

AUDIT REPORT

CITY OF LINTON
Linton, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LINTON
Linton, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2019 and 2018

	<u>Page (s)</u>
Officials	1
Independent Auditor's Report	2 – 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	4, 5
Statement of Activities – Modified Cash Basis	6, 7
Balance Sheet – Modified Cash Basis – Governmental Funds	8, 9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	10, 11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	12, 13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis	14, 15
Statement of Net Position – Modified Cash Basis – Proprietary Funds	16, 17
Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	18, 19
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	20, 21
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis - Custodial Funds	22, 23
Statement of Changes in Fiduciary Assets and Liabilities – Modified Cash Basis – Custodial Funds	24, 25
Notes to the Financial Statements	26 – 45
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules – Modified Cash Basis	
General Fund	46, 47
Highway Fund	48, 49
City Sales Tax Fund	50, 51
Notes to the Budgetary Comparison Schedules	52 – 53
Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System	54
Schedule of Fund Activity Arising from Cash Transactions	55, 56
Schedule of Expenditures of Federal Awards	57
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	58 – 59
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	60 – 61
Schedule of Findings and Responses	62 – 63
Summary of Prior Audit Findings	64
Corrective Action Plan	

CITY OF LINTON
Linton, North Dakota

CITY OFFICIALS

Daniel Imdieke	Mayor
Dennis Morris	President
Shelly Hauge	Vice President
Wayne Ehley	Council Member
Randall Meidinger	Council Member
Jon Ptacek	Council Member
Linda Schumacher-Kelsch	Council Member
Sharon Jangula	Auditor/Administrator
Joy Bosch	Deputy Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Linton
Linton, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

The budgeting comparison information, schedule of employer's share of net pension liability, schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information, schedule of employer's share of net pension liability, schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2020 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 24, 2020

CITY OF LINTON
Linton, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Linton Industrial Dev. Corp.
ASSETS:						
Cash, Cash Equivalents and Investments	1,244,448.70	982,033.92	2,226,482.62	46,217.17	25,116.03	525,158.95
Economic Development Notes Receivable						231,367.79
Capital Assets (net of accumulated depreciation):						
Land				81,000.00		
Buildings and Infrastructure	2,302,030.00	7,708,002.00	10,010,032.00	2,298,811.00		
Machinery and Vehicles	218,636.00	457,167.00	675,803.00			
Total Capital Assets	2,520,666.00	8,165,169.00	10,685,835.00	2,379,811.00		
Total Assets	3,765,114.70	9,147,202.92	12,912,317.62	2,426,028.17	25,116.03	756,526.74
DEFERRED OUTFLOWS OF RESOURCES:						
Changes in Resources Related to Pensions	148,760.00		148,760.00			
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Special Assessments Bonds Payable	215,000.00		215,000.00			
Revenue Bonds Payable		139,342.00	139,342.00			
Due After One Year:						
Compensated Absences Payable	40,951.75	11,356.84				
Special Assessments Bonds Payable	1,075,000.00		4,824,572.00			
Revenue Bonds Payable		4,824,572.00	4,824,572.00			
Net Pension Liability	347,580.00		347,580.00			
Total Liabilities	1,678,531.75	4,975,270.84	5,526,494.00			
DEFERRED INFLOWS OF RESOURCES:						
Changes in Resources Related to Pensions	54,808.00		54,808.00			
NET POSITION:						
Net investment in Capital Assets	1,230,666.00	3,203,255.00	4,431,921.00	2,379,811.00		
Restricted for:						
Debt Service	675,436.70	140,252.96	815,689.66			
Infrastructure/Capital Improvements		219,878.70	219,878.70			
USDA Sewer Project		5,933.47	5,933.47			
Asset Replacement		77,458.85	77,458.85			
Special Purposes	327,121.25		327,121.25			
Unrestricted	(52,689.00)	527,153.10	474,464.10	46,217.17	25,116.03	756,526.74
Total Net Position	2,180,534.95	4,171,932.08	6,352,467.03	2,426,028.17	25,116.03	756,526.74

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

CITY OF LINTON
Linton, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Linton Industrial Dev. Corp.
ASSETS:						
Cash, Cash Equivalents and Investments	1,260,496.00	1,235,775.32	2,496,271.32	28,571.24	42,068.26	502,693.89
Economic Development Notes Receivable						212,811.67
Capital Assets (net of accumulated depreciation):						
Land				81,000.00		
Buildings and Infrastructure	2,444,971.00	6,753,944.00	9,198,915.00	2,444,755.00		
Machinery and Vehicles	251,938.00	496,115.00	748,053.00			
Total Capital Assets	2,696,909.00	7,250,059.00	9,946,968.00	2,525,755.00		
Total Assets	3,957,405.00	8,485,834.32	12,443,239.32	2,554,326.24	42,068.26	715,505.56
DEFERRED OUTFLOWS OF RESOURCES:						
Changes in Resources Related to Pensions	187,228.00		187,228.00			
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Loan Payable	20,531.41		20,531.41			
Special Assessments Bonds Payable	220,000.00		220,000.00			
Revenue Bonds Payable		1,656,921.00	1,656,921.00			
Due After One Year:						
Compensated Absences Payable	35,853.95	63,438.06				
Special Assessments Bonds Payable	1,290,000.00		3,409,914.00			
Revenue Bonds Payable						
Net Pension Liability	380,342.00		380,342.00			
Total Liabilities	1,946,727.36	5,130,273.06	5,687,708.41			
DEFERRED INFLOWS OF RESOURCES:						
Changes in Resources Related to Pensions	26,496.00		26,496.00			
NET POSITION:						
Net Investment in Capital Assets	1,166,377.59	2,571,768.62	3,738,146.21	2,525,755.00		
Restricted for:						
Debt Service	735,731.78	125,898.23	861,630.01			
Infrastructure/Capital Improvements		143,255.90	143,255.90			
Asset Replacement		66,659.28	66,659.28			
Special Purposes	323,071.65		323,071.65			
Unrestricted	(53,771.38)	447,979.23	394,207.85	28,571.24	42,068.26	715,505.56
Total Net Position	2,171,409.64	3,355,561.26	5,526,970.90	2,554,326.24	42,068.26	715,505.56

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

CITY OF LINTON
Linton, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

		Net (Expense) Revenue and Change in Net Position								
		Program Revenues			Primary Government			Component Units		
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Municipal Authority	Public Library	Linton Industrial Dev. Corp.
Functions/Programs										
Primary Government										
<u>Governmental Activities:</u>										
General Government	219,049.64	17,688.21	47,698.88	(153,662.55)			(153,662.55)			
Public Safety	48,400.19	245.00		(48,155.19)			(48,155.19)			
Streets and Public Works	421,374.93	47,261.76	159,239.85	(214,873.32)			(214,873.32)			
Urban and Economic Development	94,595.50			(94,595.50)			(94,595.50)			
Culture and Recreation	44,713.61			(44,713.61)			(44,713.61)			
Other	19,800.50			(19,800.50)			(19,800.50)			
Interest on Long-Term Debt	36,242.12		183,548.55	147,306.43			147,306.43			
Total Governmental Activities	884,176.49	65,194.97	390,487.28	(428,494.24)			(428,494.24)			
<u>Business-Type Activities:</u>										
Water	445,566.59	372,223.22				(73,343.37)	(73,343.37)			
Sewer	93,647.75	98,117.65	779,926.47		784,396.37		784,396.37			
Garbage	179,359.10	177,653.76			(1,705.34)		(1,705.34)			
02-1 Water/Sewer Main	21,567.50				(21,567.50)		(21,567.50)			
Total Business-Type Activities	740,140.94	647,994.63			687,780.16		687,780.16			
Total Primary Government	1,624,317.43	713,189.60	390,487.28	(428,494.24)	687,780.16		259,285.92			
Component Units:										
Municipal Airport Authority	249,549.67	10,264.00	75,875.78					(163,409.89)		
Public Library	37,294.15		3,912.22						(33,381.93)	
Linton Industrial Development Corp.	108,928.31		21,070.00							(87,858.31)
Total Component Units	395,772.13	10,264.00	100,858.00					(163,409.89)	(33,381.93)	(87,858.31)

General Revenues:

Taxes:

Property taxes; levied for general purposes	156,719.63	156,719.63	10,471.70	10,630.27	6,826.29
Property taxes; levied for special purposes	10,427.36	10,427.36			
Homestead tax credit	14,806.90	14,806.90			
Disabled veterans tax credit	1,157.51	1,157.51			
Telecommunication tax	1,244.53	1,244.53			
Sales tax	270,272.83	270,272.83			94,595.50
Lodging tax	11,805.78	11,805.78			
Cigarette tax	2,888.29	2,888.29			
Intergovernmental revenue not restricted to specific programs	55,301.58	55,301.58	3,555.23	3,602.25	
Earnings on investments and other revenue	34,617.94	6,967.86	21,084.89	2,197.18	27,457.70
Transfers	(121,622.80)	121,622.80			
Total General Revenues and Transfers	437,619.55	128,590.66	566,210.21	35,111.82	16,429.70
Change in Net Position	9,125.31	816,370.82	825,496.13	(128,298.07)	(16,952.23)
Net Position - January 1	2,171,409.64	3,355,561.26	5,526,970.90	2,554,326.24	42,068.26
Net Position - December 31	2,180,534.95	4,171,932.08	6,352,467.03	2,426,028.17	25,116.03
					756,526.74

CITY OF LINTON
Linton, North Dakota

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

	Net (Expense) Revenue and Change in Net Position									
	Program Revenues			Primary Government				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Municipal Authority	Public Library	Linton Industrial Dev. Corp.	
Functions/Programs										
Primary Government										
<u>Governmental Activities:</u>										
General Government	283,288.22	22,581.58	47,339.24	(213,367.40)		(213,367.40)				
Public Safety	58,543.70	1,237.00		(57,306.70)		(57,306.70)				
Streets and Public Works	362,045.28	38,743.16	106,775.63	(216,526.49)		(216,526.49)				
Urban and Economic Development	63,263.00			(63,263.00)		(63,263.00)				
Culture and Recreation	44,067.37			(44,067.37)		(44,067.37)				
Other	18,344.64			(18,344.64)		(18,344.64)				
Interest on Long-Term Debt	39,588.65		173,662.34	134,073.69		134,073.69				
Total Governmental Activities	869,140.86	62,561.74	327,777.21	(478,801.91)		(478,801.91)				
<u>Business-Type Activities:</u>										
Water	443,316.44	394,092.78			(49,223.66)	(49,223.66)				
Sewer	113,861.15	89,307.83			(24,553.32)	(24,553.32)				
Garbage	153,004.57	175,599.33			22,594.76	22,594.76				
02-1 Water/Sewer Main	22,660.00				(22,660.00)	(22,660.00)				
Total Business-Type Activities	732,842.16	658,999.94			(73,842.22)	(73,842.22)				
Total Primary Government	1,601,983.02	721,561.68	327,777.21	(478,801.91)	(73,842.22)	(552,644.13)				
Component Units:										
Municipal Airport Authority	189,568.85	14,264.00	24,643.68				(150,661.17)			
Public Library	24,562.69		21,832.03					(2,730.66)		
Linton Industrial Development Corp.	104,553.06		26,071.00						(78,482.06)	
Total Component Units	318,684.60	14,264.00	72,546.71						(78,482.06)	
							(150,661.17)	(2,730.66)	(78,482.06)	

General Revenues:

Taxes:

Property taxes; levied for general purposes	119,507.69	119,507.69	10,201.22	10,395.53	6,173.61
Property taxes; levied for special purposes	8,305.35	8,305.35			
Homestead tax credit	11,264.30	11,264.30			
Disabled veterans tax credit	898.02	898.02			
Telecommunication tax	1,189.96	1,189.96			
Sales tax	180,751.36	180,751.36			63,263.00
Lodging tax	10,853.41	10,853.41			
Cigarette tax	3,049.96	3,049.96			
Intergovernmental revenue not restricted to specific programs	47,066.80	47,066.80	3,626.89	3,795.93	
Earnings on investments and other revenue	30,794.46	60,709.56	4,042.25	2,899.23	13,536.06
Transfers	(81,338.24)	81,338.24			
Total General Revenues and Transfers	332,343.07	142,047.80	17,870.36	17,090.69	82,972.67
Change in Net Position	(146,458.84)	68,205.58	(132,790.81)	14,360.03	4,490.61
Net Position - January 1	2,317,868.48	3,287,355.68	2,687,117.05	27,708.23	711,014.95
Net Position - December 31	2,171,409.64	3,355,561.26	2,554,326.24	42,068.26	715,505.56

CITY OF LINTON
Linton, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds					Total Governmental Funds
	General	Highway	City Sales	2014-1 Street	Other	
			Tax	Improvement	Governmental Funds	
ASSETS:						
Cash, Cash Equivalents and Investments	241,890.75	91,809.13	135,229.81	675,436.70	100,082.31	1,244,448.70
FUND BALANCES:						
Restricted for:						
Street and Public Works		91,809.13			21,621.33	113,430.46
Urban and Economic Development			135,229.81		53,752.35	188,982.16
Emergency					7,439.95	7,439.95
Cemetery					4,622.02	4,622.02
Debt Service				675,436.70		675,436.70
Other Purposes					12,646.66	12,646.66
Unassigned	241,890.75					241,890.75
Total Fund Balances	241,890.75	91,809.13	135,229.81	675,436.70	100,082.31	1,244,448.70

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

CITY OF LINTON
Linton, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2014-1 Street Improvement		
	ASSETS:					
Cash, Cash Equivalents and Investments	201,692.57	103,728.55	121,813.96	735,731.78	97,529.14	1,260,496.00
FUND BALANCES:						
Restricted for:						
Street and Public Works		103,728.55			28,363.32	132,091.87
Urban and Economic Development			121,813.96		41,946.57	163,760.53
Emergency					8,941.32	8,941.32
Cemetery					5,782.38	5,782.38
Debt Service				735,731.78		735,731.78
Other Purposes					12,495.55	12,495.55
Unassigned	201,692.57					201,692.57
Total Fund Balances	201,692.57	103,728.55	121,813.96	735,731.78	97,529.14	1,260,496.00

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

CITY OF LINTON
Linton, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		1,244,448.70
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 are not reported in the governmental funds.		
Cost of Capital Assets	4,603,849.00	
Less Accumulated Depreciation	<u>(2,083,183.00)</u>	
Net Capital Assets		2,520,666.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	148,760.00	
Total Deferred Inflows of Resources	<u>(54,808.00)</u>	
Net Deferred Outflows/Inflows of Resources		93,952.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:		
Special Assessment Bonds Payable	(1,290,000.00)	
Compensated Absences Payable	(40,951.75)	
Net Pension Liability	<u>(347,580.00)</u>	
Total Long-Term Liabilities		<u>(1,678,531.75)</u>
Total Net Position of Governmental Activities		<u><u>2,180,534.95</u></u>

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

CITY OF LINTON
Linton, North Dakota

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

Total Fund Balances for Governmental Funds		1,260,496.00
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 are not reported in the governmental funds.		
Cost of Capital Assets	4,603,849.00	
Less Accumulated Depreciation	<u>(1,906,940.00)</u>	
Net Capital Assets		2,696,909.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	187,228.00	
Total Deferred Inflows of Resources	<u>(26,496.00)</u>	
Net Deferred Outflows/Inflows of Resources		160,732.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:		
Bank Loan Payable	(20,531.41)	
Special Assessment Bonds Payable	(1,510,000.00)	
Compensated Absences Payable	(35,853.95)	
Net Pension Liability	<u>(380,342.00)</u>	
Total Long-Term Liabilities		<u>(1,946,727.36)</u>
Total Net Position of Governmental Activities		<u>2,171,409.64</u>

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

CITY OF LINTON
Linton, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds					Total Governmental Funds
	General	Highway	City Sales Tax	2014-1 Street Improvement	Other Governmental Funds	
<u>Revenues:</u>						
Taxes	156,719.63		270,272.83		22,233.14	449,225.60
Special Assessments				183,548.55		183,548.55
Licenses, Permits and Fees	17,688.21					17,688.21
Intergovernmental	74,368.52	108,697.58			51,572.56	234,638.66
Charges for Services	11,242.56	2,675.07			33,344.13	47,261.76
Fines and Forfeits	245.00					245.00
Miscellaneous	67,725.65	1,367.27	1,020.39	11,778.87	424.64	82,316.82
Total Revenues	327,989.57	112,739.92	271,293.22	195,327.42	107,574.47	1,014,924.60
<u>Expenditures:</u>						
Current:						
General Government	175,933.84					175,933.84
Public Safety	48,400.19					48,400.19
Streets and Public Works	63,457.36	103,508.31	15,500.00		97,866.26	280,331.93
Urban and Economic Development			94,595.50			94,595.50
Culture and Recreation			13,513.61			13,513.61
Other					19,800.50	19,800.50
Debt Service:						
Principal		20,531.41		220,000.00		240,531.41
Interest and Service Charges		619.62		35,622.50		36,242.12
Total Expenditures	287,791.39	124,659.34	123,609.11	255,622.50	117,666.76	909,349.10
Excess (Deficiency) of Revenue Over Expenditures	40,198.18	(11,919.42)	147,684.11	(60,295.08)	(10,092.29)	105,575.50
<u>Other Financing Sources (Uses):</u>						
Transfers In					12,645.46	12,645.46
Transfers Out			(134,268.26)			(134,268.26)
Total Other Financing Sources (Uses)	-	-	(134,268.26)	-	12,645.46	(121,622.80)
Net Change in Fund Balances	40,198.18	(11,919.42)	13,415.85	(60,295.08)	2,553.17	(16,047.30)
Fund Balance - January 1	201,692.57	103,728.55	121,813.96	735,731.78	97,529.14	1,260,496.00
Fund Balance - December 31	241,890.75	91,809.13	135,229.81	675,436.70	100,082.31	1,244,448.70

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

CITY OF LINTON
Linton, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2014-1 Street Improvement		
Revenues:						
Taxes	119,507.69		180,751.36		19,158.76	319,417.81
Special Assessments				173,662.34		173,662.34
Licenses, Permits and Fees	17,676.67					17,676.67
Intergovernmental	62,640.39	106,775.63			828.65	170,244.67
Charges for Services	7,942.43	2,697.88			33,007.76	43,648.07
Fines and Forfeits	1,237.00					1,237.00
Miscellaneous	64,061.13	616.07	986.05	11,830.28	640.17	78,133.70
Total Revenues	273,065.31	110,089.58	181,737.41	185,492.62	53,635.34	804,020.26
Expenditures:						
Current:						
General Government	234,858.27					234,858.27
Public Safety	58,543.70					58,543.70
Streets and Public Works	10,832.00	122,841.02		49,923.00	36,806.26	220,402.28
Urban and Economic Development			63,263.00			63,263.00
Culture and Recreation	3,829.91		9,037.46			12,867.37
Other					18,344.64	18,344.64
Debt Service:						
Principal		19,895.99		220,000.00		239,895.99
Interest and Service Charges		1,291.15		38,297.50		39,588.65
Total Expenditures	308,063.88	144,028.16	72,300.46	308,220.50	55,150.90	887,763.90
Excess (Deficiency) of Revenue Over Expenditures	(34,998.57)	(33,938.58)	109,436.95	(122,727.88)	(1,515.56)	(83,743.64)
Other Financing Sources (Uses):						
Transfers In		38,770.32			12,494.35	51,264.67
Transfers Out			(132,602.91)			(132,602.91)
Total Other Financing Sources (Uses)	-	38,770.32	(132,602.91)	-	12,494.35	(81,338.24)
Net Change in Fund Balances	(34,998.57)	4,831.74	(23,165.96)	(122,727.88)	10,978.79	(165,081.88)
Fund Balance - January 1	236,691.14	98,896.81	144,979.92	858,459.66	86,550.35	1,425,577.88
Fund Balance - December 31	201,692.57	103,728.55	121,813.96	735,731.78	97,529.14	1,260,496.00

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

CITY OF LINTON
Linton, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds		(16,047.30)
--	--	-------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	-		
Current Year Depreciation Expense	<u>(176,243.00)</u>		(176,243.00)

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

Debt Proceeds	-		
Repayment of Debt	<u>240,531.41</u>		240,531.41

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

Net Increase in Compensated Absences	(5,097.80)		
Net Increase to Pension Expense	<u>(34,018.00)</u>		<u>(39,115.80)</u>

Change in Net Position of Governmental Activities		<u>9,125.31</u>
---	--	-----------------

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

CITY OF LINTON
Linton, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (165,081.88)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(176,843.00)</u>	(176,843.00)

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

Debt Proceeds	-	
Repayment of Debt	<u>239,895.99</u>	239,895.99

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

Net Increase in Compensated Absences	(6,050.95)	
Net Increase to Pension Expense	<u>(38,379.00)</u>	(44,429.95)

Change in Net Position of Governmental Activities (146,458.84)

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

CITY OF LINTON
Linton, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	438,091.92	292,474.27	251,467.73	982,033.92
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	5,132,443.00	2,163,312.00	412,247.00	7,708,002.00
Machinery and Vehicles	218,792.00	121,165.00	117,210.00	457,167.00
Total Noncurrent Assets	5,351,235.00	2,284,477.00	529,457.00	8,165,169.00
Total Assets	5,789,326.92	2,576,951.27	780,924.73	9,147,202.92
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	64,324.00	34,018.00	41,000.00	139,342.00
Noncurrent Liabilities:				
Compensated Absences Payable	7,531.26	1,573.18	2,252.40	11,356.84
Revenue Bonds Payable	3,222,590.00	1,519,982.00	82,000.00	4,824,572.00
Total Noncurrent Liabilities	3,230,121.26	1,521,555.18	84,252.40	4,835,928.84
Total Liabilities	3,294,445.26	1,555,573.18	125,252.40	4,975,270.84
NET POSITION				
Net Investment in Capital Assets	2,064,321.00	730,477.00	406,457.00	3,201,255.00
Restricted for:				
Debt Service	92,002.23	500.00	47,750.73	140,252.96
Infrastructure/Capital Improvements	67,439.35	152,439.35		219,878.70
USDA Sewer Project		5,933.47		5,933.47
Asset Replacement	77,458.85			77,458.85
Unrestricted	193,660.23	132,028.27	201,464.60	527,153.10
Total Net Position	2,494,881.66	1,021,378.09	655,672.33	4,171,932.08

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	381,961.95	620,841.87	232,971.50	1,235,775.32
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	5,280,903.00	1,042,977.00	430,064.00	6,753,944.00
Machinery and Vehicles	234,966.00	127,897.00	133,252.00	496,115.00
Total Noncurrent Assets	5,515,869.00	1,170,874.00	563,316.00	7,250,059.00
Total Assets	5,897,830.95	1,791,715.87	796,287.50	8,485,834.32
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	61,921.00	1,554,000.00	41,000.00	1,656,921.00
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	6,304.84	56,239.69	893.53	63,438.06
Revenue Bonds Payable	3,286,914.00		123,000.00	3,409,914.00
Total Noncurrent Liabilities	3,293,218.84	56,239.69	123,893.53	3,473,352.06
Total Liabilities	3,355,139.84	1,610,239.69	164,893.53	5,130,273.06
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,167,034.00	5,418.62	399,316.00	2,571,768.62
Restricted for:				
Debt Service	78,154.23		47,744.00	125,898.23
Infrastructure/Capital Improvements	51,627.95	91,627.95		143,255.90
Asset Replacement	66,659.28			66,659.28
Unrestricted	179,215.65	84,429.61	184,333.97	447,979.23
Total Net Position	2,542,691.11	181,476.18	631,393.97	3,355,561.26

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

CITY OF LINTON
Linton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water Charges	371,023.22			371,023.22
Sewer Charges		88,117.65		88,117.65
Garbage Charges			172,531.76	172,531.76
Other Fees	1,200.00	10,000.00	5,122.00	16,322.00
Total Operating Revenues	372,223.22	98,117.65	177,653.76	647,994.63
<u>Operating Expenses:</u>				
Salaries and Benefits	59,803.38	18,880.00	86,949.12	165,632.50
Group Insurance	16,230.44	16,236.03	16,234.20	48,700.67
Education and Training	198.00			198.00
Office Supplies	3,542.67	909.47	1,556.27	6,008.41
Utilities	7,425.56	4,048.91		11,474.47
Printing and Postage			739.05	739.05
Gas and Oil			7,753.31	7,753.31
Maintenance and Repairs	9,553.45	3,354.17	10,558.05	23,465.67
Landfill Fees			38,460.10	38,460.10
Water Purchases	90,550.10			90,550.10
Miscellaneous	3,051.27			3,051.27
Depreciation	164,634.00	6,732.00	33,859.00	205,225.00
Total Operating Expenses	354,988.87	50,160.58	196,109.10	601,258.55
Operating Income (Loss)	17,234.35	47,957.07	(18,455.34)	46,736.08
<u>Non-Operating Revenues (Expenses):</u>				
USDA Grants		779,926.47		779,926.47
Interest	3,835.02	1,399.14	1,323.30	6,557.46
Miscellaneous Receipts			410.40	410.40
Other Project Costs		(8,046.27)		(8,046.27)
Interest Payments and Service Charges	(90,577.72)	(35,440.90)	(4,817.50)	(130,836.12)
Total Non-Operating Revenues (Expenses)	(86,742.70)	737,838.44	(3,083.80)	648,011.94
Income (Loss) Before Transfers	(69,508.35)	785,795.51	(21,539.14)	694,748.02
Transfer In	243,325.12	61,311.40	45,817.50	350,454.02
Transfer Out	(221,626.22)	(7,205.00)		(228,831.22)
Change in Net Position	(47,809.45)	839,901.91	24,278.36	816,370.82
Net Position - January 1	2,542,691.11	181,476.18	631,393.97	3,355,561.26
Net Position - December 31	2,494,881.66	1,021,378.09	655,672.33	4,171,932.08

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	393,242.78			393,242.78
Sewer Charges		89,307.83		89,307.83
Garbage Charges			173,860.27	173,860.27
Other Fees	850.00		1,739.06	2,589.06
Total Operating Revenues	394,092.78	89,307.83	175,599.33	658,999.94
<u>Operating Expenses:</u>				
Salaries and Benefits	40,109.54	73,581.85	66,707.63	180,399.02
Group Insurance	15,382.06	1,289.69	15,435.02	32,106.77
Education and Training	20.00			20.00
Office Supplies	3,168.10	919.05	1,573.10	5,660.25
Utilities	7,418.40	4,222.46		11,640.86
Printing and Postage			920.80	920.80
Gas and Oil			8,214.57	8,214.57
Maintenance and Repairs	5,768.04	4,683.02	7,003.37	17,454.43
Landfill Fees			36,041.08	36,041.08
Water Purchases	112,730.40			112,730.40
Miscellaneous	1,823.33			1,823.33
Depreciation	164,634.00	6,732.00	33,859.00	205,225.00
Total Operating Expenses	351,053.87	91,428.07	169,754.57	612,236.51
Operating Income (Loss)	43,038.91	(2,120.24)	5,844.76	46,763.43
<u>Non-Operating Revenues (Expenses):</u>				
Reimbursements		52,632.22		52,632.22
Interest	3,100.86	3,161.45	1,298.73	7,561.04
Miscellaneous Receipts			516.30	516.30
Other Project Costs		(6,893.08)		(6,893.08)
Discount on Bonds Issued		(15,540.00)		(15,540.00)
Interest Payments and Service Charges	(92,262.57)		(5,910.00)	(98,172.57)
Total Non-Operating Revenues (Expenses)	(89,161.71)	33,360.59	(4,094.97)	(59,896.09)
Income (Loss) Before Transfers	(46,122.80)	31,240.35	1,749.79	(13,132.66)
Transfer In	223,500.69	41,669.12	41,910.00	307,079.81
Transfer Out	(217,856.57)	(7,885.00)		(225,741.57)
Change in Net Position	(40,478.68)	65,024.47	43,659.79	68,205.58
Net Position - January 1	2,583,169.79	116,451.71	587,734.18	3,287,355.68
Net Position - December 31	2,542,691.11	181,476.18	631,393.97	3,355,561.26

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

CITY OF LINTON
Linton, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2019

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>Cash flows from operating activities:</u>				
Receipts from customers	372,223.22	98,117.65	177,653.76	647,994.63
Payments to suppliers and employees	(189,128.45)	(98,095.09)	(160,891.23)	(448,114.77)
Net cash provided (used) by operating activities	183,094.77	22.56	16,762.53	199,879.86
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts			410.40	410.40
Transfers in	243,325.12	61,311.40	45,817.50	350,454.02
Transfers out	(221,626.22)	(7,205.00)		(228,831.22)
Net cash provided (used) by noncapital financing activities	21,698.90	54,106.40	46,227.90	122,033.20
<u>Cash flows from capital and related financing activities:</u>				
USDA grants		779,926.47		779,926.47
Revenue bonds issued		1,554,000.00		1,554,000.00
USDA sewer project		(1,120,335.00)		(1,120,335.00)
Other project costs		(8,046.27)		(8,046.27)
Principal payments	(61,921.00)	(1,554,000.00)	(41,000.00)	(1,656,921.00)
Interest and service charges	(90,577.72)	(35,440.90)	(4,817.50)	(130,836.12)
Net cash provided (used) by capital and related financing activities	(152,498.72)	(383,895.70)	(45,817.50)	(582,211.92)
<u>Cash Flows from investing activities:</u>				
Interest income	3,835.02	1,399.14	1,323.30	6,557.46
Net increase in cash and cash equivalents	56,129.97	(328,367.60)	18,496.23	(253,741.40)
Cash and cash equivalents, January 1	381,961.95	620,841.87	232,971.50	1,235,775.32
Cash and cash equivalents, December 31	438,091.92	292,474.27	251,467.73	982,033.92
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	17,234.35	47,957.07	(18,455.34)	46,736.08
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Net increase (decrease) in compensated absences	1,226.42	(54,666.51)	1,358.87	(52,081.22)
Depreciation expense	164,634.00	6,732.00	33,859.00	205,225.00
Net cash provided (used) by operating activities	183,094.77	22.56	16,762.53	199,879.86

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>Cash flows from operating activities:</u>				
Receipts from customers	394,092.78	89,307.83	175,599.33	658,999.94
Payments to suppliers and employees	(187,155.03)	(67,517.82)	(135,549.24)	(390,222.09)
Net cash provided (used) by operating activities	<u>206,937.75</u>	<u>21,790.01</u>	<u>40,050.09</u>	<u>268,777.85</u>
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts		52,632.22	516.30	53,148.52
Transfers in	223,500.69	41,669.12	41,910.00	307,079.81
Transfers out	(217,856.57)	(7,885.00)		(225,741.57)
Net cash provided (used) by noncapital financing activities	<u>5,644.12</u>	<u>86,416.34</u>	<u>42,426.30</u>	<u>134,486.76</u>
<u>Cash flows from capital and related financing activities:</u>				
Revenue bonds issued		1,554,000.00		1,554,000.00
Discount on bonds issued		(15,540.00)		(15,540.00)
USDA sewer project		(1,042,977.00)		(1,042,977.00)
Purchase of fixed assets		(104,094.00)		(104,094.00)
Other project costs		(6,893.08)		(6,893.08)
Principal payments	(60,554.00)		(36,000.00)	(96,554.00)
Interest and service charges	(92,262.57)		(5,910.00)	(98,172.57)
Net cash provided (used) by capital and related financing activities	<u>(152,816.57)</u>	<u>384,495.92</u>	<u>(41,910.00)</u>	<u>189,769.35</u>
<u>Cash Flows from investing activities:</u>				
Interest income	3,100.86	3,161.45	1,298.73	7,561.04
Net increase in cash and cash equivalents	<u>62,866.16</u>	<u>495,863.72</u>	<u>41,865.12</u>	<u>600,595.00</u>
Cash and cash equivalents, January 1	<u>319,095.79</u>	<u>124,978.15</u>	<u>191,106.38</u>	<u>635,180.32</u>
Cash and cash equivalents, December 31	<u>381,961.95</u>	<u>620,841.87</u>	<u>232,971.50</u>	<u>1,235,775.32</u>
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	43,038.91	(2,120.24)	5,844.76	46,763.43
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Net increase (decrease) in compensated absences	(735.16)	17,178.25	346.33	16,789.42
Depreciation expense	164,634.00	6,732.00	33,859.00	205,225.00
Net cash provided (used) by operating activities	<u>206,937.75</u>	<u>21,790.01</u>	<u>40,050.09</u>	<u>268,777.85</u>

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

CITY OF LINTON
Linton, North Dakota

Statement of Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2019

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>4,466.83</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>4,466.83</u>

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

CITY OF LINTON
Linton, North Dakota

Statement of Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2018

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>8,677.48</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>8,677.48</u>

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

CITY OF LINTON
Linton, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2019

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	88,146.81
State Aid collections for other governments	29,602.18
Pass-through collections	<u>211,367.15</u>
 Total Additions	 <u>329,116.14</u>
 <u>Deductions:</u>	
Payment of property taxes to other governments	88,146.81
Payment of State Aid to other governments	29,602.18
Payout of pass-through collections	<u>215,577.80</u>
 Total Deductions	 <u>333,326.79</u>
 Net Change in Assets and Liabilities	 <u>(4,210.65)</u>
 Assets and Liabilities - January 1	 <u>8,677.48</u>
 Assets and Liabilities - December 31	 <u><u>4,466.83</u></u>

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

CITY OF LINTON
Linton, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2018

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	81,862.42
State Aid collections for other governments	29,910.10
Pass-through collections	<u>172,932.60</u>
 Total Additions	 <u>284,705.12</u>
 <u>Deductions:</u>	
Payment of property taxes to other governments	81,862.42
Payment of State Aid to other governments	29,910.10
Payout of pass-through collections	<u>172,580.12</u>
 Total Deductions	 <u>284,352.64</u>
 Net Change in Assets and Liabilities	 <u>352.48</u>
 Assets and Liabilities - January 1	 <u>8,325.00</u>
 Assets and Liabilities - December 31	 <u><u>8,677.48</u></u>

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

CITY OF LINTON
Linton, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the city. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include 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 their operational or financial relationship with the city.

Discretely presented component units: The component units' columns in the basic financial statements include the financial data of the city's three component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Linton Municipal Airport Authority: The Linton municipal airport authority's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

Linton Public Library: The Linton public library's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the library budget. The library has the authority to issue its own debt.

Linton Industrial Development Corporation: The Linton industrial development corporation's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the industrial development corporation budget. The industrial development corporation has the authority to issue its own debt.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Linton 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The city reports the following major governmental funds:

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

Highway Distribution. This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance.

City Sales Tax: This fund accounts for the accumulation of city sales taxes which the city has dedicated to capital improvements, economic development, water and sewer debt service payments on improvement projects and/or to fund future infrastructure and capital improvement projects and a portion set-aside for the city's park district.

2014-1 Street Improvement: This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds, Series 2014.

The city reports the following major enterprise funds:

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

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

The city reports the following type of fiduciary fund:

Custodial Funds: These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial funds are used to account for various deposits of other governments.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 to 20 years

F. Compensated Absences

Vested or accumulated vacation leave and vested sick leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the city. The employees may carry forward unused vacation leave not to exceed 240 hours at the employee's current pay rate. Upon termination of employment, employees are compensated for 25% of sick leave earned, with 5 years of service, and 50% of unused sick leave after 10 years of service.

G. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Pensions

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

I. Fund Equity

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

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

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

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

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

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

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

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

- Committed
- Assigned
- Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2019 the city's carrying amount of deposits was \$2,230,949 and the bank balance was \$2,240,334. Of the bank balance, \$414,254 was covered by Federal Depository Insurance. The remaining balance of \$1,826,080 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the city's carrying amount of deposits was \$2,504,949 and the bank balance was \$2,540,161. Of the bank balance, \$410,964 was covered by Federal Depository Insurance. The remaining balance of \$2,129,197 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2019, the city held certificates of deposit in the amount of \$1,316,461, which are all considered deposits.

At December 31, 2018, the city held certificates of deposit in the amount of \$1,294,696, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on the property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes

and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 4 LOANS TO ECONOMIC DEVELOPMENT

The Linton Industrial Development Corporation has loaned funds to provide moneys for various local economic development projects. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>2019</u>	<u>2018</u>
Delta T Development	12,733.73	10,514.36
Emmons County Interagency	60,000.00	
Linton Hotel Group	10,864.99	15,990.72
Plains Mobile, Inc.	48,303.63	55,900.00
Shelly Hauge	68,802.59	72,680.38
The Grill, LLC	10,262.85	15,679.80
Tracie Ritz	20,400.00	20,561.48
Linton Lions Club		15,000.00
Lyle and Genna Kenner		6,484.93
Total	<u>231,367.79</u>	<u>212,811.67</u>

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the city of Linton for the years ended December 31:

December 31, 2019

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	4,040,225			4,040,225
Machinery and Vehicles	563,624			563,624
Total	<u>4,603,849</u>	<u>-</u>	<u>-</u>	<u>4,603,849</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,595,254	142,941		1,738,195
Machinery and Vehicles	311,686	33,302		344,988
Total	<u>1,906,940</u>	<u>176,243</u>	<u>-</u>	<u>2,083,183</u>
Governmental Activities Capital Assets, Net	<u>2,696,909</u>	<u>(176,243)</u>	<u>-</u>	<u>2,520,666</u>

December 31, 2018

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	4,040,225			4,040,225
Machinery and Vehicles	563,624			563,624
Total	<u>4,603,849</u>	<u>-</u>	<u>-</u>	<u>4,603,849</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,452,313	142,941		1,595,254
Machinery and Vehicles	277,784	33,902		311,686
Total	<u>1,730,097</u>	<u>176,843</u>	<u>-</u>	<u>1,906,940</u>
Governmental Activities Capital Assets, Net	<u>2,873,752</u>	<u>(176,843)</u>	<u>-</u>	<u>2,696,909</u>

December 31, 2019

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	7,704,706	1,120,335		8,825,041
Machinery and Vehicles	750,340			750,340
Total	<u>8,455,046</u>	<u>1,120,335</u>	<u>-</u>	<u>9,575,381</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	950,762	166,277		1,117,039
Machinery and Vehicles	254,225	38,948		293,173
Total	<u>1,204,987</u>	<u>205,225</u>	<u>-</u>	<u>1,410,212</u>
Business-type Activities Capital Assets, Net	<u>7,250,059</u>	<u>915,110</u>	<u>-</u>	<u>8,165,169</u>

December 31, 2018

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,661,729	1,042,977		7,704,706
Machinery and Vehicles	661,246	104,094		765,340
Total	<u>7,322,975</u>	<u>1,147,071</u>	<u>-</u>	<u>8,470,046</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	784,485	166,277		950,762
Machinery and Vehicles	230,277	38,948		269,225
Total	<u>1,014,762</u>	<u>205,225</u>	<u>-</u>	<u>1,219,987</u>
Business-type Activities Capital Assets, Net	<u>6,308,213</u>	<u>941,846</u>	<u>-</u>	<u>7,250,059</u>

Depreciation expense was charged to functions/programs of the city as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
General Government	4,000	4,000
Streets and Public Works	141,043	141,643
Culture and Recreation	<u>31,200</u>	<u>31,200</u>
Total Depreciation Expense	<u><u>176,243</u></u>	<u><u>176,843</u></u>
 <u>Business-type Activities:</u>		
Water	164,634	164,634
Sewer	6,732	6,732
Garbage	17,109	17,109
02-1 Water/Sewer Main	<u>16,750</u>	<u>16,750</u>
Total Depreciation Expense	<u><u>205,225</u></u>	<u><u>205,225</u></u>

The following is a schedule of changes in the capital assets for the discretely presented component unit for the years ended December 31:

December 31, 2019

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Municipal Airport:				
<i>Capital assets not being depreciated:</i>				
Land	<u>81,000</u>			<u>81,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	<u>2,924,510</u>			<u>2,924,510</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	<u>479,755</u>	<u>145,944</u>		<u>625,699</u>
Total capital assets being depreciated, net	<u>2,444,755</u>	<u>(145,944)</u>	<u>-</u>	<u>2,298,811</u>
Municipal Airport Capital Assets, Net	<u><u>2,525,755</u></u>	<u><u>(145,944)</u></u>	<u><u>-</u></u>	<u><u>2,379,811</u></u>

December 31, 2018

	Balance January 1	Increases	Decreases	Balance December 31
Municipal Airport:				
<i>Capital assets not being depreciated:</i>				
Land	81,000			81,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,924,510			2,924,510
Machinery and Vehicles	11,880		11,880	-
Total	2,936,390	-	11,880	2,924,510
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	333,811	145,944		479,755
Machinery and Vehicles	11,880		11,880	-
Total	345,691	145,944	11,880	479,755
Total capital assets being depreciated, net	2,590,699	(145,944)	-	2,444,755
Municipal Airport Capital Assets, Net	2,671,699	(145,944)	-	2,525,755

Depreciation expense was charged to functions/programs of the municipal airport as follows for the years ended December 31:

	2019	2018
<u>Discretely Presented Component Unit:</u>		
Airport Authority	145,944	145,944

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities

	Balance January 1	<u>2019</u>		Balance December 31	Due Within One Year
		Increases	Decreases		
Bank Loan	20,531		20,531		
Special Assessment Bonds	1,510,000		220,000	1,290,000	215,000
Compensated Absences *	35,854	5,098		40,952	
Total	1,566,385	5,098	240,531	1,330,952	215,000
	Balance January 1	<u>2018</u>		Balance December 31	Due Within One Year
		Increases	Decreases		
Bank Loan	40,427		19,896	20,531	20,531
Special Assessment Bonds	1,730,000		220,000	1,510,000	220,000
Compensated Absences *	29,803	6,051		35,854	
Total	1,800,230	6,051	239,896	1,566,385	240,531

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

Business-type Activities

	<u>2019</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Revenue Bonds	5,066,835	1,554,000	1,656,921	4,963,914	139,342
Compensated Absences *	63,438		52,081	11,357	
Total	5,130,273	1,554,000	1,709,002	4,975,271	139,342

	<u>2018</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Revenue Bonds	3,609,389	1,554,000	96,554	5,066,835	1,656,921
Compensated Absences *	46,649	16,789		63,438	
Total	3,656,038	1,570,789	96,554	5,130,273	1,656,921

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

Governmental Activities

Outstanding debt at December 31, 2019 consists of the following:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for a street improvement project. Special assessment bonds outstanding at December 31, 2019 are as follows:

\$2,170,000 Refunding Improvement Bonds, Series 2014, due in annual installments of \$215,000 through November 1, 2025; interest is at 2% to 3%.	<u>1,290,000.00</u>
--	---------------------

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

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	215,000.00	30,422.50
2021	215,000.00	26,122.50
2022	215,000.00	21,392.50
2023	215,000.00	15,856.25
2024	215,000.00	9,675.00
2025	215,000.00	3,225.00
Total	1,290,000.00	106,693.75

Business-type Activities (Proprietary Funds):

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2019 is as follows:

\$563,063 Water Improvement Revenue Bonds of 2002, due in annual installments of \$35,000 through September 1, 2022; interest is 2.5%.	105,000.00
\$95,770 Sewer Improvement Revenue Bonds of 2002, due in annual installments of \$6,000 through September 1, 2022; interest is 2.5%.	18,000.00
\$224,800 Water Improvement Revenue Bonds of 2011, due in annual installments of \$11,000 to \$14,000 through September 1, 2031; interest is 2.5%.	150,000.00
\$1,109,000 Water Improvement Revenue Bonds, Series RD 2013-1, due in annual installments of \$18,620 to \$42,830 through April 1, 2054; interest is 2.5%.	1,022,493.00
\$1,665,000 Water Improvement Revenue Bonds, Series RD 2014-1, due in annual installments of \$26,056 to \$66,330 through March 25, 2055; interest is 2.75%.	1,567,565.00
\$579,010 Water Improvement Revenue Bonds, Series RD 2014-2, due in annual installments of \$8,648 to \$23,998 through March 25, 2055; interest is 3%.	546,856.00
\$1,554,000 Sewer Revenue Bonds, Series 2019 due in annual payments of \$76,753 through May 1, 2049; interest is 2.75%.	<u>1,554,000.00</u>
Total Revenue Bonds Payable	<u><u>4,963,914.00</u></u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	139,342.00	133,915.28
2021	141,719.49	130,218.74
2022	144,160.72	126,456.81
2023	106,669.37	122,627.72
2024	109,246.19	119,729.60
2025-2029	592,415.23	552,475.95
2030-2034	631,241.25	468,597.95
2035-2039	690,004.81	380,072.42
2040-2044	789,279.91	279,980.33
2045-2049	902,440.03	165,447.03
2050-2054	627,067.00	56,146.26
2055	<u>90,328.00</u>	<u>1,272.00</u>
Total	<u><u>4,963,914.00</u></u>	<u><u>2,536,940.09</u></u>

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>December 31, 2019</u>		
Water - City Sales Tax	60,811.40	
Sewer - City Sales Tax	60,811.40	
City Sales Tax		121,622.80
To transfer share of sales tax.		
Special Assessment CST Debt Capacity	12,645.46	
City Sales Tax		12,645.46
To set-aside funds to pay city's share of special assessments.		
2011 Water Meter	14,800.00	
13-1 Water System Improvement	137,698.72	
Water: USDA Debt Service Reserve	13,848.00	
Asset Replacement Reserve	16,167.00	
Sewer: USDA Debt Service Reserve	500.00	
02-1 Water/Sewer Main	45,817.50	
Water: Operating		176,626.22
Water: City Sales Tax		45,000.00
Sewer: Operating		7,205.00
To provide funding to make debt service payments and to set-aside funds for required reserves.		
<u>December 31, 2018</u>		
Highway	38,770.32	
City Sales Tax		38,770.32
USDA Sewer Project	1,000.00	
Sewer: Operating		1,000.00
To subsidize expenditures.		
Water - City Sales Tax	40,669.12	
Sewer - City Sales Tax	40,669.12	
City Sales Tax		81,338.24
To transfer share of sales tax.		

Special Assessment CST Debt Capacity	12,494.35	
City Sales Tax		12,494.35
To set-aside funds to pay city's share of special assessments.		
2011 Water Meter	15,100.00	
13-1 Water System Improvement	137,716.57	
Water: USDA Debt Service Reserve	13,848.00	
Asset Replacement Reserve	16,167.00	
02-1 Water/Sewer Main	41,910.00	
Water: Operating		177,856.57
Water: City Sales Tax		40,000.00
Sewer: Operating		6,885.00
To provide funding to make debt service payments and to set-aside funds for required reserves.		

Note 8 RELATED PARTY TRANSACTION

The Linton Industrial Development Corporation, a discretely presented component unity of the City of Linton has entered into an agreement for the purchase of a building with a member of the city's governing board. The Linton Industrial Development Corporation approved an economic development loan for the purchase of this building in the amount of \$92,000. This loan is to be repaid over 16 years with an interest rate of 5%.

Note 9 RISK MANAGEMENT

The City of Linton 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 public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,087,850 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,601,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for

benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service -
Greater of one percent of monthly salary or \$25

- 13 to 24 months of service -
Greater of two percent of monthly salary or \$25

- 25 to 36 months of service -
Greater of three percent of monthly salary or \$25

- Longer than 36 months of service -
Greater of four percent of monthly salary or \$25

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

At December 31, 2019, the City of Linton reported a liability of \$347,580 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 the city's proportion was .020596 percent, which was a decrease of .003067 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019, the city recognized pension expense of \$48,606. At December 31, 2019 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	920	11,825
Changes in assumptions	125,469	4,961
Net difference between projected and actual earnings on pension plan investments	-	1,691
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,424	36,331
City contributions subsequent to the measurement date (see below)	15,947	-
Total	<u>148,760</u>	<u>54,808</u>

\$15,947 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	27,039
2020	22,471
2021	20,773
2022	9,647
2023	(1,425)
Thereafter	0

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	3.50%	
Salary increases	Service at	
	<u>Beginning of Year</u>	<u>Increase Rate</u>
	0	15.00%
	1	10.00%
	2	8.00%

Age *	
Under 30	10.00%
30 - 39	7.50%
40 - 49	6.75%
50 - 59	6.50%
60+	5.25%

* Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2018 funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

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

Discount rate. For PERS, GASB No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee 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 city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 6.32%, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Rate (6.32%)	1% Increase (7.32%)
The city's proportionate share of the net pension liability	472,297	347,580	243,508

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

CITY OF LINTON
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	165,000.00	156,719.63	156,719.63	-
Licenses, Permits and Fees	16,450.00	17,688.21	17,688.21	-
Intergovernmental	45,625.00	74,368.52	74,368.52	-
Charges for Services	10,600.00	11,242.56	11,242.56	-
Fines and Forfeits	1,000.00	245.00	245.00	-
Miscellaneous	54,590.00	67,725.65	67,725.65	-
Total Revenues	293,265.00	327,989.57	327,989.57	-
Expenditures:				
Current:				
General Government	226,445.00	175,933.84	175,933.84	-
Public Safety	48,670.00	48,400.19	48,400.19	-
Streets and Public Works	8,000.00	63,457.36	63,457.36	-
Culture and Recreation	4,000.00			-
Total Expenditures	287,115.00	287,791.39	287,791.39	-
Excess (Deficiency) of Revenue Over Expenditures	6,150.00	40,198.18	40,198.18	-
Other Financing (Uses)				
Transfers Out	(4,000.00)	(4,000.00)		4,000.00
Net Change in Fund Balances	2,150.00	36,198.18	40,198.18	4,000.00
Fund Balance - January 1	201,692.57	201,692.57	201,692.57	
Fund Balance - December 31	203,842.57	237,890.75	241,890.75	4,000.00

CITY OF LINTON
Linton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	127,925.00	119,507.69	119,507.69	-
Licenses, Permits and Fees	15,750.00	17,676.67	17,676.67	-
Intergovernmental	49,025.00	62,640.39	62,640.39	-
Charges for Services	1,350.00	7,942.43	7,942.43	-
Fines and Forfeits	1,000.00	1,237.00	1,237.00	-
Miscellaneous	52,040.00	64,061.13	64,061.13	-
Total Revenues	247,090.00	273,065.31	273,065.31	-
Expenditures:				
Current:				
General Government	233,745.00	234,858.27	234,858.27	-
Public Safety	59,645.00	58,543.70	58,543.70	-
Streets and Public Works		10,832.00	10,832.00	-
Culture and Recreation	4,000.00	3,829.91	3,829.91	-
Total Expenditures	297,390.00	308,063.88	308,063.88	-
Net Change in Fund Balances	(50,300.00)	(34,998.57)	(34,998.57)	-
Fund Balance - January 1	236,691.14	236,691.14	236,691.14	
Fund Balance - December 31	186,391.14	201,692.57	201,692.57	-

CITY OF LINTON
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	100,000.00	108,697.58	108,697.58	-
Charges for Services	500.00	2,675.07	2,675.07	-
Miscellaneous	275.00	1,367.27	1,367.27	-
Total Revenues	100,775.00	112,739.92	112,739.92	-
Expenditures:				
Current:				
Streets and Public Works	93,500.00	103,508.31	103,508.31	-
Debt Service:				
Principal	20,531.41	20,531.41	20,531.41	-
Interest	656.59	619.62	619.62	-
Total Expenditures	114,688.00	124,659.34	124,659.34	-
Net Change in Fund Balances	(13,913.00)	(11,919.42)	(11,919.42)	-
Fund Balance - January 1	103,728.55	103,728.55	103,728.55	
Fund Balance - December 31	89,815.55	91,809.13	91,809.13	-

CITY OF LINTON
Linton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	100,000.00	106,775.63	106,775.63	-
Charges for Services	500.00	2,697.88	2,697.88	-
Miscellaneous	275.00	616.07	616.07	-
Total Revenues	100,775.00	110,089.58	110,089.58	-
Expenditures:				
Current:				
Streets and Public Works	137,710.00	122,841.02	122,841.02	-
Debt Service:				
Principal	19,895.99	19,895.99	19,895.99	-
Interest	1,292.01	1,291.15	1,291.15	-
Total Expenditures	158,898.00	144,028.16	144,028.16	-
Excess (Deficiency) of Revenue Over Expenditures	(58,123.00)	(33,938.58)	(33,938.58)	-
Other Financing Sources:				
Transfers In			38,770.32	38,770.32
Net Change in Fund Balances	(58,123.00)	(33,938.58)	4,831.74	38,770.32
Fund Balance - January 1	98,896.81	98,896.81	98,896.81	
Fund Balance - December 31	40,773.81	64,958.23	103,728.55	38,770.32

CITY OF LINTON
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	165,000.00	270,272.83	270,272.83	-
Miscellaneous	20.00	1,020.39	1,020.39	-
Total Revenues	165,020.00	271,293.22	271,293.22	-
Expenditures:				
Current:				
Streets and Public Works		15,500.00	15,500.00	-
Urban and Economic Development	57,750.00	94,595.50	94,595.50	-
Culture and Recreation	8,250.00	13,513.61	13,513.61	-
Total Expenditures	66,000.00	123,609.11	123,609.11	-
Excess (Deficiency) of Revenue Over Expenditures	99,020.00	147,684.11	147,684.11	-
Other Financing (Uses):				
Transfers Out	(86,700.00)	(86,700.00)	(134,268.26)	(47,568.26)
Net Change in Fund Balances	12,320.00	60,984.11	13,415.85	(47,568.26)
Fund Balance - January 1	121,813.96	121,813.96	121,813.96	
Fund Balance - December 31	134,133.96	182,798.07	135,229.81	(47,568.26)

CITY OF LINTON
Linton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	180,000.00	180,751.36	180,751.36	-
Miscellaneous	20.00	986.05	986.05	-
Total Revenues	180,020.00	181,737.41	181,737.41	-
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	63,000.00	63,263.00	63,263.00	-
Culture and Recreation	9,000.00	9,037.46	9,037.46	-
Total Expenditures	72,000.00	72,300.46	72,300.46	-
Excess (Deficiency) of Revenue Over Expenditures	108,020.00	109,436.95	109,436.95	-
<u>Other Financing (Uses):</u>				
Transfers Out	(94,200.00)	(94,200.00)	(132,602.91)	(38,402.91)
Net Change in Fund Balances	13,820.00	15,236.95	(23,165.96)	(38,402.91)
Fund Balance - January 1	144,979.92	144,979.92	144,979.92	
Fund Balance - December 31	158,799.92	160,216.87	121,813.96	(38,402.91)

CITY OF LINTON
Linton, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budgets for the years ended December 31, 2019 and 2018:

December 31, 2019

	<u>Original Budget</u>	<u>Appropriations Amendment</u>	<u>Amended Budget</u>
General Fund	287,115	676	287,791
<u>Special Revenue Funds</u>			
Highway	114,688	9,971	124,659
City Sales Tax	66,000	57,609	123,609
Emergency	6,955	283	7,238
Cemetery	9,225	(1,919)	7,306
City Lodging Tax	45,000	(45,000)	-
Special Assessment CST Debt			
Capacity	12,825	(331)	12,494
Street Light Maintenance	30,000	60,628	90,628
<u>Debt Service Fund</u>			
2014-1 Street Improvement	254,973	650	255,623

December 31, 2018

	Original	Appropriations	Amended
	<u>Budget</u>	<u>Amendment</u>	<u>Budget</u>
General Fund	297,390	10,674	308,064
<u>Special Revenue Funds</u>			
Highway	158,898	(14,870)	144,028
City Sales Tax	72,000	300	72,300
Emergency	5,935	(2,943)	2,992
Cemetery	5,645	(492)	5,153
City Lodging Tax	35,000	(35,000)	-
<u>Special Assessment CST Debt</u>			
Capacity	13,200	(8)	13,192
Street Light Maintenance	30,000	3,815	33,815
<u>Debt Service Fund</u>			
2014-1 Street Improvement	257,998	50,223	308,221

CITY OF LINTON
Linton, North Dakota

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

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.020596%	0.023663%	0.022349%	0.023708%	0.025956%
City's proportionate share of the net pension liability	347,580	380,342	217,813	161,210	164,748
City's covered employee payroll	217,534	241,569	212,561	212,716	218,650
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.78%	157.45%	102.47%	75.79%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	15,488	17,200	15,134	15,145	14,496
Contributions in relation to the statutorily required contributions	(15,488)	(17,200)	(15,134)	(15,145)	(14,496)
Contribution deficiency (excess)	0	0	0	0	0
City's covered-employee payroll	217,534	241,569	212,561	212,716	218,650
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.63%

- * Complete date for this schedule is not available prior to 2015.
- For changes of assumptions, see Note 10 to the financial statements.

CITY OF LINTON
Linton, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1/1/2019	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2019
Major Governmental Funds						
General Fund	201,692.57	327,589.57			287,791.39	241,890.75
Highway	103,728.55	112,739.92			124,659.34	91,809.13
City Sales Tax	121,813.96	271,293.22		134,268.26	123,609.11	135,229.81
2014-1 Street Improvement	735,731.78	195,327.42			255,622.50	675,436.70
Total Major Governmental Funds	1,162,966.86	907,350.13	-	134,268.26	791,682.34	1,144,366.39
Non-Major Governmental Funds						
Emergency	8,941.32	5,736.50			7,237.87	7,439.95
Cemetery	5,782.38	6,145.79			7,306.15	4,622.02
Public Facilities	1.20					1.20
City Lodging Tax	41,946.57	11,805.78				53,752.35
Special Assessment CST Debt Capacity	12,494.35		12,645.46		12,494.35	12,645.46
Street Light Maintenance	28,363.32	83,886.40			90,628.39	21,621.33
Total Nonmajor Governmental Funds	97,529.14	107,574.47	12,645.46	-	117,666.76	100,082.31
Total Governmental Funds	1,260,496.00	1,014,924.60	12,645.46	134,268.26	909,349.10	1,244,448.70
Major Enterprise Funds						
Water:						
Operating	185,520.49	376,058.24		176,626.22	183,761.02	201,191.49
2011 Water Meter	15,050.23		14,800.00		14,800.00	15,050.23
13-1 Water System Improvement			137,698.72		137,698.72	-
USDA Debt Service Reserve	63,104.00		13,848.00			76,952.00
Asset Replacement Reserve	66,659.28		16,167.00		5,367.43	77,458.85
Water - City Sales Tax	51,627.95		60,811.40	45,000.00		67,439.35
Sewer:						
Operating	140,669.30	98,232.24		7,205.00	98,095.09	133,601.45
Sewer - City Sales Tax	91,627.95		60,811.40			152,439.35
USDA Debt Service Reserve			500.00			500.00
USDA Sewer Project	388,544.62	2,335,211.02			2,717,822.17	5,933.47
Total Major Enterprise Funds	1,002,803.82	2,809,501.50	304,636.52	228,831.22	3,157,544.43	730,566.19
Non-Major Enterprise Fund						
Garbage	185,227.50	179,380.73			160,891.23	203,717.00
02-1 Water/Sewer Main	47,744.00	6.73	45,817.50		45,817.50	47,750.73
Total Nonmajor Enterprise Funds	232,971.50	179,387.46	45,817.50	-	206,708.73	251,467.73
Total Enterprise Funds	1,235,775.32	2,988,888.96	350,454.02	228,831.22	3,364,253.16	982,033.92
Fiduciary Fund						
Custodial Funds						
Job Development Authority		6,826.29			6,826.29	-
Linton Park District		89,489.54			89,489.54	-
Linton Airport Authority		14,026.93			14,026.93	-
Linton Public Library		14,232.62			14,232.62	-
Accrued Tax Payable	8,677.48	211,367.15			215,577.80	4,466.83
Total Custodial Funds	8,677.48	335,942.53	-	-	340,153.18	4,466.83
Total Primary Government	2,504,948.80	4,339,756.09	363,099.48	363,099.48	4,613,755.44	2,230,949.45
Discretely Presented Component Units						
Linton Municipal Airport Authority	28,571.24	121,251.60			103,605.67	46,217.17
Linton Public Library	42,068.26	20,341.92			37,294.15	25,116.03
Linton Industrial Development Corporation	502,693.89	208,151.26			185,686.20	525,158.95
Total Discretely Presented Component Units	573,333.39	349,744.78	-	-	326,586.02	596,492.15
Total Reporting Entity	3,078,282.19	4,689,500.87	363,099.48	363,099.48	4,940,341.46	2,827,441.60

CITY OF LINTON
Linton, North Dakota

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

	Balance 1/1/2018	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2018
Major Governmental Funds						
General Fund	236,691.14	273,065.31			308,063.88	201,692.57
Highway	98,896.81	110,089.58	38,770.32		144,028.16	103,728.55
City Sales Tax	144,979.92	181,737.41		132,602.91	72,300.46	121,813.96
2014-1 Street Improvement	858,459.66	185,492.62			308,220.50	735,731.78
Total Major Governmental Funds	1,339,027.53	750,384.92	38,770.32	132,602.91	832,613.00	1,162,966.86
Non-Major Governmental Funds						
Emergency	6,816.76	5,116.25			2,991.69	8,941.32
Cemetery	6,277.51	4,657.92			5,153.05	5,782.38
Public Facilities	1.20					1.20
City Lodging Tax	31,093.16	10,853.41				41,946.57
Special Assessment CST Debt Capacity	13,191.59		12,494.35		13,191.59	12,494.35
Street Light Maintenance	29,170.13	33,007.76			33,814.57	28,363.32
Total Nonmajor Governmental Funds	86,550.35	53,635.34	12,494.35	-	55,150.90	97,529.14
Total Governmental Funds	1,425,577.88	804,020.26	51,264.67	132,602.91	887,763.90	1,260,496.00
Major Enterprise Funds						
Water:						
Operating	153,338.45	397,193.64		177,856.57	187,155.03	185,520.49
2011 Water Meter	15,050.23		15,100.00		15,100.00	15,050.23
13-1 Water System Improvement			137,716.57		137,716.57	-
USDA Debt Service Reserve	49,256.00		13,848.00			63,104.00
Asset Replacement Reserve	50,492.28		16,167.00			66,659.28
Water - City Sales Tax	50,958.83		40,669.12	40,000.00		51,627.95
Sewer:						
Operating	74,019.32	142,052.80		7,885.00	67,517.82	140,669.30
Sewer - City Sales Tax	50,958.83		40,669.12			91,627.95
USDA Sewer Project		1,557,048.70	1,000.00		1,169,504.08	388,544.62
Total Major Enterprise Funds	444,073.94	2,096,295.14	265,169.81	225,741.57	1,576,993.50	1,002,803.82
Non-Major Enterprise Fund						
Garbage	143,365.65	177,411.09			135,549.24	185,227.50
02-1 Water/Sewer Main	47,740.73	3.27	41,910.00		41,910.00	47,744.00
Total Nonmajor Enterprise Funds	191,106.38	177,414.36	41,910.00	-	177,459.24	232,971.50
Total Enterprise Funds	635,180.32	2,273,709.50	307,079.81	225,741.57	1,754,452.74	1,235,775.32
Fiduciary Fund						
Custodial Funds						
Job Development Authority		6,173.61			6,173.61	-
Linton Park District		82,757.63			82,757.63	-
Linton Airport Authority		13,828.11			13,828.11	-
Linton Public Library		15,186.78			15,186.78	-
Accrued Tax Payable	8,325.00	172,932.60			172,580.12	8,677.48
Total Custodial Funds	8,325.00	290,878.73	-	-	290,526.25	8,677.48
Total Primary Government	2,069,083.20	3,368,608.49	358,344.48	358,344.48	2,932,742.89	2,504,948.80
Discretely Presented Component Units						
Linton Municipal Airport Authority	15,418.05	56,778.04			43,624.85	28,571.24
Linton Public Library	27,708.23	38,922.72			24,562.69	42,068.26
Linton Industrial Development Corporation	488,292.35	136,341.32			121,939.78	502,693.89
Total Discretely Presented Component Units	531,418.63	232,042.08	-	-	190,127.32	573,333.39
Total Reporting Entity	2,600,501.83	3,600,650.57	358,344.48	358,344.48	3,122,870.21	3,078,282.19

CITY OF LINTON
Linton, North Dakota

Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2019 and 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	
			2019	2018
<u>U.S. Department of Agriculture</u>				
Rural Development - Direct Program:				
Water and Waste Disposal Systems for Rural Communities - Loans	10.760			1,554,000.00
Water and Waste Disposal Systems for Rural Communities - Grants	10.760		779,926.47	
Total Water and Waste Disposal Systems for Rural Communities			779,926.47	1,554,000.00
Community Facilities Loans and Grants	10.766		50,542.27	
Total U.S. Department of Agriculture			830,468.74	1,554,000.00
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106		48,127.00	21,242.70
Total Expenditures of Federal Awards			878,595.74	1,575,242.70

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

Program Title	Federal CFDA Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	1,554,000.00

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehler, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Linton
Linton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated July 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

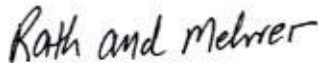
As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 24, 2020

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehler, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Linton
Linton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Linton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2019 and 2018. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the city's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits 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 audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major program. However, our audits do not provide a legal determination of the city's compliance.

Opinion on Each Major Federal Program

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019 and 2018.

Report on Internal Control Over Compliance

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

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

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

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 24, 2020

CITY OF LINTON
Linton, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ X Yes ___ None Reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major program(s):

CFDA Number

10.760

Name of Federal Program

Water and Waste Disposal Systems for Rural Communities

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

\$750,000

Auditee qualified as a low-risk auditee? ___ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2019-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

Repeat Finding from Prior Year: Yes, prior year finding No. 2017-001

2. 2019-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

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

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Repeat Finding from Prior Year: Yes, prior year finding No. 2017-002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF LINTON
Linton, North Dakota

Summary Schedule of Prior Audit Findings
For the Years Ended December 31, 2019 and 2018

1. Finding No. 2017-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2019-001.

Reasons for Recurrence and Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2017-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2019-002.

Reasons for Recurrence and Corrective Action Plan: The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

CITY OF LINTON

PO BOX 57

101 1ST STREET NE

LINTON ND 58552

Phone 701-254-4460/TDD 1-800-366-6889 Fax 701-254-4382

Email cityoflinton@bektel.com

Website www.lintonnd.org

Visit us on
Facebook!

CITY OF LINTON
Linton, North Dakota

Corrective Action Plan
For the Years Ended December 31, 2019 and 2018

1. Finding No. 2019-001: Segregation of Duties

Contact Person: Sharon Jangula, City Auditor/Administrator

Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: The City of Linton will implement when it becomes cost effective.

2. Finding No. 2019-002: Financial Statement Preparation

Contact Person: Sharon Jangula, City Auditor/Administrator

Corrective Action Plan: The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: The City of Linton will implement when it becomes cost effective.