

CITY OF MEDORA

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

WITH INDEPENDENT AUDITOR'S REPORT

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CITY OF MEDORA

**CITY OFFICIALS
DECEMBER 31, 2019**

Mayor
Todd Corneil

City Council
John Tczap, President
Derwin Zuroff, Vice President
Douglas Ellison
Gary Edland
Tracy Sexton
Kinley Slauter

City Officials
Gary Ridenhower, City Auditor
Russel Lapp, Police Chief
Dell Beach, Director of Public Works
Sandra Kuntz, City Attorney



Independent Auditor's Report

City Commissioners
City of Medora, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Medora, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Medora's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medora, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As discussed in Note 2 to the financial statements, government-wide net position's beginning balance was restated by (\$80,388). Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the employer's share of net OPEB liability and employer contributions, schedule of the employer's share of net pension liability and employer contributions, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual - general fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual - City Sales Tax Fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual - $\frac{1}{2}\%$ City Sales Tax Fund, and notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Medora's basic financial statements. The city officials listing is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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



Bismarck, North Dakota
January 2, 2024

CITY OF MEDORA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,799,572	\$ 53,427	\$ 5,852,999
Intergovernmental receivable	296,087	-	296,087
Accounts receivable	12,125	-	12,125
Capital assets			
Nondepreciable	120,000	55,945	175,945
Depreciable, net	3,342,578	2,382,128	5,724,706
 Total assets	 <u>9,570,362</u>	 <u>2,491,500</u>	 <u>12,061,862</u>
 DEFERRED OUTFLOWS OF RESOURCES			
OPEB	1,244	-	1,244
Pension	138,758	-	138,758
 Total deferred outflows of resources	 <u>140,002</u>	 <u>-</u>	 <u>140,002</u>
 LIABILITIES			
Accounts payable	-	24,676	24,676
Deposits payable	5,725	-	5,725
Current portion of long term debt	15,000	-	15,000
Noncurrent liabilities			
Compensated absences	28,491	-	28,491
Net OPEB liability	29,811	-	29,811
Net pension liability	303,696	-	303,696
 Total liabilities	 <u>382,723</u>	 <u>24,676</u>	 <u>407,399</u>
 DEFERRED INFLOWS OF RESOURCES			
OPEB	869	-	869
Pension	178,956	-	178,956
 Total deferred inflows of resources	 <u>179,825</u>	 <u>-</u>	 <u>179,825</u>
 NET POSITION			
Net investment in capital assets	3,462,578	2,438,073	5,900,651
Restricted	306,332	-	306,332
Unrestricted	5,378,906	28,751	5,407,657
 Total net position	 <u>\$ 9,147,816</u>	 <u>\$ 2,466,824</u>	 <u>\$ 11,614,640</u>

See Notes to the Financial Statements

CITY OF MEDORA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenue	Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, and Forfeitures	Governmental Activities	Business-Type Activities	Total
Primary government					
Governmental activities	\$ 514,227	\$ -	\$ (514,227)	\$ -	\$ (514,227)
Public safety	412,716	60	(412,656)	-	(412,656)
Public works	312,710	49,550	(263,160)	-	(263,160)
Culture and recreation	409,681	-	(409,681)	-	(409,681)
Total governmental activities	1,649,334	49,610	(1,599,724)	-	(1,599,724)
Business-type activities					
Public Utility	230,807	203,189	-	(27,618)	(27,618)
Outdoor Recreation	34,471	14,689	-	(19,782)	(19,782)
Total business-type activities	265,278	217,878	-	(47,400)	(47,400)
Total primary government	\$ 1,914,612	\$ 267,488	(1,599,724)	(47,400)	(1,647,124)
General revenue					
Property taxes			51,528	-	51,528
Licenses and permits			11,800	-	11,800
State aid and revenues not restricted to specific programs			2,450,722	-	2,450,722
Unrestricted investment earnings			16,879	-	16,879
Miscellaneous			50,346	107	50,453
Transfers			(2,179,453)	2,179,453	-
Total general revenues			401,822	2,179,560	2,581,382
Change in net position			(1,197,902)	2,132,160	934,258
Net position, beginning of year, as originally stated			10,426,106	334,664	10,760,770
Restatement			(80,388)	-	(80,388)
Net position, beginning of year, as restated			10,345,718	334,664	10,680,382
Net position, end of year			\$ 9,147,816	\$ 2,466,824	\$ 11,614,640

See Notes to the Financial Statements

CITY OF MEDORA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	City Sales Tax Fund	1/2% Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,631,070	\$ 1,763,612	\$ 960,215	\$ 444,675	\$ 5,799,572
Intergovernmental receivable	246,417	25,173	6,293	18,204	296,087
Accounts receivable	12,125	-	-	-	12,125
Total assets	<u>2,889,612</u>	<u>1,788,785</u>	<u>966,508</u>	<u>462,879</u>	<u>6,107,784</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	<u>5,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,725</u>
Total liabilities	<u>5,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,725</u>
FUND BALANCES					
Restricted	5,725	-	-	300,607	306,332
Committed	-	1,788,785	966,508	162,272	2,917,565
Unassigned	<u>2,878,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,878,162</u>
Total fund balances	<u>2,883,887</u>	<u>1,788,785</u>	<u>966,508</u>	<u>462,879</u>	<u>6,102,059</u>
Total liabilities and fund balances	<u>\$ 2,889,612</u>	<u>\$ 1,788,785</u>	<u>\$ 966,508</u>	<u>\$ 462,879</u>	<u>\$ 6,107,784</u>

See Notes to the Financial Statements

CITY OF MEDORA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total fund balance, governmental funds	\$ 6,102,059
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

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

Cost of capital assets	5,563,701	
Less accumulated depreciation	<u>(2,101,123)</u>	
Net capital assets		3,462,578

Net pension liability and pension related deferred
outflows and inflows of resources are not due in
the current period and therefore are not
reported in the governmental funds

(343,894)

Net OPEB liability and OPEB related deferred
outflows and inflows of resources are not due in
the current period and therefore are not
reported in the governmental funds

(29,436)

Noncurrent 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. All liabilities - both
current and concurrent, are reported in the
Statement of Net Position. Balances at
December 31, 2019 are:

Compensated absences	(28,491)
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Repayment of long-term debt principal is an
expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the
statement of net position.

(15,000)

Net position of governmental activities in the
Statement of Net Position

\$ 9,147,816

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	City Sales Tax Fund	1/2% Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 51,528	\$ -	\$ -	\$ -	\$ 51,528
Licenses and permits	11,800	-	-	-	11,800
Intergovernmental revenues	1,468,303	619,804	154,950	207,665	2,450,722
Charges for services	49,550	-	-	-	49,550
Fines and forfeitures	60	-	-	-	60
Investment earnings	16,879	-	-	-	16,879
Other income	50,346	-	-	-	50,346
Total revenues	<u>1,648,466</u>	<u>619,804</u>	<u>154,950</u>	<u>207,665</u>	<u>2,630,885</u>
Expenditures					
Current					
General government	293,927	2,908	-	-	296,835
Public safety	411,956	-	-	-	411,956
Public works	148,117	89,145	-	72,592	309,854
Culture and recreation	452,764	60,783	-	116,272	629,819
Debt service					
Principal	-	15,000	-	-	15,000
Total expenditures	<u>1,306,764</u>	<u>167,836</u>	<u>-</u>	<u>188,864</u>	<u>1,663,464</u>
Excess of revenues over expenditures	<u>341,702</u>	<u>451,968</u>	<u>154,950</u>	<u>18,801</u>	<u>967,421</u>
Other financing uses					
Transfers out	<u>(1,125,158)</u>	<u>(1,054,295)</u>	<u>-</u>	<u>-</u>	<u>(2,179,453)</u>
Total other financing uses	<u>(1,125,158)</u>	<u>(1,054,295)</u>	<u>-</u>	<u>-</u>	<u>(2,179,453)</u>
Net change in fund balance	(783,456)	(602,327)	154,950	18,801	(1,212,032)
Fund balance, beginning of year	<u>3,667,343</u>	<u>2,391,112</u>	<u>811,558</u>	<u>444,078</u>	<u>7,314,091</u>
Fund balance, end of year	<u>\$ 2,883,887</u>	<u>\$ 1,788,785</u>	<u>\$ 966,508</u>	<u>\$ 462,879</u>	<u>\$ 6,102,059</u>

See Notes to the Financial Statements

CITY OF MEDORA
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds \$ (1,212,032)

Amounts reported for governmental activities in the
Statement of Activities are 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 outlays in the current year:

Capital asset additions	218,048	
Current year depreciation	<u>(161,501)</u>	
		56,547

Changes to net pension liability and pension related
deferred outflows and inflows do not require the
use of current financial resources and therefore
are not reported as expenditures in governmental
funds. (3,076)

Changes to net OPEB liability and OPEB related
deferred outflows and inflows do not require the
use of current financial resources and therefore
are not reported as expenditures in governmental
funds. (10,850)

Noncurrent 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. All liabilities - both
current and concurrent, are reported in the
Statement of Net Position. Balances at
December 31, 2019 are:

Compensated absences	<u>(28,491)</u>	
		<u><u>\$ (1,197,902)</u></u>

CITY OF MEDORA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2019

	Major Enterprise Fund Public Utility	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 24,161	\$ 29,267	\$ 53,428
Total current assets	24,161	29,267	53,428
NONCURRENT ASSETS			
Capital assets			
Nondepreciable	55,945	-	55,945
Depreciable, net	2,179,822	202,306	2,382,128
Total non-current assets	2,235,767	202,306	2,438,073
Total assets	2,259,928	231,573	2,491,501
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	24,677	-	24,677
Total liabilities	24,677	-	24,677
NET POSITION			
Net investment in capital assets	2,235,767	202,306	2,438,073
Unrestricted	(516)	29,267	28,751
Total net position	\$ 2,235,251	\$ 231,573	\$ 2,466,824

See Notes to the Financial Statements

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Enterprise Fund Public Utility	Nonmajor Enterprise Funds	Total Enterprise Funds
Revenues			
Charges for services	\$ 203,189	\$ 14,689	\$ 217,878
Total operating revenues	<u>203,189</u>	<u>14,689</u>	<u>217,878</u>
Expenses			
Supplies	9,344	2,713	12,057
Purchased services	211,480	5,542	217,022
Repairs and maintenance	-	8,618	8,618
Depreciation	<u>9,981</u>	<u>17,598</u>	<u>27,579</u>
Total operating expenses	<u>230,805</u>	<u>34,471</u>	<u>265,276</u>
Operating loss	<u>(27,616)</u>	<u>(19,782)</u>	<u>(47,398)</u>
Nonoperating revenues			
Interest revenue	<u>50</u>	<u>56</u>	<u>106</u>
Total nonoperating revenues	<u>50</u>	<u>56</u>	<u>106</u>
Net loss before transfers	<u>(27,566)</u>	<u>(19,726)</u>	<u>(47,292)</u>
Transfers	<u>2,179,453</u>	<u>-</u>	<u>2,179,453</u>
Change in net position	<u>2,151,887</u>	<u>(19,726)</u>	<u>2,132,161</u>
Total net position, beginning of year	83,364	251,299	334,663
Total net position, end of year	<u><u>\$ 2,235,251</u></u>	<u><u>\$ 231,573</u></u>	<u><u>\$ 2,466,824</u></u>

See Notes to the Financial Statements

CITY OF MEDORA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Enterprise Fund <u>Public Utility</u>	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 210,009	\$ 14,689	\$ 224,698
Payments to suppliers	<u>(216,413)</u>	<u>(16,873)</u>	<u>(233,286)</u>
Net cash used in operating activities	<u>(6,404)</u>	<u>(2,184)</u>	<u>(8,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest expense	<u>50</u>	<u>56</u>	<u>106</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds	<u>2,179,453</u>	<u>-</u>	<u>2,179,453</u>
Net cash used by capital and related financing activities	<u>2,179,453</u>	<u>-</u>	<u>2,179,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	<u>(2,179,453)</u>	<u>-</u>	<u>(2,179,453)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,354)	(2,128)	(8,482)
CASH AND CASH EQUIVALENTS, beginning of year	<u>30,515</u>	<u>31,395</u>	<u>61,910</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 24,161</u></u>	<u><u>\$ 29,267</u></u>	<u><u>\$ 53,428</u></u>
Reconciliation of cash and cash equivalents			
Cash	<u>\$ 24,161</u>	<u>\$ 29,267</u>	<u>\$ 53,428</u>
Total cash and cash equivalents	<u><u>\$ 24,161</u></u>	<u><u>\$ 29,267</u></u>	<u><u>\$ 53,428</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating loss	\$ (27,616)	\$ (19,782)	\$ (47,398)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	9,981	17,598	27,579
Effects on cash flows due to changes in			
Accounts receivable	5,054	-	5,054
Accounts payable	6,177	-	6,177
Net cash provided by operating activities	<u><u>\$ (6,404)</u></u>	<u><u>\$ (2,184)</u></u>	<u><u>\$ (8,588)</u></u>

See Notes to the Financial Statements

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Medora, North Dakota (the "City") operates under a City Council form of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Medora. 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Medora 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 of Medora. Based on these criteria, there are no component units to be included within the City of Medora as a reporting entity.

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available within 60 days of the end of the current fiscal year period. Other revenues are considered available if received one year after the fiscal year-end. Major revenues that are determined to be susceptible to the accrual include grant revenues. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, licenses, special assessments, grants, oil and gas production tax and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this identification are reported as nonoperating revenues and expenses.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the reporting entity, except for fiduciary funds. The statements distinguish between governmental activities, which are normally financed through taxes and intergovernmental revenues, and business-type activities, which are normally financed in whole or in part by fees and charges for services.

The Statement of Net Position presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, operating grants and contributions, and capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designated to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 1) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF MEDORA
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FOR THE YEAR ENDED DECEMBER 31, 2019

Each major fund is presented in a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each category-governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 investment earnings, result from nonexchange transactions or ancillary activities.

Financial Statement Presentation

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

City Sales Tax Fund – This fund is used for infrastructure repairs and construction.

½% Sales Tax Fund – This fund is used for capital improvements and reserve funds as directed by the City Council.

The City reports the following major enterprise funds:

Public Utility Fund – This fund is used to account for the operating and non-operating revenues and expenses of the public utility system. This fund is maintained on the full accrual basis of accounting.

Budgets and Budgetary Accounting

The City Council follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year.

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

must be filed with the county auditor by October 10. The legal level of control is total expenditures by fund.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The City prepares its budget and reports its governmental funds on the cash basis of accounting, which is not materially different from the modified accrual basis.

Cash and Cash Equivalents

The City considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for certificates of deposit which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, curbs, etc.), are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value.

The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement No. 34. The City's infrastructure consists of curbs, sidewalks, and streets constructed after 2003.

The City's capitalization policy is \$5,000 and an estimated useful life in excess of one year or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed, not capitalized.

All capital assets are depreciated over their estimated useful lives on a straight-line basis. The City has established the following useful lives:

Buildings	40-70 years
Building improvements	20 years
Improvements other than buildings	40-100 years
Machinery and equipment	5-20 years
Vehicles	12-15 years

The City reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2019.

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. Unused vacation leave benefits are 100% payable upon termination. Any unused sick leave benefits are payable upon termination after 5 years of employment at a pro-rated amount of 10% of the employee's accrued but unused sick leave. The current maximum accrued sick days is a total of 120 days. Amounts are reported as liabilities in the appropriate governmental or business type activity in the government wide statements. Expenditure for unpaid vacation and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting.

Other Post-Employment Benefits (OPEB)

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

Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

The City of Medora has debt arising from cash basis transactions to be repaid from governmental activities and is reported as a liability in the government-wide statements. The debt consists of a loan from Billings County. The agreement was that the City of Medora would pay back Billings County a total of \$150,000 in increments of \$15,000 annually for 10 years.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. Payment of principal and interest is reported as expenditures.

Net Position and Fund Balance

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is “net position” on government-wide, proprietary and fiduciary financial statements and as “fund balance” on the governmental fund financial statements.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The city council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as inter-fund activity and balances in the fund financial statements have been eliminated or reclassified.

Encumbrances

Encumbrance accounting is used for the General Fund and Special Revenue Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Property Taxes

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the City.

Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2019, the City of Medora has no tax abatements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2 – Restatement of Beginning Net Position

A restatement to government-wide beginning net position was necessary to report OPEB and pension liabilities, deferred outflows and inflows and related expenses. The result of this adjustment decreased net position for governmental activities by (\$80,388).

Note 3 – Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution. The City does not have a formal policy regarding deposits. In accordance with state statutes, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

At year end December 31, 2019, the City's carrying amount of deposits was \$5,898,342 and the bank balance was \$5,406,671. Of the bank balances \$250,000 was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Note 4 - Accounts Receivable

Accounts receivable consist of billings for December and accounts delinquent at December 31. Accounts receivable are presented net of allowance for uncollectible accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered past due if any portion of the balance is outstanding after the due date. As of December 31, 2019, all accounts were considered collectible and accordingly no allowance was recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as "due to/from other funds." Advances between funds are not available to appropriation and are not expendable financial resources.

Note 5 – Taxes Receivables

Taxes receivables consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with the National Council on Government Accounting (NCGA) Interpretation 3, *Revenue Recognition-Property Taxes*. The interpretation states that property tax revenue is recorded when it becomes available. Available means then

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, tax receivable are recorded as unavailable revenue in governmental funds.

As of December 31, 2019 the City had no property taxes receivable.

Note 6 - Intergovernmental Receivable

Intergovernmental receivables consist of reimbursements due from the State Treasurer for city sales tax and special assessments.

Note 7 - Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

Governmental Activities	Balance 1/1/19	Additions	Transfers	Reductions	Balance 12/31/19
Capital assets not being depreciated					
Land	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Infrastructure	1,326,185	-	-	-	1,326,185
Total capital assets not being depreciated	1,446,185	-	-	-	1,446,185
Capital assets being depreciated					
Buildings and infrastructure	2,381,144	-	-	-	2,381,144
Machinery and equipment	716,847	-	-	-	716,847
Improvements other than buildings	801,477	218,048	-	-	1,019,525
Total capital assets being depreciated	3,899,468	218,048	-	-	4,117,516
Less accumulated depreciation					
Buildings and infrastructure	(1,238,238)	(59,223)	-	-	(1,297,461)
Machinery and equipment	(490,957)	(57,598)	-	-	(548,555)
Improvements other than buildings	(210,427)	(44,680)	-	-	(255,107)
Total accumulated depreciation	(1,939,622)	(161,501)	-	-	(2,101,123)
Total capital assets being depreciated	1,959,846	56,547	-	-	2,016,393
Governmental capital assets, net	\$ 3,406,031	\$ 56,547	\$ -	\$ -	\$ 3,462,578

All depreciation expense is unallocated.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Business-Type Activities	Balance 1/1/19	Additions	Transfers	Reductions	Balance 12/31/19
Capital assets not being depreciated					
Land	\$ 55,945	\$ -	\$ -	\$ -	\$ 55,945
Total capital assets not being depreciated	55,945	-	-	-	55,945
Capital assets being depreciated					
Buildings and infrastructure	259,733	-	-	-	259,733
Machinery and equipment	235,176	-	-	-	235,176
Improvements other than buildings	485,487	-	-	-	485,487
Infrastructure	-	2,179,453	-	-	2,179,453
Total capital assets being depreciated	980,396	2,179,453	-	-	3,159,849
Less accumulated depreciation					
Buildings and infrastructure	(249,911)	(263)	-	-	(250,174)
Machinery and equipment	(231,238)	(859)	-	-	(232,097)
Improvements other than buildings	(268,993)	(17,376)	-	-	(286,369)
Infrastructure	-	(9,081)	-	-	(9,081)
Total accumulated depreciation	(750,142)	(27,579)	-	-	(777,721)
Total capital assets being depreciated	230,254	2,151,874	-	-	2,382,128
Business-type capital assets, net	\$ 286,199	\$ 2,151,874	\$ -	\$ -	\$ 2,438,073

Business-type activities depreciation expense by fund is as follows:

Public Utility	\$ 9,981
Outdoor Recreation	17,598
Total depreciation expense	<u>\$ 27,579</u>

Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019:

Governmental Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Compensated absences	\$ 33,163	\$ 16,816	\$ 21,488	\$ 28,491	\$ -
Billing's County Loan	30,000	-	15,000	15,000	15,000
Total	<u>\$ 63,163</u>	<u>\$ 16,816</u>	<u>\$ 36,488</u>	<u>\$ 43,491</u>	<u>\$ 15,000</u>

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 9 - Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

The following is a list of transfers for the year ending December 31, 2019:

Fund	Transfers In	Transfers Out
Governmental funds		
General fund	\$ -	\$ 1,125,158
City sales tax fund		1,054,295
Enterprise funds	<u>2,179,453</u>	<u>-</u>
Total transfers	<u>\$ 2,179,453</u>	<u>\$ 2,179,453</u>

The transfers in and out during 2019 were budgeted transfers.

Note 10 - Fund Balance

At December 31, 2019, the governmental fund balance classifications are as follows:

	General Fund	City Sales Tax Fund	1/2 % Sales Tax Fund	Nonmajor Governmental Funds	Total
Restricted for					
Municiple Highway	\$ -	\$ -	\$ -	\$ 300,607	\$ 300,607
Culture & Recreation	5,725	-	-	-	5,725
Committed for					
1/2% sales tax	-	-	966,508	-	966,508
City sales tax	-	1,788,785	-	-	1,788,785
Occupancy tax	-	-	-	162,272	162,272
Unassigned	<u>2,878,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,878,162</u>
	<u>\$ 2,883,887</u>	<u>\$ 1,788,785</u>	<u>\$ 966,508</u>	<u>\$ 462,879</u>	<u>\$ 6,102,059</u>

Note 11 – OPEB Plan

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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

At December 31, 2019, the Employer reported a liability of \$7,781 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.024154 percent, which was an increase of 0.001206 from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the Employer recognized OPEB expense of \$3,135. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 192	\$ 243
Changes of assumptions	927	-
Net difference between projected and actual earnings on pension plan investments	9	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	131	626
Employer contributions subsequent to the measurement date (see below)	<u>400</u>	<u>-</u>
Total	<u>\$ 1,659</u>	<u>\$ 869</u>

\$400 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

Year ended December 31:	
2020	\$ (57)
2021	(57)
2022	(57)
2023	(57)
2024	(57)
Thereafter	122

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Actuarial assumptions. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	40%	2.07%
Core-Plus Fixed Income	21%	6.95%

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Employer's proportionate share of the net OPEB liability	\$ 24,762	\$ 19,400	\$ 14,811

Note 12 – Pension Plan

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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

At December 31, 2019, the Employer reported a liability of \$303,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Employer's proportion was 0.025911 percent, which was an increase of 0.001469 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Employer recognized pension expense of \$51,214. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 180	\$ 55,115
Changes of assumptions	113,483	97,435
Net difference between projected and actual earnings on pension plan investments	5,291	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,140	26,406
Employer contributions subsequent to the measurement date (see below)	<u>19,572</u>	<u>-</u>
Total	<u>\$ 157,666</u>	<u>\$ 178,956</u>

\$19,572 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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 December 31:	
2020	\$ 5,969
2021	(2,116)
2022	(11,083)
2023	(25,905)
2024	(7,727)
Thereafter	-

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases

Service At Beginning Of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

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

Investment rate of return 7.50%, net of investment expenses

Cost-of-living adjustments None

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

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

CITY OF MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount 7.50%</u>	<u>1% Increase 8.50%</u>
Employer's proportionate share of the net pension liability	\$ 435,434	\$ 303,696	\$ 193,012

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 MEDORA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 12 - Concentrations

The City had certain tax and revenue which individually represented 10% or more of the City's total revenue. At December 31, 2019, the City received \$1,210,225 from the State of North Dakota, and city sales tax revenues totaled \$594,631 from the State of North Dakota.

The City had certain expenditures which individually represented 10% or more of the City's total expenditures. At December 31, 2019, the City had \$164,769 in expenditures paid to Apex Engineering Group for the engineering portion of the the Medora Wastewater Treatment Plant project, \$1,983,401 in construction expenditures paid to Burski Excavating for the Medora Wastewater Treatment Plant, and \$184,496 was spent for repayment of long-term debt, ambulance share, and various other small expenses paid to Billings County Auditor.

Note 13 – Subsequent Events

On March 3, 2020 the city accepted a \$109,052 bid from Cordova Construction for replacement of a watermain.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID 19) a pandemic and on March 13, 2020 Governor of North Dakota declared a state of emergency in response to the COVID 19 public health crisis. As a result, economic uncertainties have arisen which are likely to negatively impact revenues. At the current time, we are unable to quantify the potential effects of this pandemic on our future financial statements.

On May 18, 2020 the city accepted a bid totaling \$158,192 for street patching, chip sealing, and fog sealing.

By December 30, 2020 the city received a total of \$163,243 from the CARES Act. On June 1, 2021 the city designated \$99,029 of these funds to be used for repairs to the Medora Community Center.

On June 16, 2021 the City accepted a \$165,980 proposal to replace the Medora Community Center's roof.

On July 25, 2022 the City set aside \$100,000 for a fire department truck.

The City of Medora has evaluated subsequent events through September 30, 2023, the date which the financial statements were available to be issued.

CITY OF MEDORA

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

CITY OF MEDORA
SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
LAST 10 FISCAL YEARS*

	2018	2019
Employer's proportion of the net OPEB liability (asset)	0.022948%	0.024154%
Employer's proportionate share of the net OPEB liability (asset)	2,725	7,781
Employer's covered-employee payroll	251,097	269,519
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	1.09%	2.89%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	63.13%

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

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

	2018	2019
Statutorily required contribution	2,945	3,135
Contributions in relation to the statutory required contribution	(2,725)	(3,437)
Contribution deficiency (excess)	220	(302)
Employer's covered-employee payroll	251,097	269,519
Contributions as a percentage of covered-employee payroll	1.09%	1.28%

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

CITY OF MEDORA
SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.031759%	0.026455%	0.026639%	0.025911%
Employer's proportionate share of the net pension liability (asset)	215,956	257,830	428,176	303,696
Employer's covered-employee payroll	282,934	266,606	271,940	269,519
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	96.71%	157.45%	112.68%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	71.10%	152.96%	71.66%

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

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

	2016	2017	2018	2019
Statutorily required contribution	21,491	19,302	19,719	19,622
Contributions in relation to the statutory required contribution	(20,145)	19,921	21,521	(21,468)
Contribution deficiency (excess)	1,346	(619)	(1,802)	(1,846)
Employer's covered-employee payroll	282,934	266,606	271,940	269,519
Contributions as a percentage of covered-employee payroll	7.60%	7.47%	7.91%	7.97%

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

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 50,620	\$ 50,620	\$ 51,528	\$ 908
Licenses and permits	10,395	10,395	11,800	1,405
Intergovernmental revenues	909,300	909,300	1,468,303	559,003
Charges for services	20,200	20,200	49,550	29,350
Fines and forfeitures	100	100	60	(40)
Investment earnings	2,000	2,000	16,879	14,879
Other income	14,600	14,600	50,346	35,746
Total revenues	1,007,215	1,007,215	1,648,466	641,251
Expenditures				
General government	340,745	340,745	293,927	(46,818)
Public safety	453,273	453,273	411,956	(41,317)
Public works	1,191,401	1,191,401	148,117	(1,043,284)
Culture and recreation	451,038	451,038	452,764	1,726
Total expenditures	2,436,457	2,436,457	1,306,764	(1,129,693)
Excess (Deficiency) of Revenues over Expenditures	(1,429,242)	(1,429,242)	341,702	1,770,944
Other Financing Sources (Uses)				
Transfers out	-	-	(1,125,158)	(1,125,158)
Total other financing sources and uses	-	-	(1,125,158)	(1,125,158)
Net change in fund balance	<u>\$ (1,429,242)</u>	<u>\$ (1,429,242)</u>	(783,456)	<u>\$ 645,786</u>
Fund Balance - Beginning			<u>3,667,343</u>	
Fund Balance - Ending			<u>\$ 2,883,887</u>	

CITY OF MEDORA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental revenues	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 619,804</u>	<u>\$ 219,804</u>
Total revenues	400,000	400,000	619,804	219,804
Expenditures				
General government	16,000	16,000	2,908	(13,092)
Public safety	10,000	10,000	-	(10,000)
Public works	1,120,000	1,120,000	89,145	(1,030,855)
Culture and recreation	110,000	110,000	60,783	(49,217)
Debt service	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total expenditures	1,271,000	1,271,000	167,836	(1,103,164)
		-		
Excess (Deficiency) of Revenues over Expenditures	(871,000)	(871,000)	451,968	1,322,968
Other Financing Sources (Uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(1,054,295)</u>	<u>(1,054,295)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(1,054,295)</u>	<u>(1,054,295)</u>
Net change in fund balance	<u>\$ (871,000)</u>	<u>\$ (871,000)</u>	(602,327)	<u>\$ 268,673</u>
Fund Balance - Beginning			<u>2,391,112</u>	
Fund Balance - Ending			<u>\$ 1,788,785</u>	

CITY OF MEDORA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – 1/2% CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental revenues	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 154,950</u>	<u>\$ 44,950</u>
Total revenues	110,000	110,000	154,950	44,950
Excess (Deficiency) of Revenues over Expenditures	<u>110,000</u>	<u>110,000</u>	<u>154,950</u>	<u>44,950</u>
Net change in fund balance	<u>\$ 110,000</u>	<u>\$ 110,000</u>	154,950	<u>\$ 44,950</u>
Fund Balance - Beginning			<u>811,558</u>	
Fund Balance - Ending			<u>\$ 966,508</u>	

CITY OF MEDORA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental revenues	<u>\$ 174,000</u>	<u>\$ 174,000</u>	<u>\$ 207,665</u>	<u>\$ 33,665</u>
Total revenues	174,000	174,000	207,665	33,665
Expenditures				
Public works	86,000	86,000	72,592	(13,408)
Culture and recreation	<u>111,000</u>	<u>111,000</u>	<u>116,272</u>	<u>5,272</u>
Total expenditures	197,000	197,000	188,864	(8,136)
Excess (Deficiency) of Revenues over Expenditures	<u>(23,000)</u>	<u>(23,000)</u>	<u>18,801</u>	<u>41,801</u>
Net change in fund balance	<u><u>\$ (23,000)</u></u>	<u><u>\$ (23,000)</u></u>	18,801	<u><u>\$ 41,801</u></u>
Fund Balance - Beginning			<u>444,078</u>	
Fund Balance - Ending			<u><u>\$ 462,879</u></u>	

CITY OF MEDORA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – OPEB

Changes of benefit terms. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions. The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Note 2 – Pension – Main System

Changes of benefit terms. The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions. The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Budgetary Information

The City Council adopts an annual budget on a basis consistent with the cash basis of accounting for the general fund, each special revenue fund and each debt service fund of the municipality. Annual appropriations lapse at year end.

Section 40-40-10, NDCC requires that immediately after the completion of the final budget and the adoption of the annual tax levy and not later than October 10, the City Auditor shall send to the County Auditor a certified copy of the levy and a certified copy of the final budget.



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The City Council
City of Medora

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Medora as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Medora's basic financial statements, and have issued our report thereon dated January 2, 2024

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-01 and 2019-02.

Compliance and Other Matters

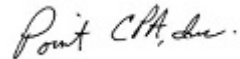
As part of obtaining reasonable assurance about whether City of Medora's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Medora's Response to Findings

City of Medora's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Medora's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Bismarck, ND
January 2, 2024

CITY OF MEDORA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

2019-01 Preparation of Financial Statements

Material Weakness in Internal Control over Financial Reporting

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of generally accepted accounting principles (GAAP) financial statements financial statements and accompanying notes to the financial statements.

Condition – The City does not have an internal control system designed to provide for the preparation of GAAP financial statements being audited. Point CPA was requested to draft the financial statements and accompanying notes to the financial statements.

Cause – As a relatively small local government the city has determined it is not cost effective to hire the additional employees needed to prepare their GAAP financial statements.

Effect – Inadequate control over financial reporting of the City could result in the more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation – The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – Upon review, City Officials are in agreement with the finding noted.

2019-02 Segregation of Duties

Material Weakness in Internal Control over Financial Reporting

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that there is proper approval of transactions.

Condition – The City has a lack of segregation of duties in certain areas, specifically the cash receipt process and the review and approval process of manual journal entries due to limited staff.

Cause – There are a limited number of employees to segregate all of the duties.

Effect - Inadequate segregation of duties could adversely affect the City's ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely manner.

Recommendation – The City should continue to review accounting functions to determine if additional segregation of duties is feasible.

Views of Responsible Officials – Upon review, City Officials are in agreement with the finding noted.