rolla · 14 First Street SE · PO Box 1200 · Rolla, ND 58367-1200  
Phone: 701-477-3610 · Fax: 701-477-9633 · cityofrolla@utma.com

*The City of Rolla is an equal opportunity provider and employer. It is committed to a policy of nondiscrimination on the basis of race, color, religion, sex, national origin, political affiliation, age, handicap, or other non-merit factors.*



**City of Rolla**  
14 First Street SE  
PO Box 1200  
Rolla, ND 58367-1200  
Phone: 701-477-3610  
Fax: 701-477-9633  
cityofrolla@utma.com

Additionally, the Job Development Authority did not have procedures in place to provide a value for a material capital asset addition received in 2018. During the audit, the Rolette County was able to provide an assessed value for the land.

**Management's Response:**

We Agree. We will be reviewing our capital asset procedures to ensure all capital assets are included in our additions and deletions listing going forward.

**Anticipated Completion Date:**

FY 2023

**2018-003 AUDIT ADJUSTMENTS - CITY & JOB DEVELOPMENT AUTHORITY – MATERIAL WEAKNESS**

**Condition:**

During the audit of the City of Rolla and Rolla Job Development Authority, we proposed adjusting entries to the financial statements in accordance with the modified cash basis of accounting. The adjustments were approved by management and are reflected in the financial statements.

**Management's Response:**

We agree. The adjustments have been implemented at the time of the audit.

**Anticipated Completion Date:**

FY 2023

**2018-004 SEGREGATION OF DUTIES - CITY, AIRPORT AUTHORITY & JOB DEVELOPMENT AUTHORITY - MATERIAL WEAKNESS**

**Condition:**

The City of Rolla, Rolla Job Development Authority, and Rolla Airport Authority have one person responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

**Management's Response:**

We agree. During 2017 and 2018, duties were not segregated. This has since been rectified as we now have three (3) administrative staff. Employees that record and deposit funds are separated from those

---

City of Rolla · 14 First Street SE · PO Box 1200 · Rolla, ND 58367-1200  
Phone: 701-477-3610 · Fax: 701-477-9633 · cityofrolla@utma.com

*The City of Rolla is an equal opportunity provider and employer. It is committed to a policy of nondiscrimination on the basis of race, color, religion, sex national origin, political affiliation, age handicap, or other non-merit factors.*





**City of Rolla**  
14 First Street SE  
PO Box 1200  
Rolla, ND 58367-1200  
Phone: 701-477-3610  
Fax: 701-477-9633  
cityofrolla@utma.com

that oversee payables. Reconciliations are done by the City Auditor. Financial statements and reconciliations are reviewed and approved by Council through a motion.

For the component units, the Job Development Authority Board and Airport Authority Board will segregate duties when it becomes feasible to do so.

**Anticipated Completion Date:**

FY 2023

Respectfully,

Valerie McCloud  
Auditor



**City of Rolla**  
14 First Street SE  
PO Box 1200  
Rolla, ND 58367-1200  
Phone: 701-477-3610  
Fax: 701-477-9633  
cityofrolla@utma.com

---

**Date:** April 24, 2024  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Valerie McCloud, City Auditor  
**RE:** City of Rolla – FY2017-2018 Schedule of Prior Year Findings

---

**2016-001 SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

The city auditor is responsible for the majority of accounting functions. Considering the size of the entity, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

**Recommendation**

This is not unusual in entities of this size, but the Council should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Council's knowledge of matters relating to the entity's operations.

**Current Status**

Not Implemented. Duties were not segregated during fiscal years 2017-2018.

**2016-002 PREPARATION OF FINANCIAL STATEMENTS – MATERIAL WEAKNESS**

**Condition**

The financial statements and related notes are prepared by the City's auditors.

**Recommendation**

The preparation of financial statements by the City's auditors is not unusual in an entity of this size. The Council should continue to review the financial statements and related disclosures.

**Current Status**

Fully Implemented.

**2016-003 JOURNAL ENTRIES – MATERIAL WEAKNESS**

**Condition**

Several journal entries were required to be made during the audit to present accurate financial statements.

---

City of Rolla · 14 First Street SE · PO Box 1200 · Rolla, ND 58367-1200  
Phone: 701-477-3610 · Fax: 701-477-9633 · cityofrolla@utma.com

*The City of Rolla is an equal opportunity provider and employer. It is committed to a policy of nondiscrimination on the basis of race, color, religion, sex, national origin, political affiliation, age, handicap, or other non-merit factors.*

**CITY OF ROLLA**

Status of Prior Recommendations - Continued

---



**City of Rolla**  
14 First Street SE  
PO Box 1200  
Rolla, ND 58367-1200  
Phone: 701-477-3610  
Fax: 701-477-9633  
cityofrolla@utma.com

**Recommendation**

All general ledger accounts, including capital assets, should be reviewed monthly by the Council for adequacy and accuracy of classification of transactions.

**Current Status**

Not Implemented. Various audit adjustments were needed in the fiscal year 2017-2018 audit.

Respectfully,

  
Valerie McCloud  
Auditor

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

---

## GOVERNANCE COMMUNICATION

---

City Council  
City of Rolla  
Rolla, North Dakota

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Rolla, Rolla, North Dakota, for the years ended December 31, 2018 and 2017, which collectively comprise the City of Rolla's basic financial statements, and have issued our report thereon dated May 2, 2024. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated April 3, 2024, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Rolla's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of Rolla's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Rolla are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2018 and 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**CITY OF ROLLA**

Governance Communication - Continued

Accounting estimates are an integral part of the financial statements presented by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The following material misstatements detected as a result of audit procedures were corrected by management.

	<u>Audit Adjustments - 2017</u>	
	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>		
<b>General Fund</b>		
<i>To Correct Opening Fund Balance</i>		
Fund Balance, January 1, 2017	\$ 3,673	\$ -
Cash	-	3,673
<b>Special Revenue Fund</b>		
<i>To Correct Opening Fund Balance</i>		
Cash	3,105	-
Fund Balance, January 1, 2017 - Reclassified to Debt Service Fund	1,974	-
Fund Balance, January 1, 2017	-	5,079
<b>Debt Service Fund</b>		
<i>To Correct Opening Fund Balance</i>		
Fund Balance, January 1, 2017 - Reclassified to Infrastructure Fund	93,043	-
Fund Balance, January 1, 2017 - Reclassified from Special Revenue Fund	-	1,974
Cash	-	91,068
<b>Water Fund</b>		
<i>To Correct Opening Fund Balance</i>		
Cash	33,671	-
Due to Fund PPA	4,822	-
Fund Balance, January 1, 2017	1,507	-
Fund Balance, January 1, 2017 - Reclassified from Non-Major Enterprise Fund	-	40,000
<i>To move Transfer of Bond Proceeds to the Infrastructure Fund</i>		
Transfer In	87,780	-
Cash	-	87,780
<b>Sewer Fund</b>		
<i>To Correct Opening Fund Balance</i>		
Cash	176,880	-
Fund Balance, January 1, 2017 - Reclassified from Non-Major Enterprise Fund	-	176,880
<i>To move Transfer of Bond Proceeds to the Infrastructure Fund</i>		
Bond Proceeds	87,780	-
Transfer Out	-	87,780

**CITY OF ROLLA**  
 Governance Communication - Continued

**Infrastructure Fund (Formerly Non-Major Enterprise Fund on Prior Audit)**

*To Correct Opening Fund Balance*

Fund Balance, January 1, 2017 - Reclassified to Water Fund	40,000	-
Fund Balance, January 1, 2017 - Reclassified to Sewer Fund	176,880	-
Fund Balance, January 1, 2017 - Reclassified from Debt Service Fund	-	93,043
Cash	-	6,767

*To Move Bond Proceeds to the Infrastructure Fund*

Cash	87,780	-
Bond Proceeds	-	87,780

**Governmental Activities**

*To Correct Opening Net Position*

Capital Asset Prior Period Adjustment

Net Position, January 1, 2017	3,088,205	-
Accumulated Depreciation	198,891	-
Capital Assets	-	3,287,096

Net Pension Liability, Deferred Inflows, & Deferred Outflows PPA

Net Pension Liability	190,395	-
Deferred Inflows for Pension	48,815	-
Deferred Outflows for Pension	-	55,093
Net Position, January 1, 2017	-	184,117

Long Term Liability Reclassifications PPA

Long Term Liabilities Reclassified to the Infrastructure Fund	1,501,784	-
Net Position, January 1, 2017	-	1,501,784

**Business-Type Activities**

*To Correct Opening Net Position*

Capital Asset Prior Period Adjustment - Water Fund

Accumulated Depreciation	67,777	-
Capital Assets	-	17,746
Net Position, January 1, 2017 - Water Fund	-	50,031

Capital Asset Prior Period Adjustment - Sewer Fund

Net Position, January 1, 2017 - Sewer Fund	34,550	-
Accumulated Depreciation	-	34,550

Long Term Liability Reclassifications PPA

Net Position, January 1, 2017 - Infrastructure Fund	1,501,824	-
Long Term Liabilities Reclassified to the Infrastructure Fund from Governmental Activities	-	1,501,824

Long Term Liability Prior Period Adjustment for Missed Payment

Long Term Liabilities - Water Fund	16,142	-
Net Position, January 1, 2017 - Water Fund	-	16,142

**AIRPORT AUTHORITY**

*To Correct Opening Net Position*

Capital Asset Prior Period Adjustment

Net Position, January 1, 2017	7,526	-
Capital Assets	29,151	-
Accumulated Depreciation	-	36,677

**JOB DEVELOPMENT AUTHORITY**

*To Correct Opening Net Position*

Capital Asset Prior Period Adjustment

Net Position, January 1, 2017	20,922	-
Capital Assets	-	20,922

	<u>Audit Adjustments - 2018</u>	
	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>		
<i><b>Water Fund</b></i>		
<i>Carryforward Cash Adjustment</i>		
Fund Balance, January 1, 2018	\$ 87,780	\$ -
Cash	-	87,780
<i><b>Infrastructure Fund</b></i>		
<i>Carryforward Cash Adjustment</i>		
Cash	87,780	-
Fund Balance, January 1, 2018	-	87,780
<b>JOB DEVELOPMENT AUTHORITY</b>		
<u>Capital Asset Adjustment</u>		
Capital Assets	7,000	-
Special Item: Loan Forgiveness	-	7,000

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 2, 2024.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the city's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit other than what is listed below:

- The City of Rolla did not maintain supporting documentation related to the city water, sewer, garbage, and non-major enterprise billings and collections for 2017. Due to the lack of supporting documentation, verification of the revenues included in the financial statements was not able to be performed. Collections during 2017 totaled \$971,075.
- The City of Rolla did not maintain a capital asset listing that agreed to the prior audit's ending capital asset balances. Unsupported material prior period adjustments were made to decrease the City's opening capital asset balances by \$3,088,205, respectively.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Rolla, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

We issued a qualified opinion over the governmental activities, business-type activities, Special Revenue fund, Water Fund, Sewer Fund, Garbage Fund, and Infrastructure Fund for 2017 due to the issues described in the *Difficulties Encountered in Performing the Audit* paragraph.

This information is intended solely for the use of the City Council and management of the City of Rolla, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the City of Rolla for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the City of Rolla.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 2, 2024





Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505