

**CITY OF MINTO  
MINTO, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the  
City Council  
Minto, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the City of Minto, North Dakota, which comprise the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of and for the year ended December 31, 2019, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2022, on our consideration of the City of Minto, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minto, North Dakota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

April 19, 2022

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 477,404	\$ 239,824	\$ 717,228
Investments	71,417	-	71,417
Interfund balances	45,733	(45,733)	-
Receivables:			
Taxes	9,321	-	9,321
Special assessments	251,382	-	251,382
Accounts (net of uncollectible)	13,217	9,617	22,834
Other governments	44,781	-	44,781
Total current assets	<u>913,255</u>	<u>203,708</u>	<u>1,116,963</u>
Non current assets			
Special assessments receivable	<u>718,590</u>	<u>-</u>	<u>718,590</u>
Capital assets			
Land	8,500	-	8,500
Property, plant and equipment	486,944	3,282,939	3,769,883
Infrastructure	1,575,401	1,892,393	3,467,794
Less: accumulated depreciation	<u>(907,702)</u>	<u>(3,365,137)</u>	<u>(4,272,839)</u>
Net capital assets	<u>1,163,143</u>	<u>1,810,195</u>	<u>2,973,338</u>
<b>TOTAL ASSETS</b>	<u>2,794,988</u>	<u>2,013,903</u>	<u>4,808,891</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan - NDPERS	20,165	30,388	50,553
Cost sharing OPEB - NDPERS	799	1,196	1,995
Total Deferred Outflows	<u>20,964</u>	<u>31,584</u>	<u>52,548</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	31,445	17,585	49,030
Payroll Liabilities	857	737	1,594
Interest payable	8,645	-	8,645
Current portion of long-term debt	190,385	-	190,385
Total current liabilities	<u>231,332</u>	<u>18,322</u>	<u>249,654</u>
Long-term liabilities			
Accrued vacation	-	5,731	5,731
Non-current portion of long-term debt	830,325	-	830,325
Net pension liability	35,488	55,934	91,422
Net OPEB liability	2,321	3,520	5,841
Total long-term liabilities	<u>868,134</u>	<u>65,185</u>	<u>933,319</u>
<b>TOTAL LIABILITIES</b>	<u>1,099,466</u>	<u>83,507</u>	<u>1,182,973</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan-NDPERS	22,726	34,371	57,097
Cost sharing OPEB - NDPERS	360	627	987
Total Deferred Inflows	<u>23,086</u>	<u>34,998</u>	<u>58,084</u>
<b>NET POSITION</b>			
Net investment in capital assets	922,433	1,810,195	2,732,628
Restricted-debt service	1,315,888	-	1,315,888
Restricted-other	92,041	-	92,041
Unrestricted	<u>(636,962)</u>	<u>116,787</u>	<u>(520,175)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,693,400</u>	<u>\$ 1,926,982</u>	<u>\$ 3,620,382</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities</b>								
Current								
General government	\$ 185,326	\$ 74,210	\$ 1,590	\$ -	\$ (109,526)	\$ -	\$ (109,526)	
Public safety	11,423	-	2,536	-	(8,887)	-	(8,887)	
Highways and streets	128,968	14,014	345	-	(114,609)	-	(114,609)	
Health and welfare	-	-	-	-	-	-	-	
Culture and recreation	32,226	13,671	750	-	(17,805)	-	(17,805)	
Interest and fees	35,034	-	-	-	(35,034)	-	(35,034)	
Total Governmental Activities	<u>392,977</u>	<u>101,895</u>	<u>5,221</u>	<u>-</u>	<u>(285,861)</u>	<u>-</u>	<u>(285,861)</u>	
<b>Business-Type Activities</b>								
Water	327,657	195,703	-	-	-	(131,954)	(131,954)	
Garbage	70,621	60,012	-	-	-	(10,609)	(10,609)	
Sewer	93,400	33,707	-	198,000	-	138,307	138,307	
Total Business-Type Activities	<u>491,678</u>	<u>289,422</u>	<u>-</u>	<u>198,000</u>	<u>-</u>	<u>(4,256)</u>	<u>(4,256)</u>	
Total Primary Government	<u>\$ 884,655</u>	<u>\$ 391,317</u>	<u>\$ 5,221</u>	<u>\$ 198,000</u>	<u>(285,861)</u>	<u>(4,256)</u>	<u>(290,117)</u>	
General Receipts:								
					182,619	-	182,619	
					29,249	-	29,249	
							-	
					52,625	-	52,625	
					19,968	14,765	34,733	
					(30,715)	30,715	-	
					<u>253,746</u>	<u>45,480</u>	<u>299,226</u>	
					Change in Net Position	(32,115)	41,224	9,109
					Net Position, January 1	<u>1,725,515</u>	<u>1,885,758</u>	<u>3,611,273</u>
					Net Position, December 31	<u>\$ 1,693,400</u>	<u>\$ 1,926,982</u>	<u>\$ 3,620,382</u>

See Notes to the Financial Statements



**CITY OF MINTO, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>General</u>	<u>2005 Paving Improvement OT/GA</u>	<u>Waste Water Improvement Fund</u>	<u>Highway Distribution</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 35,351	\$ 158,079	\$ 187,837	\$ -	\$ 96,137	\$ 477,404
Investments	71,417	-	-	-	-	71,417
Receivables:						
Taxes	8,758	-	-	-	563	9,321
Special assessments	-	174,449	795,523	-	-	969,972
Accounts	13,217	-	-	-	-	13,217
Other governments	27,525	-	-	6,758	10,498	44,781
Due from other funds	64,628	-	-	-	-	64,628
Total Assets	<u>\$ 220,896</u>	<u>\$ 332,528</u>	<u>\$ 983,360</u>	<u>\$ 6,758</u>	<u>\$ 107,198</u>	<u>\$ 1,650,740</u>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ 18,895	\$ -	\$ 18,895
Accounts payable	16,025	-	-	263	15,157	31,445
Payroll liabilities	25	-	-	832	-	857
Total liabilities	<u>16,050</u>	<u>-</u>	<u>-</u>	<u>19,990</u>	<u>15,157</u>	<u>51,197</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable property taxes receivable	8,758	-	-	-	563	9,321
Delinquent special assessments	-	9,712	9,712	-	-	19,424
Uncertified special assessments	-	164,737	785,811	-	-	950,548
Total Deferred Inflows of Resources	<u>8,758</u>	<u>174,449</u>	<u>795,523</u>	<u>-</u>	<u>563</u>	<u>979,293</u>
<b>FUND BALANCE</b>						
Restricted	-	158,079	187,837	-	91,478	437,394
Unassigned	196,088	-	-	(13,232)	-	182,856
Total Fund Balance	<u>196,088</u>	<u>158,079</u>	<u>187,837</u>	<u>(13,232)</u>	<u>91,478</u>	<u>620,250</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 220,896</u>	<u>\$ 332,528</u>	<u>\$ 983,360</u>	<u>\$ 6,758</u>	<u>\$ 107,198</u>	<u>\$ 1,650,740</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

Total fund balance-governmental funds		\$ 620,250
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		\$ 2,070,845
Accumulated depreciation		<u>(907,702)</u>
Net		1,163,143
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
		(2,122)
Bond discounts are not financial resources and therefore are not reported in governmental funds.		
Bond discount		15,375
Accumulated amortization		<u>(13,202)</u>
Net		2,173
Delinquent property taxes, delinquent special assessments and uncertified special assessments will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Delinquent property taxes		9,321
Special assessments		969,972
Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(8,645)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:		
Notes payable		(780,000)
Capital lease payable		(67,883)
Bonds payable		(175,000)
Net pension liability		(35,488)
Net OPEB liability		<u>(2,321)</u>
		<u>(1,060,692)</u>
Total net position-governmental activities		<u>\$ 1,693,400</u>

See Notes to the Financial Statements

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

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Highway Distribution	Other Governmental Funds	Total
<b>Revenues:</b>						
Taxes	\$ 94,963	\$ -	\$ -	\$ 37,163	\$ 51,606	\$ 183,732
Special assessments	-	148,406	70,151	-	-	218,557
Licenses, permits and fees	88,224	-	-	-	-	88,224
Intergovernmental revenues	55,310	-	-	-	2,536	57,846
Miscellaneous revenues	30,687	830	1,052	10	1,060	33,639
Total revenues	<u>269,184</u>	<u>149,236</u>	<u>71,203</u>	<u>37,173</u>	<u>55,202</u>	<u>581,998</u>
<b>Expenditures:</b>						
Current:						
General government	161,364	-	-	18,325	2,053	181,742
Public safety	11,043	-	-	-	380	11,423
Highways and streets	12,317	-	-	25,800	16,131	54,248
Culture and recreation	32,226	-	-	-	-	32,226
Debt service:						
Principal retirement	-	135,000	55,000	24,549	-	214,549
Interest	-	5,058	20,875	3,154	-	29,087
Fiscal charges	-	1,020	4,175	-	-	5,195
Total expenditures	<u>216,950</u>	<u>141,078</u>	<u>80,050</u>	<u>71,828</u>	<u>18,564</u>	<u>528,470</u>
Excess of Revenues Over (Under) Expenditures	<u>52,234</u>	<u>8,158</u>	<u>(8,847)</u>	<u>(34,655)</u>	<u>36,638</u>	<u>53,528</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	-	-	-	33,513	-	33,513
Operating transfers out	(64,228)	-	-	-	-	(64,228)
Total other financing sources (uses)	<u>(64,228)</u>	<u>-</u>	<u>-</u>	<u>33,513</u>	<u>-</u>	<u>(30,715)</u>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	(11,994)	8,158	(8,847)	(1,142)	36,638	22,813
Fund Balance (Deficit), Beginning of Year	<u>208,082</u>	<u>149,921</u>	<u>196,684</u>	<u>(12,090)</u>	<u>54,840</u>	<u>597,437</u>
Fund Balance (Deficit), End of Year	<u>\$ 196,088</u>	<u>\$ 158,079</u>	<u>\$ 187,837</u>	<u>\$ (13,232)</u>	<u>\$ 91,478</u>	<u>\$ 620,250</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance- total governmental funds	\$ 22,813
<p>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 as depreciation expense. In the current period, these amounts are:</p>	
Capital asset purchases capitalized	\$ -
Depreciation expense	<u>(74,720)</u>
Excess of capital outlay over depreciation expense	(74,720)
<p>Governmental funds report discounts on bond issuance as expenditures. However, in the statement of activities, the cost of those assets are allocated over the life of the debt as amortization expense. In the current period, these amounts are:</p>	
Amortization expense	(1,922)
<p>Accrued vacation is recorded as expenditures in the funds upon payment, however in the statement of activities the expense is recognized as incurred.</p>	
	370
<p>Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
	214,549
<p>Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds.</p>	
Net change in unavailable property taxes	(1,113)
Net change in special assessments	(189,308)
Changes in pension and OPEB liabilities and related deferrals	(3,954)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	<u>1,170</u>
Net change in net position of governmental activities	<u>\$ (32,115)</u>

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 233,091	\$ 6,733	\$ -	\$ 239,824
Accounts receivable	<u>7,351</u>	<u>1,511</u>	<u>755</u>	<u>9,617</u>
Total current assets	<u>240,442</u>	<u>8,244</u>	<u>755</u>	<u>249,441</u>
Capital assets				
Property, plant and equipment	3,208,790	-	1,966,542	5,175,332
Less: Accum. depreciation	<u>(2,436,875)</u>	<u>-</u>	<u>(928,262)</u>	<u>(3,365,137)</u>
Net capital assets	<u>771,915</u>	<u>-</u>	<u>1,038,280</u>	<u>1,810,195</u>
<b>TOTAL ASSETS</b>	<u>1,012,357</u>	<u>8,244</u>	<u>1,039,035</u>	<u>2,059,636</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan - NDPERS	26,015	-	4,373	30,388
Cost sharing OPEB -NDPERS	<u>1,025</u>	<u>-</u>	<u>171</u>	<u>1,196</u>
Total deferred outflows	<u>27,040</u>	<u>-</u>	<u>4,544</u>	<u>31,584</u>
<b>LIABILITIES</b>				
Current				
Due to other funds	-	-	45,733	45,733
Accounts payable	15,848	46	1,691	17,585
Payroll liabilities	<u>607</u>	<u>-</u>	<u>130</u>	<u>737</u>
Total current liabilities	<u>16,455</u>	<u>46</u>	<u>47,554</u>	<u>64,055</u>
Long-term				
Accrued vacation	5,029	-	702	5,731
Net pension liability	47,665	-	8,269	55,934
Net OPEB liability	<u>3,010</u>	<u>-</u>	<u>510.00</u>	<u>3,520</u>
Total long-term liabilities	<u>55,704</u>	<u>-</u>	<u>9,481</u>	<u>65,185</u>
<b>TOTAL LIABILITIES</b>	<u>72,159</u>	<u>46</u>	<u>57,035</u>	<u>129,240</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	29,418	-	4,953	34,371
Cost sharing OPEB -NDPERS	<u>531</u>	<u>-</u>	<u>96</u>	<u>627</u>
Total deferred inflows	<u>29,949</u>	<u>-</u>	<u>5,049</u>	<u>34,998</u>
<b>NET POSITION</b>				
Net investment in capital assets	771,915	-	1,038,280	1,810,195
Unrestricted	<u>165,374</u>	<u>8,198</u>	<u>(56,785)</u>	<u>116,787</u>
<b>TOTAL NET POSITION</b>	<u>\$ 937,289</u>	<u>\$ 8,198</u>	<u>\$ 981,495</u>	<u>\$ 1,926,982</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Sales - net of discounts	\$ 195,703	\$ 60,012	\$ 33,707	\$ 289,422
Cost of goods sold	<u>(79,142)</u>	<u>(62,768)</u>	<u>-</u>	<u>(141,910)</u>
Gross profit	<u>116,561</u>	<u>(2,756)</u>	<u>33,707</u>	<u>147,512</u>
<b>Operating Expenses:</b>				
Salaries	90,593	-	15,216	105,809
Property and liability insurance	1,106	-	206	1,312
Supplies	12,145	540	5,246	17,931
Chemicals	-	-	590	590
Repairs	32,813	7,313	17,095	57,221
Gas and oil	2,876	-	1,316	4,192
Travel and training	444	-	-	444
Miscellaneous	1,470	-	15	1,485
Utilities	9,344	-	2,849	12,193
Depreciation	<u>97,724</u>	<u>-</u>	<u>50,867</u>	<u>148,591</u>
Total operating expenses	<u>248,515</u>	<u>7,853</u>	<u>93,400</u>	<u>349,768</u>
Operating Income (Loss)	<u>(131,954)</u>	<u>(10,609)</u>	<u>(59,693)</u>	<u>(202,256)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Federal Revenue	-	-	198,000	198,000
Interest	1,275	624	-	1,899
Miscellaneous	<u>12,866</u>	<u>-</u>	<u>-</u>	<u>12,866</u>
Total non-operating revenues (expenses)	<u>14,141</u>	<u>624</u>	<u>198,000</u>	<u>212,765</u>
Income (Loss) Before Transfers	<u>(117,813)</u>	<u>(9,985)</u>	<u>138,307</u>	<u>10,509</u>
<b>Transfers:</b>				
Transfers in	<u>20,592</u>	<u>-</u>	<u>10,123</u>	<u>30,715</u>
Net transfers	<u>20,592</u>	<u>-</u>	<u>10,123</u>	<u>30,715</u>
Net Income (Loss)	(97,221)	(9,985)	148,430	41,224
Net Position, Beginning of Year	<u>1,034,510</u>	<u>18,183</u>	<u>833,065</u>	<u>1,885,758</u>
Net Position, End of Year	<u>\$ 937,289</u>	<u>\$ 8,198</u>	<u>\$ 981,495</u>	<u>\$ 1,926,982</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 196,129	\$ 58,701	\$ 33,755	\$ 288,585
Cash payments to suppliers	(135,475)	(70,621)	(26,441)	(232,537)
Cash paid to employees	<u>(81,845)</u>	<u>-</u>	<u>(13,970)</u>	<u>(95,815)</u>
Net cash flow from operating activities	<u>(21,191)</u>	<u>(11,920)</u>	<u>(6,656)</u>	<u>(39,767)</u>
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous revenues (expenses)	12,866	-	-	12,866
Due to/from other funds	-	-	45,733	45,733
Operating transfers in from other funds	<u>20,592</u>	<u>-</u>	<u>10,123</u>	<u>30,715</u>
Net cash flow from non-capital financing activities	<u>33,458</u>	<u>-</u>	<u>55,856</u>	<u>89,314</u>
<b>CASH FLOWS FROM (TO) CAPITAL FINANCING ACTIVITIES</b>				
Federal Revenue	-	-	198,000	198,000
Capital Purchases	<u>-</u>	<u>-</u>	<u>(278,709)</u>	<u>(278,709)</u>
Net cash flow from capital financing activities	<u>-</u>	<u>-</u>	<u>(80,709)</u>	<u>(80,709)</u>
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>				
Interest income	<u>1,275</u>	<u>624</u>	<u>-</u>	<u>1,899</u>
Net cash flow from investing activities	<u>1,275</u>	<u>624</u>	<u>-</u>	<u>1,899</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	13,542	(11,296)	(31,509)	(29,263)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>219,549</u>	<u>18,029</u>	<u>31,509</u>	<u>269,087</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 233,091</u>	<u>\$ 6,733</u>	<u>\$ -</u>	<u>\$ 239,824</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$(131,954)	\$(10,609)	\$ (59,693)	\$(202,256)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	97,724	-	50,867	148,591
Changes in assets and liabilities				
(Increase)/Decrease in accounts receivable	426	(1,311)	48	(837)
(Increase)/Decrease in deferred outflows of resources	(4,087)	-	(662)	(4,749)
Increase/(Decrease) in accounts payable	3,865	-	876	4,741
Increase/(Decrease) in payroll liabilities	607	-	130	737
Increase/(Decrease) in deferred inflows of resources	18,178	-	2,945	21,123
Increase/(Decrease) in net pension liability	(9,751)	-	(1,580)	(11,331)
Increase/(Decrease) in net OPEB liability	500	-	81	581
Increase/(Decrease) in compensated absences	<u>3,301</u>	<u>-</u>	<u>332</u>	<u>3,633</u>
Net cash provided (used) by operating activities	<u>\$ (21,191)</u>	<u>\$ (11,920)</u>	<u>\$ (6,656)</u>	<u>\$ (39,767)</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENTS OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	<b><u>Agency Funds</u></b>
	<b><u>Airport Authority</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 671
Taxes receivable	410
Due from other governments	<u>651</u>
TOTAL ASSETS	<u><u>\$ 1,732</u></u>
<b>LIABILITIES</b>	
Due to other entities	\$ 1,322
Unearned revenues	<u>410</u>
TOTAL LIABILITIES	<u><u>\$ 1,732</u></u>



**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Minto is a municipality in which citizens elect the mayor at large and four council members at large.

Reporting Entity - Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of an organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the City. Fiscal dependence can include the City's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on these criteria, there are no component units to be included within the City's reporting entity.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

***Basis of Presentation***

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

**Fund Financial Statements**

In order to aid financial management and to demonstrate legal compliance, the City segregates transactions related to certain functions or activities in separate funds. Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary.

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for the total of all governmental and enterprise funds combined.

Major funds for the governmental funds are the General Fund, Debt Service Fund-2005 Paving Improvement, Debt Service Fund-Waste Water Improvement, and the Highway Distribution Fund.

Major proprietary funds include the water fund, sewer fund, and sanitation fund.

*Governmental Funds:*

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of long-term debt, principal and interest.

Capital Project Funds

Capital Project Funds are used to account for the accumulation of resources for, and the payment of capital outlay.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

*Proprietary Funds*

Proprietary fund types are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector.

*Fiduciary Funds*

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following are the City's fiduciary fund types:

Agency Funds

Agency funds are used to account for assets held by the City as an agent for other entities.

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

***Measurement Focus and Basis of Accounting***

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

***Measurement Focus:***

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

***Basis of Accounting***

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City’s governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

**Cash and Equivalents**

The City considers cash equivalents to be temporary investments, which are readily convertible to cash, such as certificates of deposit, commercial paper, and treasury bills of less than three months.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Investments**

Investments consist solely of certificates of deposit.

**Revenues**

The City has the following program revenues; fees, fines and charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, special assessments, intergovernmental revenues and investment income.

Operating revenues and expenses in the enterprise funds consist of user fees, sales, charges for services and the related income and expenses associated with providing those sales and services. Non-operating revenues and expenses consist of contributions, grants, rents, interest and other miscellaneous items not associated with the services the fund is providing.

**Revenues-Exchange and Non-Exchange Transactions:**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the City receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the City.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

**Property Taxes and Special Assessments**

Property taxes attach as an enforceable lien on January 1st of the year collectible. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th if taxes are not paid.

Property taxes are all considered susceptible to accrual and so have been recognized as revenues in the current fiscal period. However, delinquent taxes may not be collected soon enough in the following year to be available for current expenditures, therefore offset by deferred inflows of resources.

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

Special Assessments receivable include the Following components:

*Unremitted* – includes amounts held by the county as a collection agent.

*Delinquent* – included amount billed to the property owners but not paid as of December 31, 2019.

*Uncertified* – includes assessment installment which will be billed to property owners in future years.

Special assessment principal revenues are recognized as installments become measurable and available. Special Assessment - interest is recognized when due.

### **Unearned Revenues**

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

### **Accounts Receivable**

Accounts receivable are carried at original invoice. Management regularly evaluates customer receivables. Receivables are written off when deemed uncollectible.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represent actuarial differences within the NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date. See Notes 6 and 7 for more details.

In addition to liabilities, the statement of net 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 in inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the items, *unavailable property taxes*, *delinquent special assessments*, and *uncertified special assessments* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represent actuarial differences within the NDPERS pension and OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Notes 6 and 7 for more details.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column and in the proprietary fund statements. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated assets are recorded at acquisition value at the time of donation.

Depreciation on exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings and Improvements	15 – 50 years
Equipment	5 – 25 years
Infrastructure	50 years

Capital assets not being depreciated include land and construction in progress.

**Capitalized Interest**

The City capitalizes net interest costs and interest earned as part of the cost of constructing various projects when material.

**Long-Term Debt**

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

**Compensated Absences**

Compensated absences are expensed when earned.

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

### **Net Position**

In the government-wide financial statements, equity is classified as “Net Position” and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### **Fund Balances**

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

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

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

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority which is the Council through a resolution.

Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Council.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

**Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

**Encumbrances**

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Significant Group Concentrations of Credit Risk**

As of December 31, 2019, the City's receivables consist of amounts owed from the local area businesses and individuals for utility services. The City does not require collateral or other security.

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities, are eliminated in the statement of activities.

**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.



**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The City maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents. In addition, non-pooled investments are separately held and reflected in their respective funds balance sheet as investments. The City's investments consist of certificates of deposit.

In accordance with North Dakota laws, the City maintains deposits at depositories authorized by the city council. The depositories are members of the Federal Reserve System.

State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. The City's cash and investments are held by the designated depository. At December 31, 2019, the City had adequate FDIC insurance or pledged collateral to cover all deposits.

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State statutes authorize local governments to invest in:

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2019 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Non-Depreciable:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Total	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Capital Assets, Depreciable				
Machinery, Equipment and Vehicles	486,944	-	-	486,944
Infrastructure	<u>1,575,401</u>	<u>-</u>	<u>-</u>	<u>1,575,401</u>
Total	<u>2,062,345</u>	<u>-</u>	<u>-</u>	<u>2,062,345</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	308,363	33,857	-	342,220
Infrastructure	<u>524,619</u>	<u>40,863</u>	<u>-</u>	<u>565,482</u>
Total Accumulated Depreciation	<u>832,982</u>	<u>74,720</u>	<u>-</u>	<u>907,702</u>
Total Capital Assets, Depreciable, Net	<u>1,229,363</u>	<u>(74,720)</u>	<u>-</u>	<u>1,154,643</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,237,863</u>	<u>\$ (74,720)</u>	<u>\$ -</u>	<u>\$ 1,163,143</u>

Changes in capital assets for the business-type activities for the year ended December 31, 2019 are as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Depreciable				
Buildings and Improvements	\$ 3,169,918	\$ -	\$ -	\$ 3,169,918
Machinery, Equipment and Vehicles	113,021	-	-	113,021
Infrastructure	<u>1,613,684</u>	<u>278,709</u>	<u>-</u>	<u>1,892,393</u>
Total	<u>4,896,623</u>	<u>278,709</u>	<u>-</u>	<u>5,175,332</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,309,338	94,469	-	2,403,807
Machinery and Equipment	74,183	7,794	-	81,977
Infrastructure	<u>833,025</u>	<u>46,328</u>	<u>-</u>	<u>879,353</u>
Total Accumulated Depreciation	<u>3,216,546</u>	<u>148,591</u>	<u>-</u>	<u>3,365,137</u>
Total Capital Assets, Depreciable, Net	<u>\$ 1,680,077</u>	<u>\$ 130,118</u>	<u>\$ -</u>	<u>\$ 1,810,195</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Depreciation expenses charged to the various functions in the Statement of Activities for the year ended December 31, 2019 are as follows:

Governmental Activities	
Highways and Streets	<u>\$ 74,720</u>
Business-Type Activities	
Water	\$ 97,724
Sewer	<u>50,867</u>
	<u>\$ 148,591</u>

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in the governmental activities long-term liabilities by individual issue for the year ended December 31, 2019:

Issue	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Vacation		\$ 370	\$ -	\$ 370	\$ -	\$ -
Bonds Payable						
\$480,000 Refunding Improvement Bonds, Series 2012	1.0-1.7%	105,000	-	65,000	40,000	40,000
\$545,000 Refunding Improvement Bonds, Series 2013	1.25-2.25%	205,000	-	70,000	135,000	70,000
Discount on Bonds		(4,095)		(1,922)	(2,173)	-
Notes Payable						
Clean Water State Revolving Fund Program	2.50%	835,000		55,000	780,000	55,000
Capital Lease						
Street Sweeper	3.30%	68,540	-	12,802	55,738	13,240
Road Grader	3.39%	23,892		11,747	12,145	12,145
Net OPEB Liability		1,913	408	-	2,321	-
Net Pension Liability		<u>43,459</u>	<u>-</u>	<u>7,971</u>	<u>35,488</u>	<u>-</u>
Total Long-Term Debt-Governmental Activities		<u>\$ 1,279,079</u>	<u>\$ 408</u>	<u>\$ 220,968</u>	<u>\$ 1,058,519</u>	<u>\$ 190,385</u>

The net pension and OPEB liabilities will be liquidated through the general fund.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The amount of future payments on the above governmental activities long-term debt for the year ended December 31, 2019 is as follows:

<u>Refunding Improvement Bond, Series 2012</u>			<u>Refunding Improvement Bond, Series 2013</u>				
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 40,000	\$ 340	\$ 40,340	2020	\$ 70,000	\$ 2,250	\$ 72,250
2021	-	-	-	2021	65,000	731	65,731
	<u>\$ 40,000</u>	<u>\$ 340</u>	<u>\$ 40,340</u>		<u>\$ 135,000</u>	<u>\$ 2,981</u>	<u>\$ 137,981</u>

<u>Clean Water State Revolving Program</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 55,000	\$ 19,500	\$ 74,500
2021	55,000	18,125	73,125
2022	60,000	16,750	76,750
2023	60,000	15,250	75,250
2024	65,000	13,750	78,750
2025-2029	340,000	44,000	384,000
2030-2034	145,000	5,500	150,500
	<u>\$ 780,000</u>	<u>\$ 132,875</u>	<u>\$ 912,875</u>

<u>Equipment Lease</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 25,385	\$ 2,318	\$ 27,703
2021	13,693	1,453	15,146
2022	14,161	985	15,146
2023	14,644	501	15,145
	<u>\$ 67,883</u>	<u>\$ 5,257</u>	<u>\$ 73,140</u>

**NOTE 6 NDPERS PENSION PLAN**

**North Dakota Public Employees' Retirement System (Main System)**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 annual 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.

**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.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 reported a liability of \$91,422 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 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, 2019, the City's proportion was 0.00780 percent, an increase of 0.000012 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$15,609. The City has elected to pay the employer and employee portion of the retirement contribution. At December 31, 2019, the City 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	\$ 51	\$ 16,591
Changes in assumptions	34,162	29,331
Net difference between projected and actual earnings on pension plan investments	1,593	
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,825	11,175
Employer contributions subsequent to the measurement date	2,922	-
	<u>\$ 50,553</u>	<u>\$ 57,097</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

\$2,922 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 ending 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:

<u>Year ending December 31</u>	<u>Pension Expense</u> <u>Amount</u>
2020	\$ 2,006
2021	361
2022	(3,182)
2023	(6,762)
2024	(1,888)

**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:

Inflations		2.50%
Salary Increases	Service: Beginning of Year	
	0	15.00%
	1	10.00%
	2	8.00%
Age*		
	Under 36	10.00%
	36-40	7.50%
	41-49	6.75%
	50-59	5.00%
	60+	5.25%
Investment Rate of Return	7.75%, Net of Investment expenses	
Cost of Living Adjustments	None	

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

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 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 (no setback for females) multiplied by 125%.

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	31.00%	6.25%
International Equity	21.00%	6.95%
Private Equity	7.00%	10.15%
Domestic Fixed Income	23.00%	2.11%
Global Real Assets	19.00%	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 this purpose of this valuation, the expected rate of return on the pension plan investments is 7.75%; the municipal bond rate is 3.13%; and the resulting Single Discount rate is 7.50%

**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 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 in Discount Rate-6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase in Discount Rate-8.50%</u>
Employer's proportionate share of the net pension liability	\$ <u>131,079</u>	\$ <u>91,422</u>	\$ <u>58,103</u>

**Pension Plan Fiduciary Net Position**

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.



**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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 employees, 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 MINTO, NORTH DAKOTA**  
**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 City reported a liability of \$5,840 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 0.007271 percent, an increase of 0.000011 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized OPEB expense of \$797. At December 31, 2019, the City 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	\$ 143	\$ 181
Changes in assumptions	696	806
Net difference between projected and actual earnings on pension plan investments	7	
Changes in proportion and differences between employer contributions and proportionate share of contributions	681	-
Employer contributions subsequent to the measurement date	468	-
	<u>\$ 1,995</u>	<u>\$ 987</u>

\$468 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 ending 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:

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2020	\$ 63
2021	63
2022	117
2023	107
2024	46
Thereafter	143

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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, 2018 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	37.00%	6.00%
Small Cap Domestic Equities	9.00%	7.30%
International Equities	14.00%	6.95%
Core-plus Fixed Income	40.00%	2.07%

**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, 2019, and July 1, 2018, 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 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:

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>1% Decrease in Discount Rate-6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase in Discount Rate-8.25%</u>
Employer's proportionate share of the net OPEB liability	<u>\$ 7,454</u>	<u>\$ 5,841</u>	<u>\$ 4,458</u>

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2019, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

**NOTE 9 FUND EQUITY**

The following table presents the fund balances as of December 31, 2019.

	<u>General</u>	<u>2005 Pavement Improvements OT/GA</u>	<u>Waste Water Improvements Fund</u>	<u>Highway Distribution</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balances</b>						
<b>Nonspendable</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted</b>						
Cemetery	-	-	-	-	1,493	1,493
Building	-	-	-	-	16,843	16,843
Emergency	-	-	-	-	2,760	2,760
Community Development	-	-	-	-	70,382	70,382
Debt Service	-	158,079	187,837	-	-	345,916
<b>Total Restricted</b>	-	158,079	187,837	-	91,478	437,394
<b>Unassigned</b>	196,088	-	-	(13,232)	-	182,856
<b>Total Fund Balance</b>	<u>\$ 196,088</u>	<u>\$ 158,079</u>	<u>\$ 187,837</u>	<u>\$ (13,232)</u>	<u>\$ 91,478</u>	<u>\$ 620,250</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 10 INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

The composition of Interfund balances as of December 31, 2019 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Highway Fund	\$ 18,895
General Fund	Sewer Fund	45,733

The interfund balances are due to deficit cash balances.

Transfers are approved by the Council and are used to assist in the operation of the fund receiving the transfer. During the year, the City made operating transfers of \$64,228 out of the general fund. \$33,513 went into the highway fund, \$20,582 into the water fund, and \$10,123 into the sewer fund.

**NOTE 11 LEGAL COMPLIANCE**

**Fund Deficits**

The following funds were in a deficit position at December 31, 2019:

Highway Distribution	\$13,232
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The City will relieve the deficit with future sales tax, special assessment collections, bonds issuances or transfers from other funds.

**NOTE 12 NEW PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on the City's financial statements.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 13 SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. At this time, the extent of the impact this matter will have on the City's results of operations and financial condition is uncertain.

No other significant events have occurred subsequent to the City's year end. Subsequent events have been evaluated through April 19, 2022, which is the date these financial statements were available to be issued.



**CITY OF MINTO, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget
Revenues:			
Taxes	\$ 28,000	\$ 94,963	\$ 66,963
Licenses, permits and fees	83,650	88,224	4,574
Intergovernmental revenues	39,692	55,310	15,618
Miscellaneous revenues	<u>25,595</u>	<u>30,687</u>	<u>5,092</u>
Total revenues	<u>176,937</u>	<u>269,184</u>	<u>92,247</u>
Expenditures:			
Current			
General government	203,553	161,364	42,189
Public safety	12,550	11,043	1,507
Highways and streets	60,000	12,317	47,683
Culture and recreation	38,972	32,226	6,746
Other	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Total expenditures	<u>322,575</u>	<u>216,950</u>	<u>105,625</u>
Excess of Revenues Over (Under) Expenditures	<u>(145,638)</u>	<u>52,234</u>	<u>197,872</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(15,000)</u>	<u>(64,228)</u>	<u>(49,228)</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(64,228)</u>	<u>(49,228)</u>
Change in Fund Balance	(160,638)	(11,994)	148,644
Fund Balance, Beginning of Year	<u>208,082</u>	<u>208,082</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 47,444</u>	<u>\$ 196,088</u>	<u>\$ 148,644</u>

See Note to the Budgetary Comparison Schedule

**CITY OF MINTO, NORTH DAKOTA**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budgetary Information**

The governing body of each municipality, annually on or before September 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the municipality for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the city auditor shall give notice that the preliminary budget is on file in the office of the auditor and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the auditor shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

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, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF CITY CONTRIBUTIONS TO THE NDPERS PENSION PLAN**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily Required <u>Contributions</u>	Contribution <u>Deficiency (Excess)</u>	City's Covered-employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2019	\$ 5,849	\$ 5,849	-	\$ 82,150	7.12%
2018	5,572	5,572	-	78,255	7.12%
2017	5,996	5,996	-	84,213	7.12%
2016	5,845	5,845	-	82,093	7.12%
2015	5,924	5,924	-	83,202	7.12%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF CITY'S SHARE OF THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**

For The Year Ended <u>June 30</u>	City's Proportion of the Net Pension <u>Liability (Asset)</u>	City's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	City's Covered Employee <u>Payroll</u>	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee <u>Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2019	0.007800%	\$ 91,422	\$ 81,130	112.69%	71.66%
2018	0.006561%	110,724	67,400	164.28%	62.80%
2017	0.008100%	130,194	82,692	157.44%	61.98%
2016	0.008011%	78,075	80,735	96.71%	70.46%
2015	0.008755%	59,533	77,994	76.33%	77.15%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

See Note to the Required Supplementary Information

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF CITY CONTRIBUTIONS TO THE NDPERS OPEB PLAN**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily Required <u>Contributions</u>	Contribution <u>Deficiency (Excess)</u>	City's Covered-employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2019	\$ 937	\$ 937	-	\$ 82,150	1.14%
2018	892	892	-	78,255	1.14%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2018. Information for prior years is not available.

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF CITY'S SHARE OF THE NET OPEB LIABILITY**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**

For The Year Ended <u>June 30</u>	City's Proportion of the Net OPEB <u>Liability (Asset)</u>	City's Proportionate Share of the Net OPEB <u>Liability (Asset)</u>	City's Covered Employee <u>Payroll</u>	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-employee <u>Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total OPEB Liability</u>
2019	0.007271%	\$ 5,841	\$ 81,130	7.20%	63.13%
2018	0.006561%	4,851	67,400	7.20%	71.66%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2018. Information for prior years is not available.

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**

**NOTE 1 CHANGES OF ASSUMPTIONS**

**TFFR**

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

**NDPERS**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**OPEB**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**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**

Mayor and Alderman of the  
City Council  
Minto, 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, each major fund, and the aggregate remaining fund information of the City of Minto, North Dakota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 19, 2022.

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

In planning and performing our audit of the financial statements, we considered the City of Minto's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Minto's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Minto'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did find certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Minto'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **City of Minto, North Dakota's Response to the Findings**

The City of Minto, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Minto, North Dakota'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

April 19, 2022

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-001**

**Criteria**

An appropriate system of internal control requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition**

The City's auditor prepares periodic financial information for internal use that meets the needs of the Council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause**

The City has elected to not allocate resources for the preparation of the financial statements.

**Effect**

There is an increased risk of material misstatement to the City's financial statements.

**Recommendation**

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

**Views of Responsible Officials and Planned Corrective Actions**

Due to financial, efficiency and time constraints, it has been determined by the City's management that it is in the best interest of the City to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-002: Proposition of Journal Entries**

**Criteria**

The organization is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Condition**

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

**Cause**

The organization's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

**Effect**

The organization's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

**Recommendation**

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

**Views of Responsible Officials and Planned Corrective Actions**

Due to financial, efficiency and time constraints, it has been determined by the City's management that it is in the best interest of the City to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit, including journal entries necessary to present the financial statements in accordance with GAAP.

**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-003**

**Criteria**

Generally, a system of internal control has the proper separation of duties between the authorization, custody, record keeping and reconciliation functions.

**Condition**

The City's internal control structure does not provide for the proper segregation of duties.

**Cause**

Limited number of personnel within the accounting department.

**Effect**

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

The above functions should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the Council.

**Views of Responsible Officials and Planned Corrective Action**

The City Council will continue to review financial information as a compensating control.