

# **AUDIT REPORT**

CITY OF WISHEK  
Wishek, North Dakota

For the Years Ended December 31, 2019 and 2018

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WISHEK  
Wishek, North Dakota

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For the Years Ended December 31, 2019 and 2018

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CITY OF WISHEK  
Wishek, North Dakota

CITY OFFICIALS

Leslie Otto	Mayor
Cody Cooper	Council Member
Brenda Dohn	Council Member
Mike Jacobson	Council Member
Whittney Lipp	Council Member
Katie Pinke	Council Member
Kathy Welder	Council Member
Mary Wald	Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Wishek  
Wishek, North Dakota

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

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

## Basis of Accounting

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

## Other Matters

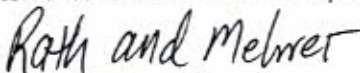
### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 10, 2020

CITY OF WISHEK  
Wishek, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	730,580.97	492,317.15	1,222,898.12	20,055.74	40,328.07	255,977.29
Capital Assets (net of accumulated depreciation):						
Buildings and Infrastructure	732,369.00	264,119.00	996,488.00		34,060.00	
Machinery and Vehicles	409,333.00	40,898.00	450,231.00			
<b>Total Capital Assets</b>	<b>1,141,702.00</b>	<b>305,017.00</b>	<b>1,446,719.00</b>	<b>-</b>	<b>34,060.00</b>	<b>-</b>
<b>Total Assets</b>	<b>1,872,282.97</b>	<b>797,334.15</b>	<b>2,669,617.12</b>	<b>20,055.74</b>	<b>74,388.07</b>	<b>255,977.29</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions	229,988.00		229,988.00			
<b>LIABILITIES:</b>						
Long-Term Liabilities:						
Due Within One Year:						
Special Assessments Bonds Payable	55,000.00		55,000.00			
Revenue Bonds Payable		9,000.00	9,000.00			
Due After One Year:			-			
Special Assessments Bonds Payable	230,000.00		230,000.00			
Revenue Bonds Payable		96,000.00	96,000.00			
Net Pension Liability	382,497.00		382,497.00			
<b>Total Liabilities</b>	<b>667,497.00</b>	<b>105,000.00</b>	<b>542,497.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions	20,334.00		20,334.00			
<b>NET POSITION:</b>						
Net Investment in Capital Assets	856,702.00	200,017.00	1,056,719.00		34,060.00	
Restricted for:						
Meter Deposits		3,425.00	3,425.00			
Debt Service	215,092.76		215,092.76			
Special Purposes	441,399.76	488,892.15	930,291.91			
Unrestricted	(98,754.55)		(98,754.55)	20,055.74	40,328.07	255,977.29
<b>Total Net Position</b>	<b>1,414,439.97</b>	<b>692,334.15</b>	<b>2,106,774.12</b>	<b>20,055.74</b>	<b>74,388.07</b>	<b>255,977.29</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	821,267.04	475,352.63	1,296,619.67	16,268.04	10,732.67	229,628.62
Capital Assets (net of accumulated depreciation):						
Buildings and Infrastructure	799,701.00	279,741.00	1,079,442.00		37,466.00	
Machinery and Vehicles	274,259.00	53,897.00	328,156.00			
Total Capital Assets	1,073,960.00	333,638.00	1,407,598.00	-	37,466.00	-
Total Assets	1,895,227.04	808,990.63	2,704,217.67	16,268.04	48,198.67	229,628.62
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions			268,633.00			
<b>LIABILITIES:</b>						
Long-Term Liabilities:						
Due Within One Year:						
Loan Payable	20,397.67		20,397.67			
Special Assessments Bonds Payable	55,000.00		55,000.00			
Revenue Bonds Payable		9,000.00	9,000.00			
Due After One Year:			-			
Special Assessments Bonds Payable	285,000.00					
Revenue Bonds Payable		105,000.00	105,000.00			
Net Pension Liability	357,711.00		357,711.00			
Total Liabilities	718,108.67	114,000.00	547,108.67	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions			9,811.00			
<b>NET POSITION:</b>						
Net Investment in Capital Assets	713,562.33	219,638.00	933,200.33		37,466.00	
Restricted for:						
Meter Deposits		3,185.00	3,185.00			
Debt Service	244,999.10		244,999.10			
Special Purposes	524,951.13		524,951.13			
Unrestricted	(47,572.19)	472,167.63	424,595.44	16,268.04	10,732.67	229,628.62
Total Net Position	1,435,940.37	694,990.63	2,130,931.00	16,268.04	48,198.67	229,628.62

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

CITY OF WISHEK  
Wishek, North Dakota

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

Functions/Programs	Net (Expense) Revenue and Change in Net Position									
	Program Revenues			Primary Government				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority	
<b>Primary Government</b>										
<u>Governmental Activities:</u>										
General Government	152,605.62	14,750.67		(137,854.95)		(137,854.95)				
Public Safety	238,737.54	1,001.00	7,234.48	(230,502.06)		(230,502.06)				
Streets and Public Works	212,527.29	771.01	72,010.85	(139,745.43)		(139,745.43)				
Urban and Economic Development	167,957.91			(167,957.91)		(167,957.91)				
Culture and Recreation	23,214.03			(23,214.03)		(23,214.03)				
Other	16,299.20		14,251.00	(2,048.20)		(2,048.20)				
Interest on Long-Term Debt	8,642.80		30,141.91	21,499.11		21,499.11				
Total Governmental Activities	819,984.39	16,522.68	123,638.24	(679,823.47)		(679,823.47)				
<u>Business-Type Activities:</u>										
Water and Sewer	171,492.06	224,300.25			52,808.19	52,808.19				
Garbage	170,702.85	166,467.47			(4,235.38)	(4,235.38)				
Street Lights	18,939.69	30,710.86			11,771.17	11,771.17				
Total Business-Type Activities	361,134.60	421,478.58			60,343.98	60,343.98				
Total Primary Government	1,181,118.99	438,001.26	123,638.24	(679,823.47)	60,343.98	(619,479.49)				
Component Units:										
Library	8,595.16		972.26						(7,622.90)	
Airport Authority	27,547.12	4,796.80	7,526.00						(15,224.32)	
Job Development Authority	90,589.67									(90,589.67)
Total Component Units	126,731.95	4,796.80	8,498.26						(7,622.90)	(90,589.67)



General Revenues:

Taxes:

Property taxes; levied for general purposes	135,993.66	5,741.07	40,616.39	6,225.54
Property taxes; levied for special purposes	97,287.09			
Sales tax	183,075.98			85,259.75
Lodging tax	3,385.43			
Cigarette tax	2,638.17			
Intergovernmental revenue not restricted to specific programs	78,913.12			
Earnings on investments and other revenue	92,994.80	1,034.36	5,669.53	25,453.05
Transfers	64,034.82	(64,034.82)		
Total General Revenues and Transfers	658,323.07	(63,000.46)	11,410.60	41,413.72
Change in Net Position	(21,500.40)	(2,656.48)	3,787.70	26,189.40
Net Position - January 1	1,435,940.37	694,990.63	16,268.04	48,198.67
Net Position - December 31	1,414,439.97	692,334.15	20,055.74	74,388.07

CITY OF WISHEK  
Wishek, North Dakota

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

Net (Expense) Revenue and Change in Net Position

	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority
<b>Functions/Programs</b>									
<b>Primary Government</b>									
<u>Governmental Activities:</u>									
General Government	117,478.33	14,658.25		(102,820.08)		(102,820.08)			
Public Safety	331,992.86	1,595.00	11,561.94	(318,835.92)		(318,835.92)			
Streets and Public Works	165,167.17	4,250.94	71,905.38	(89,010.85)		(89,010.85)			
Urban and Economic Development	158,309.52			(158,309.52)		(158,309.52)			
Culture and Recreation	30,721.86			(30,721.86)		(30,721.86)			
Other	17,460.70		14,251.00	(3,209.70)		(3,209.70)			
Interest on Long-Term Debt	9,073.08		33,373.30	24,300.22		24,300.22			
Total Governmental Activities	830,203.52	20,504.19	131,091.62	(678,607.71)		(678,607.71)			
<u>Business-Type Activities:</u>									
Water and Sewer	199,733.37	206,210.95			6,477.58	6,477.58			
Garbage	162,427.32	160,463.79			(1,963.53)	(1,963.53)			
Street Lights	24,336.42	30,313.14			5,976.72	5,976.72			
Total Business-Type Activities	386,497.11	396,987.88			10,490.77	10,490.77			
Total Primary Government	1,216,700.63	417,492.07	131,091.62	(678,607.71)	10,490.77	(668,116.94)			
<b>Component Units:</b>									
Library	8,954.47		909.12				(8,045.35)		
Airport Authority	20,035.76	4,796.80	11,061.02					(4,177.94)	
Job Development Authority	88,279.54								(88,279.54)
Total Component Units	117,269.77	4,796.80	11,970.14				(8,045.35)	(4,177.94)	(88,279.54)

General Revenues:

Taxes:

Property taxes; levied for general purposes	121,393.59	6,155.84	38,933.10	5,670.56
Property taxes; levied for special purposes	84,502.40			
Sales tax	171,959.96			77,874.37
Lodging tax	2,451.20			
Cigarette tax	2,785.84			
Intergovernmental revenue not restricted to specific programs	70,711.70			
Earnings on investments and other revenue	40,693.93	221.28	2,011.01	757.67
Transfers	11,088.33	(11,088.33)		4,416.76
Total General Revenues and Transfers	505,586.95	(10,867.05)	8,166.85	39,690.77
Change in Net Position	(173,020.76)	(376.28)	121.50	35,512.83
Net Position - January 1	1,608,961.13	695,366.91	16,146.54	12,685.84
Net Position - December 31	1,435,940.37	694,990.63	2,130,931.00	48,198.67
			16,268.04	229,946.47
			48,198.67	229,628.62

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Funds								Total	
	Special		Highway Tax Distribution	Projects		Sales Tax	Street Imp. 2013-1	Other		
	General	Reserve		Ambulance	Governmental Funds			Governmental Funds		
<b>ASSETS:</b>										
Cash, Cash Equivalents and Investments	74,088.45	19,380.62	81,696.17	196,484.13	64,309.01	215,092.76	79,529.83	730,580.97		
<b>FUND BALANCES:</b>										
Restricted for:				196,484.13				196,484.13		
Public Safety									196,484.13	
Street and Public Works		19,380.62			64,309.01			83,689.63		
Urban and Economic Development							18,464.06	18,464.06		
Cemetery							37,731.71	37,731.71		
Debt Service						215,092.76		215,092.76		
Other Purposes			81,696.17				23,334.06	105,030.23		
Unassigned	74,088.45							74,088.45		
Total Fund Balances	74,088.45	19,380.62	81,696.17	196,484.13	64,309.01	215,092.76	79,529.83	730,580.97		

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Funds										Total Governmental Funds		
	General		Highway Tax Distribution		Special Projects Reserve		Sales Tax		Street Imp. 2013-1			Other Governmental Funds	
<b>ASSETS:</b>													
Cash, Cash Equivalents and Investments	51,316.81	18,663.25	81,288.96	277,519.16	68,586.72	244,999.10	78,893.04	821,267.04					
<b>FUND BALANCES:</b>													
Restricted for:													
Public Safety				277,519.16								277,519.16	
Street and Public Works		18,663.25			68,586.72		15,219.40					18,663.25	
Urban and Economic Development							38,122.96					83,806.12	
Cemetery						244,999.10						38,122.96	
Debt Service												244,999.10	
Other Purposes			81,288.96									106,839.64	
Unassigned	51,316.81											51,316.81	
<b>Total Fund Balances</b>	<b>51,316.81</b>	<b>18,663.25</b>	<b>81,288.96</b>	<b>277,519.16</b>	<b>68,586.72</b>	<b>244,999.10</b>	<b>78,893.04</b>	<b>821,267.04</b>					

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

CITY OF WISHEK  
Wishek, North Dakota

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

Total Fund Balances for Governmental Funds		730,580.97
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	3,012,678.00	
Less Accumulated Depreciation	<u>(1,870,976.00)</u>	
Net Capital Assets		1,141,702.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	229,988.00	
Total Deferred Inflows of Resources	<u>(20,334.00)</u>	
Net Deferred Outflows/Inflows of Resources		209,654.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:		
Special Assessment Bonds Payable	(285,000.00)	
Net Pension Liability	<u>(382,497.00)</u>	
Total Long-Term Liabilities		<u>(667,497.00)</u>
Total Net Position of Governmental Activities		<u>1,414,439.97</u>

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

CITY OF WISHEK  
Wishek, North Dakota

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

Total Fund Balances for Governmental Funds		821,267.04
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	2,947,395.00	
Less Accumulated Depreciation	<u>(1,873,435.00)</u>	
Net Capital Assets		1,073,960.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	268,633.00	
Total Deferred Inflows of Resources	<u>(9,811.00)</u>	
Net Deferred Outflows/Inflows of Resources		258,822.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:		
Loan Payable	(20,397.67)	
Special Assessment Bonds Payable	(340,000.00)	
Net Pension Liability	<u>(357,711.00)</u>	
Total Long-Term Liabilities		<u>(718,108.67)</u>
Total Net Position of Governmental Activities		<u>1,435,940.37</u>

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

CITY OF WISHEK  
 Wishek, North Dakota  
 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Modified Cash Basis  
 Governmental Funds  
 For the Year Ended December 31, 2019

	Major Funds							Total
	Special						Other	
	General	Highway Tax Distribution	Projects Reserve	Ambulance	Sales Tax	Street Imp. 2013-1		
<b>REVENUES:</b>								
Taxes	135,993.66			92,447.97	183,075.98		8,224.55	419,742.16
Special Assessments						30,141.91		30,141.91
Licenses, Permits and Fees	14,531.67							14,531.67
Intergovernmental	88,785.77	72,010.85					14,251.00	175,047.62
Charges for Services	1,440.01	30.00						1,470.01
Fines and Forfeits	521.00							521.00
Miscellaneous	26,649.48		407.21	48,800.00		2,940.00	14,198.11	92,994.80
<b>Total Revenues</b>	<b>267,921.59</b>	<b>72,040.85</b>	<b>407.21</b>	<b>141,247.97</b>	<b>183,075.98</b>	<b>33,081.91</b>	<b>36,673.66</b>	<b>734,449.17</b>
<b>EXPENDITURES:</b>								
Current:								
General Government	77,291.62							77,291.62
Public Safety	177,315.54			15,000.00				192,315.54
Streets and Public Works	17,328.76	64,306.08			19,536.55		21,063.90	122,235.29
Urban and Economic Development					167,817.14		140.77	167,957.91
Culture and Recreation	23,214.03							23,214.03
Other							14,832.20	14,832.20
Capital Outlay				207,283.00				207,283.00
Debt Service:								
Principal		20,397.67				55,000.00		75,397.67
Interest and Service Charges		654.55				7,988.25		8,642.80
<b>Total Expenditures</b>	<b>295,149.95</b>	<b>85,358.30</b>	-	<b>222,283.00</b>	<b>187,353.69</b>	<b>62,988.25</b>	<b>36,036.87</b>	<b>889,170.06</b>
Excess (Deficiency) of Revenue Over Expenditures	(27,228.36)	(13,317.45)	407.21	(81,035.03)	(4,277.71)	(29,906.34)	636.79	(154,720.89)
<b>Other Financing Sources:</b>								
Transfers In	50,000.00	14,034.82						64,034.82
<b>Net Change in Fund Balances</b>	<b>22,771.64</b>	<b>717.37</b>	<b>407.21</b>	<b>(81,035.03)</b>	<b>(4,277.71)</b>	<b>(29,906.34)</b>	<b>636.79</b>	<b>(90,686.07)</b>
Fund Balance - January 1	51,316.81	18,663.25	81,288.96	277,519.16	68,586.72	244,999.10	78,893.04	821,267.04
Fund Balance - December 31	74,088.45	19,380.62	81,696.17	196,484.13	64,309.01	215,092.76	79,529.83	730,580.97

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



CITY OF WISHEK  
 Wishek, North Dakota  
 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Modified Cash Basis  
 Governmental Funds  
 For the Year Ended December 31, 2018

	Major Funds							Total Governmental Funds
	Special			Other		Street Imp. 2013-1	Governmental Funds	
	General	Highway Tax Distribution	Projects Reserve	Ambulance	Sales Tax			
<u>Revenues:</u>								
Taxes	121,393.59			80,099.29	171,959.96		6,854.31	380,307.15
Special Assessments			1,325.59			32,047.71		33,373.30
Licenses, Permits and Fees	14,588.25							14,588.25
Intergovernmental	85,059.48	71,905.38					14,251.00	171,215.86
Charges for Services	5,345.94							5,345.94
Fines and Forfeits	570.00							570.00
Miscellaneous	14,158.14		393.41	23,100.00		2,480.00	562.38	40,693.93
Total Revenues	241,115.40	71,905.38	1,719.00	103,199.29	171,959.96	34,527.71	21,667.69	646,094.43
<u>Expenditures:</u>								
Current:								
General Government	63,129.33							63,129.33
Public Safety	185,898.86			92,000.00				277,898.86
Streets and Public Works	10,951.20	60,579.86	100.65		2,251.57		991.89	74,875.17
Urban and Economic Development					157,627.65		681.87	158,309.52
Culture and Recreation	30,721.86					1,121.00	14,872.70	30,721.86
Other								15,993.70
Capital Outlay	28,896.00							28,896.00
Debt Service:								
Principal		19,804.00						19,804.00
Interest and Service Charges		1,284.33						1,284.33
Total Expenditures	319,597.25	81,668.19	100.65	92,000.00	159,879.22	63,909.75	16,546.46	733,701.52
Excess (Deficiency) of Revenues Over Expenditures	(78,481.85)	(9,762.81)	1,618.35	11,199.29	12,080.74	(29,382.04)	5,121.23	(87,607.09)
<u>Other Financing Sources:</u>								
Transfers in		11,088.33						11,088.33
Net Change in Fund Balances	(78,481.85)	1,325.52	1,618.35	11,199.29	12,080.74	(29,382.04)	5,121.23	(76,518.76)
Fund Balance - January 1	129,798.66	17,337.73	79,670.61	266,319.87	56,505.98	274,381.14	73,771.81	897,785.80
Fund Balance - December 31	51,316.81	18,663.25	81,288.96	277,519.16	68,586.72	244,999.10	78,893.04	821,267.04

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

CITY OF WISHEK  
Wishek, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (90,686.07)

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

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

Current Year Capital Outlay	207,283.00	
Current Year Depreciation Expense	<u>(139,541.00)</u>	67,742.00

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

Debt Proceeds	-	
Repayment of Debt	<u>75,397.67</u>	75,397.67

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

Net Increase to Pension Expense		<u>(73,954.00)</u>
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Change in Net Position of Governmental Activities		<u><u>(21,500.40)</u></u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

CITY OF WISHEK  
Wishek, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds		(76,518.76)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	28,896.00		
Current Year Depreciation Expense	<u>(147,213.00)</u>		(118,317.00)

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

Debt Proceeds	-		
Repayment of Debt	<u>74,804.00</u>		74,804.00

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

Net Increase to Pension Expense			<u>(52,989.00)</u>
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Change in Net Position of Governmental Activities		<u><u>(173,020.76)</u></u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Enterprise Funds		Other Enterprise Fund	Total Enterprise Funds
	Water and Sewer	Garbage		
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	403,536.27	88,780.88		492,317.15
Interfund Receivable	9,595.59			9,595.59
<b>Total Current Assets</b>	<b>413,131.86</b>	<b>88,780.88</b>	-	<b>501,912.74</b>
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	257,319.00	6,800.00		264,119.00
Machinery and Vehicles	11,833.00	29,065.00		40,898.00
<b>Total Noncurrent Assets</b>	<b>269,152.00</b>	<b>35,865.00</b>	-	<b>305,017.00</b>
<b>Total Assets</b>	<b>682,283.86</b>	<b>124,645.88</b>	-	<b>806,929.74</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Interfund Payable			9,595.59	9,595.59
Revenue Bonds Payable	9,000.00			9,000.00
<b>Total Current Liabilities</b>	<b>9,000.00</b>	-	<b>9,595.59</b>	<b>18,595.59</b>
<b>Noncurrent Liabilities:</b>				
Revenue Bonds Payable	96,000.00			96,000.00
<b>Total Liabilities</b>	<b>105,000.00</b>	-	<b>9,595.59</b>	<b>114,595.59</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	164,152.00	35,865.00		200,017.00
Restricted for:				
Meter Deposits	3,425.00			3,425.00
Unrestricted	409,706.86	88,780.88	(9,595.59)	488,892.15
<b>Total Net Position</b>	<b>577,283.86</b>	<b>124,645.88</b>	<b>(9,595.59)</b>	<b>692,334.15</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	<u>Major Enterprise Funds</u>		Other Enterprise Fund	Total Enterprise Funds
	Water and Sewer	Garbage		
<b>ASSETS</b>				
<b><u>Current Assets:</u></b>				
Cash and Cash Equivalents	387,723.32	87,629.31		475,352.63
Interfund Receivable	21,366.76			21,366.76
<b>Total Current Assets</b>	<b>409,090.08</b>	<b>87,629.31</b>	-	<b>496,719.39</b>
<b><u>Noncurrent Assets:</u></b>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	272,741.00	7,000.00		279,741.00
Machinery and Vehicles	13,662.00	40,235.00		53,897.00
<b>Total Noncurrent Assets</b>	<b>286,403.00</b>	<b>47,235.00</b>	-	<b>333,638.00</b>
<b>Total Assets</b>	<b>695,493.08</b>	<b>134,864.31</b>	-	<b>830,357.39</b>
<b>LIABILITIES</b>				
<b><u>Current Liabilities:</u></b>				
Interfund Payable			21,366.76	21,366.76
Revenue Bonds Payable	9,000.00			9,000.00
<b>Total Current Liabilities</b>	<b>9,000.00</b>	-	<b>21,366.76</b>	<b>30,366.76</b>
<b><u>Noncurrent Liabilities:</u></b>				
Revenue Bonds Payable	105,000.00			105,000.00
<b>Total Liabilities</b>	<b>114,000.00</b>	-	<b>21,366.76</b>	<b>135,366.76</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	172,403.00	47,235.00		219,638.00
Restricted for:				
Meter Deposits	3,185.00			3,185.00
Unrestricted	405,905.08	87,629.31	(21,366.76)	472,167.63
<b>Total Net Position</b>	<b>581,493.08</b>	<b>134,864.31</b>	<b>(21,366.76)</b>	<b>694,990.63</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Enterprise Funds		Other Enterprise Fund	Total Enterprise Funds
	Water and Sewer	Garbage		
<b><u>Operating Revenues:</u></b>				
<b>Charges for Sales and Services:</b>				
Water and Sewer Charges	214,488.94			214,488.94
Garbage Charges		164,120.14		164,120.14
Street Lights			30,710.86	30,710.86
Miscellaneous Charges	9,811.31	2,347.33		12,158.64
<b>Total Operating Revenues</b>	<b>224,300.25</b>	<b>166,467.47</b>	<b>30,710.86</b>	<b>421,478.58</b>
<b><u>Operating Expenses:</u></b>				
Salaries and Benefits	73,476.67	79,225.95		152,702.62
Group Insurance	25,482.05	26,003.67		51,485.72
Water Testing	802.26			802.26
Professional Fees	1,710.86			1,710.86
Utilities	11,946.10		18,939.69	30,885.79
Supplies	4,684.34	2,468.95		7,153.29
Gas and Oil	2,058.80	4,423.94		6,482.74
Chemical Supplies	14,041.85			14,041.85
Maintenance and Repairs	10,082.14	7,373.27		17,455.41
Insurance	2,754.72	2,710.00		5,464.72
Garbage		37,097.07		37,097.07
Miscellaneous	2,181.27	30.00		2,211.27
Deposit Refunds	1,600.00			1,600.00
Depreciation	17,251.00	11,370.00		28,621.00
<b>Total Operating Expenses</b>	<b>168,072.06</b>	<b>170,702.85</b>	<b>18,939.69</b>	<b>357,714.60</b>
<b>Operating Income (Loss)</b>	<b>56,228.19</b>	<b>(4,235.38)</b>	<b>11,771.17</b>	<b>63,763.98</b>
<b><u>Non-Operating Revenues (Expenses):</u></b>				
Interest Income		1,034.36		1,034.36
Debt Service - Interest and Service Charges	(3,420.00)			(3,420.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(3,420.00)</b>	<b>1,034.36</b>	<b>-</b>	<b>(2,385.64)</b>
<b>Income (Loss) Before Transfers</b>	<b>52,808.19</b>	<b>(3,201.02)</b>	<b>11,771.17</b>	<b>61,378.34</b>
Transfer Out	(57,017.41)	(7,017.41)		(64,034.82)
<b>Changes in Net Position</b>	<b>(4,209.22)</b>	<b>(10,218.43)</b>	<b>11,771.17</b>	<b>(2,656.48)</b>
<b>Net Position - January 1</b>	<b>581,493.08</b>	<b>134,864.31</b>	<b>(21,366.76)</b>	<b>694,990.63</b>
<b>Net Position - December 31</b>	<b>577,283.86</b>	<b>124,645.88</b>	<b>(9,595.59)</b>	<b>692,334.15</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Enterprise Funds		Other Enterprise Fund	Total Enterprise Funds
	Water and Sewer	Garbage		
<b>Operating Revenues:</b>				
<b>Charges for Sales and Services:</b>				
Water and Sewer Charges	195,883.36			195,883.36
Garbage Charges		157,903.59		157,903.59
Street Lights			30,313.14	30,313.14
Miscellaneous Charges	10,327.59	2,560.20		12,887.79
<b>Total Operating Revenues</b>	<b>206,210.95</b>	<b>160,463.79</b>	<b>30,313.14</b>	<b>396,987.88</b>
<b>Operating Expenses:</b>				
Salaries and Benefits	72,302.88	77,247.44		149,550.32
Group Insurance	26,588.38	26,588.36		53,176.74
Water Testing	2,387.07			2,387.07
Professional Fees	4,003.22			4,003.22
Utilities	11,417.19		24,336.42	35,753.61
Supplies	2,780.90	1,216.85		3,997.75
Gas and Oil	1,754.65	4,522.56		6,277.21
Chemical Supplies	11,034.65			11,034.65
Maintenance and Repairs	40,930.46	4,853.85		45,784.31
Insurance	2,470.47	2,701.00		5,171.47
Garbage		33,927.26		33,927.26
Miscellaneous	260.00			260.00
Deposit Refunds	1,160.00			1,160.00
Depreciation	17,251.00	11,370.00		28,621.00
<b>Total Operating Expenses</b>	<b>194,340.87</b>	<b>162,427.32</b>	<b>24,336.42</b>	<b>381,104.61</b>
<b>Operating Income (Loss)</b>	<b>11,870.08</b>	<b>(1,963.53)</b>	<b>5,976.72</b>	<b>15,883.27</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income		221.28		221.28
Debt Service - Interest and Service Charges	(5,392.50)			(5,392.50)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(5,392.50)</b>	<b>221.28</b>	<b>-</b>	<b>(5,171.22)</b>
<b>Income (Loss) Before Transfers</b>	<b>6,477.58</b>	<b>(1,742.25)</b>	<b>5,976.72</b>	<b>10,712.05</b>
Transfer Out	(5,544.17)	(5,544.16)		(11,088.33)
<b>Changes in Net Position</b>	<b>933.41</b>	<b>(7,286.41)</b>	<b>5,976.72</b>	<b>(376.28)</b>
<b>Net Position - January 1</b>	<b>580,559.67</b>	<b>142,150.72</b>	<b>(27,343.48)</b>	<b>695,366.91</b>
<b>Net Position - December 31</b>	<b>581,493.08</b>	<b>134,864.31</b>	<b>(21,366.76)</b>	<b>694,990.63</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water and Sewer	Garbage		
<u>Cash flows from operating activities:</u>				
Receipts from customers	224,300.25	166,467.47	30,710.86	421,478.58
Payments to suppliers	(51,862.34)	(54,103.23)	(18,939.69)	(124,905.26)
Payments to employees	(98,958.72)	(105,229.62)		(204,188.34)
Net cash provided (used) by operating activities	73,479.19	7,134.62	11,771.17	92,384.98
<u>Cash flows from noncapital financing activities:</u>				
Transfers out	(57,017.41)	(7,017.41)		(64,034.82)
Interfund loan transactions	11,771.17		(11,771.17)	-
Net cash provided (used) by noncapital financing activities	(45,246.24)	(7,017.41)	(11,771.17)	(64,034.82)
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(9,000.00)			(9,000.00)
Interest payments	(3,420.00)			(3,420.00)
Net cash provided (used) by capital and related financing activities	(12,420.00)	-	-	(12,420.00)
<u>Cash Flows from investing activities:</u>				
Interest income		1,034.36		1,034.36
Net increase in cash and cash equivalents	15,812.95	1,151.57		16,964.52
Cash and cash equivalents, January 1	387,723.32	87,629.31	-	475,352.63
Cash and cash equivalents, December 31	403,536.27	88,780.88	-	492,317.15
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	56,228.19	(4,235.38)	11,771.17	63,763.98
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	17,251.00	11,370.00		28,621.00
Net cash provided (used) by operating activities	73,479.19	7,134.62	11,771.17	92,384.98

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



CITY OF WISHEK  
Wishek, North Dakota

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

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water and Sewer	Garbage		
<u>Cash flows from operating activities:</u>				
Receipts from customers	206,210.95	160,463.79	30,313.14	396,987.88
Payments to suppliers	(78,198.61)	(47,221.52)	(24,336.42)	(149,756.55)
Payments to employees	(98,891.26)	(103,835.80)		(202,727.06)
<b>Net cash provided (used) by operating activities</b>	<b>29,121.08</b>	<b>9,406.47</b>	<b>5,976.72</b>	<b>44,504.27</b>
<u>Cash flows from noncapital financing activities:</u>				
Transfers out	(5,544.17)	(5,544.16)		(11,088.33)
Interfund loan transactions	5,976.72		(5,976.72)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>432.55</b>	<b>(5,544.16)</b>	<b>(5,976.72)</b>	<b>(11,088.33)</b>
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(9,000.00)			(9,000.00)
Interest payments	(5,392.50)			(5,392.50)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(14,392.50)</b>	<b>-</b>	<b>-</b>	<b>(14,392.50)</b>
<u>Cash Flows from investing activities:</u>				
Interest income		221.28		221.28
<b>Net increase in cash and cash equivalents</b>	<b>15,161.13</b>	<b>4,083.59</b>		<b>19,244.72</b>
Cash and cash equivalents, January 1	372,562.19	83,545.72	-	456,107.91
<b>Cash and cash equivalents, December 31</b>	<b>387,723.32</b>	<b>87,629.31</b>	<b>-</b>	<b>475,352.63</b>
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	11,870.08	(1,963.53)	5,976.72	15,883.27
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	17,251.00	11,370.00		28,621.00
<b>Net cash provided (used) by operating activities</b>	<b>29,121.08</b>	<b>9,406.47</b>	<b>5,976.72</b>	<b>44,504.27</b>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	<u>18,196.13</u>
<u>Deductions:</u>	
Payments of property tax to other governments	<u>18,196.13</u>
Net Change in Assets and Liabilities	<u>-</u>
Assets and Liabilities - January 1	<u>-</u>
Assets and Liabilities - December 31	<u><u>-</u></u>

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

CITY OF WISHEK  
Wishek, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	<u>17,587.80</u>
<u>Deductions:</u>	
Payments of property tax to other governments	<u>17,587.80</u>
Net Change in Assets and Liabilities	<u>-</u>
Assets and Liabilities - January 1	<u>-</u>
Assets and Liabilities - December 31	<u><u>-</u></u>

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

CITY OF WISHEK  
Wishek, North Dakota

Notes to the Financial Statements  
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

**Wishek Job Development Authority:** The Wishek job development authority's governing board is appointed by the city's governing board. The city's governing board has the authority to disapprove, amend, or approve the JDA budget. The JDA has the authority to issue its own debt.

The financial statements of the discretely presented component units are presented in the basic financial statements.

## B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

*Highway Tax Distribution.* This fund accounts for the state highway tax distribution used for street repairs and maintenance.

*Special Projects Reserve.* This fund accounts for resources set aside by the city for various special projects.

*Ambulance Fund.* This fund accounts for a special levy and the rentals charged to the Wishek Hospital for the use of the city's ambulances.

*Sales Tax.* This fund accounts for the city's sales tax collections which are used for urban and economic development and other city projects.

*Street Improvement 2013-1.* The city issued the Refunding Improvement Bonds, Series 2014 to provide funds for a street project. This fund is used to accumulate resources to repay the principal and interest on the bonds.

The city reports the following major enterprise funds:

*Water and Sewer.* This fund accounts for the activities of the city's water distribution system and sewage collection system. The city also makes the principal and interest payments for the State Revolving Fund Loan Payable from water and sewer collections.

*Garbage.* This fund accounts for the activities of the city's garbage collection system.

The city reports the following type of fiduciary fund:

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

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

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

#### Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	20 to 75 years
Machinery and Vehicles	5 to 20 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. Long-Term Obligations

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

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

H. Pension

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

## I. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

## J. Interfund Transactions

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



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

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

#### K. Use of Estimates

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

#### Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2019 the city's carrying amount of deposits was \$1,222,898 and the bank balance was \$1,413,405. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,163,405 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the city's carrying amount of deposits was \$1,296,620 and the bank balance was \$1,313,946. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,063,946 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

(4) Obligations of the State.

At December 31, 2019, the city held certificates of deposit in the amount of \$303,796, which are all considered deposits.

At December 31, 2018, the city held certificates of deposit in the amount of \$303,991, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the street lights fund. The amount shown as interfund payable represents the amount of negative cash in the fund. Interfund receivable/payable for the years ended December 31, 2019 and 2018 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2019</u>		
Water and Sewer	9,595.59	
Street Lights		9,595.59
<u>December 31, 2018</u>		
Water and Sewer	21,366.76	
Street Lights		21,366.76

Note 5 CAPITAL ASSETS

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

December 31, 2019

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,177,750			2,177,750
Machinery and Vehicles	769,645	207,283	142,000	834,928
Total	<u>2,947,395</u>	<u>207,283</u>	<u>142,000</u>	<u>3,012,678</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,378,049	67,332		1,445,381
Machinery and Vehicles	495,386	72,209	142,000	425,595
Total	<u>1,873,435</u>	<u>139,541</u>	<u>142,000</u>	<u>1,870,976</u>
Governmental Activities Capital Assets, Net	<u>1,073,960</u>	<u>67,742</u>	<u>-</u>	<u>1,141,702</u>

December 31, 2018

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,177,750			2,177,750
Machinery and Vehicles	763,549	28,896	22,800	769,645
Total	<u>2,941,299</u>	<u>28,896</u>	<u>22,800</u>	<u>2,947,395</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,310,717	67,332		1,378,049
Machinery and Vehicles	438,305	79,881	22,800	495,386
Total	<u>1,749,022</u>	<u>147,213</u>	<u>22,800</u>	<u>1,873,435</u>
Governmental Activities Capital Assets, Net	<u>1,192,277</u>	<u>(118,317)</u>	<u>-</u>	<u>1,073,960</u>

December 31, 2019

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	520,250			520,250
Machinery and Vehicles	256,974			256,974
Total	<u>777,224</u>	<u>-</u>	<u>-</u>	<u>777,224</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	240,509	15,622		256,131
Machinery and Vehicles	203,077	12,999		216,076
Total	<u>443,586</u>	<u>28,621</u>	<u>-</u>	<u>472,207</u>
Business-type Activities Capital Assets, Net	<u>333,638</u>	<u>(28,621)</u>	<u>-</u>	<u>305,017</u>

December 31, 2018

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	520,250			520,250
Machinery and Vehicles	256,974			256,974
Total	<u>777,224</u>	<u>-</u>	<u>-</u>	<u>777,224</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	224,887	15,622		240,509
Machinery and Vehicles	190,078	12,999		203,077
Total	<u>414,965</u>	<u>28,621</u>	<u>-</u>	<u>443,586</u>
Business-type Activities Capital Assets, Net	<u>362,259</u>	<u>(28,621)</u>	<u>-</u>	<u>333,638</u>

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

	<u>2019</u>	<u>2018</u>
<b><u>Governmental Activities:</u></b>		
General Government	1,360	1,360
Public Safety	46,422	54,094
Streets and Public Works	90,292	90,292
Other	1,467	1,467
Total Depreciation Expense	<u>139,541</u>	<u>147,213</u>
<b><u>Business-type Activities:</u></b>		
Water and Sewer	17,251	17,251
Garbage	11,370	11,370
Total Depreciation Expense	<u>28,621</u>	<u>28,621</u>

The following is a summary of changes in capital assets related to the city's component unit for the years ended:

December 31, 2019

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Discretely Presented Component Units:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	85,150			85,150
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	47,684	3,406		51,090
Discretely Presented Component Component Units Capital Assets, Net	<u>37,466</u>	<u>(3,406)</u>	<u>-</u>	<u>34,060</u>

December 31, 2018

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Discretely Presented Component Units:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	85,150			85,150
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	44,278	3,406		47,684
Discretely Presented Component Component Units Capital Assets, Net	<u>40,872</u>	<u>(3,406)</u>	<u>-</u>	<u>37,466</u>

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

	<u>2019</u>	<u>2018</u>
<u>Discretely Presented Component Unit:</u>		
Airport Authority	<u>3,406</u>	<u>3,406</u>

Note 6 LONG-TERM DEBT

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

Governmental Activities:

	<u>2019</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Loan Payable	20,398		20,398	-	
Special Assessment Bonds	340,000		55,000	285,000	55,000
<b>Total</b>	<b>360,398</b>	<b>-</b>	<b>75,398</b>	<b>285,000</b>	<b>55,000</b>

	<u>2018</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Loan Payable	40,202		19,804	20,398	20,398
Special Assessment Bonds	395,000		55,000	340,000	55,000
<b>Total</b>	<b>435,202</b>	<b>-</b>	<b>74,804</b>	<b>360,398</b>	<b>75,398</b>

Business-type Activities (Proprietary Funds):

	<u>2019</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Revenue Bonds	114,000	-	9,000	105,000	9,000

	<u>2018</u>			Balance December 31	Due Within One Year
	Balance January 1	Increases	Decreases		
Revenue Bonds	123,000	-	9,000	114,000	9,000

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

Special Assessment Debt. The city has issued special assessment bonds to provide funds the construction and/or improvement of streets. Special assessment bonds outstanding at December 31, 2019 are as follows:

\$555,000.00 Refunding Improvement Bonds, Series 2014,  
due in annual installments of \$55,000 to \$60,000 through  
May 1, 2024; interest is at 1.65% to 2.4%.

285,000.00

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	55,000.00	5,973.75
2021	55,000.00	4,860.00
2022	55,000.00	3,540.00
2023	60,000.00	2,160.00
2024	60,000.00	720.00
Total	<u>285,000.00</u>	<u>17,253.75</u>

Business-type Activities:

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

\$185,547 Sanitary Sewer Improvement Bonds of 2010, due in annual installments of \$9,000 to \$12,000 through September 1, 2029; interest is at 2.5%.	<u>105,000.00</u>
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The annual requirements to amortize the outstanding revenue bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	9,000.00	2,625.00
2021	10,000.00	2,400.00
2022	10,000.00	2,150.00
2023	10,000.00	1,900.00
2024	10,000.00	1,650.00
2025-2029	<u>56,000.00</u>	<u>4,225.00</u>
Total	<u>105,000.00</u>	<u>14,950.00</u>

Component Unit Debt

Changes in Long-Term Liabilities. During the year ended December 31, 2018, the following changes occurred in liabilities reported in the long-term liabilities – Component Unit:

	<u>Balance January 1</u>	<u>Increases</u>	<u>2018</u>		<u>Balance December 31</u>	<u>Due Within One Year</u>
			<u>Decreases</u>			
Loan Payable	<u>40,000</u>		<u>40,000</u>		<u>-</u>	<u>-</u>

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>December 31, 2019</u>		
General Fund	50,000.00	
Water and Sewer		50,000.00
To subsidize expenditures.		
Highway Tax Distribution	14,034.82	
Water and Sewer		7,017.41
Garbage		7,017.41
To subsidize debt service expenditures.		
<u>December 31, 2018</u>		
Highway Tax Distribution	11,088.33	
Water and Sewer		5,544.17
Garbage		5,544.16
To subsidize debt service expenditures.		

Note 8 DEFICIT FUND BALANCE

The following fund had a deficit balance for the years ending December 31:

<u>Enterprise Fund</u>	<u>2019</u>	<u>2018</u>
Street Lights	(9,595.59)	(21,366.76)

The city plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRF for its general liability, automobile and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$562,088 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property.



Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$683,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 8 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited

service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

#### **Refunds of Member Account Balance**

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

#### **Member and Employer Contributions**

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

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

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

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

At December 31, 2019, the City of Wishek reported a liability of \$382,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used

to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the city's proportion was .0226650 percent, which was an increase of .00041 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019, the city recognized pension expense of \$73,954. At December 31, 2019 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,013	13,013
Changes in assumptions	138,073	5,459
Net difference between projected and actual earnings on pension plan investments	-	1,861
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,479	1
City contributions subsequent to the measurement date (see below)	17,423	-
Total	<u>229,988</u>	<u>20,334</u>

\$17,423 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year ended June 30:	
2019	67,509
2020	62,229
2021	44,598
2022	16,645
2023	1,250
Thereafter	0

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

Inflation 3.50%

Salary increases	Service at	Increase Rate
	Beginning of Year	
	0	15.00%
	1	10.00%
	2	8.00%
	Age *	
	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (5.32%)	Current Rate (6.32%)	1% Increase (7.32%)
The city's proportionate share of the net pension liability	519,742	382,497	267,970

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

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	133,409.00	133,409.00	135,993.66	2,584.66
Licenses, Permits and Fees	18,100.00	18,100.00	14,531.67	(3,568.33)
Intergovernmental	79,000.00	79,000.00	88,785.77	9,785.77
Charges for Services			1,440.01	1,440.01
Fines and Forfeits	2,500.00	2,500.00	521.00	(1,979.00)
Miscellaneous	35,000.00	35,000.00	26,649.48	(8,350.52)
<b>Total Revenues</b>	<b>268,009.00</b>	<b>268,009.00</b>	<b>267,921.59</b>	<b>(87.41)</b>
<u>Expenditures:</u>				
Current:				
General Government	119,500.00	119,500.00	77,291.62	42,208.38
Public Safety	177,650.00	177,650.00	177,315.54	334.46
Streets and Public Works	13,000.00	13,000.00	17,328.76	(4,328.76)
Culture and Recreation	8,000.00	8,000.00	23,214.03	(15,214.03)
Other	3,500.00	3,500.00		3,500.00
<b>Total Expenditures</b>	<b>321,650.00</b>	<b>321,650.00</b>	<b>295,149.95</b>	<b>26,500.05</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(53,641.00)</b>	<b>(53,641.00)</b>	<b>(27,228.36)</b>	<b>26,412.64</b>
<u>Other Financing Sources:</u>				
Transfers In			50,000.00	50,000.00
<b>Net Change in Fund Balances</b>	<b>(53,641.00)</b>	<b>(53,641.00)</b>	<b>22,771.64</b>	<b>76,412.64</b>
<b>Fund Balance - January 1</b>	<b>51,316.81</b>	<b>51,316.81</b>	<b>51,316.81</b>	
<b>Fund Balance - December 31</b>	<b>(2,324.19)</b>	<b>(2,324.19)</b>	<b>74,088.45</b>	<b>76,412.64</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	120,691.00	120,691.00	121,393.59	702.59
Licenses, Permits and Fees	16,600.00	16,600.00	14,588.25	(2,011.75)
Intergovernmental	78,500.00	78,500.00	85,059.48	6,559.48
Charges for Services	33,500.00	33,500.00	5,345.94	(28,154.06)
Fines and Forfeits	1,500.00	1,500.00	570.00	(930.00)
Miscellaneous	41,800.00	41,800.00	14,158.14	(27,641.86)
<b>Total Revenues</b>	<b>292,591.00</b>	<b>292,591.00</b>	<b>241,115.40</b>	<b>(51,475.60)</b>
<u>Expenditures:</u>				
Current:				
General Government	132,800.00	132,800.00	63,129.33	69,670.67
Public Safety	203,500.00	203,500.00	185,898.86	17,601.14
Streets and Public Works	42,500.00	42,500.00	10,951.20	31,548.80
Culture and Recreation	9,000.00	9,000.00	30,721.86	(21,721.86)
Other	6,000.00	6,000.00		6,000.00
Capital Outlay			28,896.00	(28,896.00)
<b>Total Expenditures</b>	<b>393,800.00</b>	<b>393,800.00</b>	<b>319,597.25</b>	<b>74,202.75</b>
<b>Net Change in Fund Balances</b>	<b>(101,209.00)</b>	<b>(101,209.00)</b>	<b>(78,481.85)</b>	<b>22,727.15</b>
<b>Fund Balance - January 1</b>	<b>129,798.66</b>	<b>129,798.66</b>	<b>129,798.66</b>	
<b>Fund Balance - December 31</b>	<b>28,589.66</b>	<b>28,589.66</b>	<b>51,316.81</b>	<b>22,727.15</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	55,000.00	55,000.00	72,010.85	17,010.85
Charges for Services	500.00	500.00	30.00	(470.00)
<b>Total Revenues</b>	<b>55,500.00</b>	<b>55,500.00</b>	<b>72,040.85</b>	<b>16,540.85</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	48,000.00	48,000.00	64,306.08	(16,306.08)
Debt Service:				
Principal	20,000.00	20,000.00	20,397.67	(397.67)
Interest			654.55	(654.55)
<b>Total Expenditures</b>	<b>68,000.00</b>	<b>68,000.00</b>	<b>85,358.30</b>	<b>(17,358.30)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(12,500.00)</b>	<b>(12,500.00)</b>	<b>(13,317.45)</b>	<b>(817.45)</b>
<u>Other Financing Sources:</u>				
Transfers In			14,034.82	14,034.82
<b>Net Change in Fund Balances</b>	<b>(12,500.00)</b>	<b>(12,500.00)</b>	<b>717.37</b>	<b>13,217.37</b>
<b>Fund Balance - January 1</b>	<b>18,663.25</b>	<b>18,663.25</b>	<b>18,663.25</b>	
<b>Fund Balance - December 31</b>	<b>6,163.25</b>	<b>6,163.25</b>	<b>19,380.62</b>	<b>13,217.37</b>



CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	55,000.00	55,000.00	71,905.38	16,905.38
Charges for Services	500.00	500.00		(500.00)
<b>Total Revenues</b>	<b>55,500.00</b>	<b>55,500.00</b>	<b>71,905.38</b>	<b>16,405.38</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	65,000.00	65,000.00	60,579.86	4,420.14
Capital Outlay	10,000.00	10,000.00		10,000.00
Debt Service:				
Principal	20,000.00	20,000.00	19,804.00	196.00
Interest			1,284.33	(1,284.33)
<b>Total Expenditures</b>	<b>95,000.00</b>	<b>95,000.00</b>	<b>81,668.19</b>	<b>13,331.81</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(39,500.00)</b>	<b>(39,500.00)</b>	<b>(9,762.81)</b>	<b>29,737.19</b>
<u>Other Financing Sources:</u>				
Transfers In			11,088.33	11,088.33
<b>Net Change in Fund Balances</b>	<b>(39,500.00)</b>	<b>(39,500.00)</b>	<b>1,325.52</b>	<b>40,825.52</b>
Fund Balance - January 1	17,337.73	17,337.73	17,337.73	
<b>Fund Balance - December 31</b>	<b>(22,162.27)</b>	<b>(22,162.27)</b>	<b>18,663.25</b>	<b>40,825.52</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Miscellaneous	300.00	300.00	407.21	107.21
<u>Expenditures:</u>				
Current:				
Streets and Public Works	17,000.00	17,000.00		17,000.00
Net Change in Fund Balances	(16,700.00)	(16,700.00)	407.21	17,107.21
Fund Balance - January 1	81,288.96	81,288.96	81,288.96	
Fund Balance - December 31	64,588.96	64,588.96	81,696.17	17,107.21

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Special Assessments			1,325.59	1,325.59
Miscellaneous	350.00	350.00	393.41	43.41
<b>Total Revenues</b>	<b>350.00</b>	<b>350.00</b>	<b>1,719.00</b>	<b>1,369.00</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	15,000.00	15,000.00	100.65	14,899.35
<b>Net Change in Fund Balances</b>	<b>(14,650.00)</b>	<b>(14,650.00)</b>	<b>1,618.35</b>	<b>16,268.35</b>
<b>Fund Balance - January 1</b>	<b>79,670.61</b>	<b>79,670.61</b>	<b>79,670.61</b>	
<b>Fund Balance - December 31</b>	<b>65,020.61</b>	<b>65,020.61</b>	<b>81,288.96</b>	<b>16,268.35</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues:</u></b>				
Taxes	96,527.00	96,527.00	92,447.97	(4,079.03)
Miscellaneous	25,200.00	25,200.00	48,800.00	23,600.00
<b>Total Revenues</b>	<b>121,727.00</b>	<b>121,727.00</b>	<b>141,247.97</b>	<b>19,520.97</b>
<b><u>Expenditures:</u></b>				
Current:				
Public Safety	130,000.00	130,000.00	15,000.00	115,000.00
Capital Outlay	230,000.00	230,000.00	207,283.00	22,717.00
<b>Total Expenditures</b>	<b>360,000.00</b>	<b>360,000.00</b>	<b>222,283.00</b>	<b>137,717.00</b>
<b>Net Change in Fund Balances</b>	<b>(238,273.00)</b>	<b>(238,273.00)</b>	<b>(81,035.03)</b>	<b>157,237.97</b>
<b>Fund Balance - January 1</b>	<b>277,519.16</b>	<b>277,519.16</b>	<b>277,519.16</b>	
<b>Fund Balance - December 31</b>	<b>39,246.16</b>	<b>39,246.16</b>	<b>196,484.13</b>	<b>157,237.97</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues:</u></b>				
Taxes	85,708.00	85,708.00	80,099.29	(5,608.71)
Miscellaneous	25,200.00	25,200.00	23,100.00	(2,100.00)
<b>Total Revenues</b>	<b>110,908.00</b>	<b>110,908.00</b>	<b>103,199.29</b>	<b>(7,708.71)</b>
<b><u>Expenditures:</u></b>				
Current:				
Public Safety	90,000.00	90,000.00	92,000.00	(2,000.00)
Capital Outlay	215,000.00	215,000.00		215,000.00
<b>Total Expenditures</b>	<b>305,000.00</b>	<b>305,000.00</b>	<b>92,000.00</b>	<b>213,000.00</b>
<b>Net Change in Fund Balances</b>	<b>(194,092.00)</b>	<b>(194,092.00)</b>	<b>11,199.29</b>	<b>205,291.29</b>
<b>Fund Balance - January 1</b>	<b>266,319.87</b>	<b>266,319.87</b>	<b>266,319.87</b>	
<b>Fund Balance - December 31</b>	<b>72,227.87</b>	<b>72,227.87</b>	<b>277,519.16</b>	<b>205,291.29</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	140,000.00	140,000.00	183,075.98	43,075.98
<u>Expenditures:</u>				
Current:				
Streets and Public Works	25,000.00	25,000.00	19,536.55	5,463.45
Urban and Economic Development	130,000.00	130,000.00	167,817.14	(37,817.14)
Total Expenditures	155,000.00	155,000.00	187,353.69	(32,353.69)
Net Change in Fund Balances	(15,000.00)	(15,000.00)	(4,277.71)	10,722.29
Fund Balance - January 1	68,586.72	68,586.72	68,586.72	
Fund Balance - December 31	53,586.72	53,586.72	64,309.01	10,722.29

CITY OF WISHEK  
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	137,500.00	137,500.00	171,959.96	34,459.96
<u>Expenditures:</u>				
Current:				
Streets and Public Works	15,000.00	15,000.00	2,251.57	12,748.43
Urban and Economic Development	125,000.00	125,000.00	157,627.65	(32,627.65)
Total Expenditures	140,000.00	140,000.00	159,879.22	(19,879.22)
Net Change in Fund Balances	(2,500.00)	(2,500.00)	12,080.74	14,580.74
Fund Balance - January 1	56,505.98	56,505.98	56,505.98	
Fund Balance - December 31	54,005.98	54,005.98	68,586.72	14,580.74

CITY OF WISHEK  
Wishek, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board did not amend the city's budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway Distribution	17,358.30	
Sales Tax	32,353.69	19,879.22
* Cemetery	581.20	621.70
Capital Improvements	6,063.90	

\* A budget was not prepared for this fund.

No remedial action is anticipated or required by the city regarding these excess expenditures.



CITY OF WISHEK  
Wishek, North Dakota

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

	2019	2018	2017	2016
City's proportion of the net pension liability	0.022665%	0.022255%	0.021985%	0.007559%
City's proportionate share of the net pension liability	382,497	357,711	214,265	51,400
City's covered employee payroll	232,846	227,194	203,385	76,720
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.27%	157.45%	105.35%	67.00%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%

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

	2019	2018	2017	2016
Statutorily required contribution	16,579	16,176	14,481	5,462
Contributions in relation to the statutorily required contributions	(16,579)	(16,176)	(14,481)	(5,462)
Contribution deficiency (excess)	0	0	0	0
City's covered-employee payroll	232,846	227,194	203,385	76,720
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%

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

- For changes of assumptions, see Note 8 to the financial statements.

CITY OF WISHEK  
Wishek, North Dakota

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

	Balance 1/1/2019	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2019
<u>Major Governmental Funds</u>						
General Fund	51,316.81	267,921.59	50,000.00		295,149.95	74,088.45
Highway Tax Distribution	18,663.25	72,040.85	14,034.82		85,358.30	19,380.62
Special Projects Reserve	81,288.96	407.21				81,696.17
Ambulance	277,519.16	141,247.97			222,283.00	196,484.13
Sales Tax	68,586.72	183,075.98			187,353.69	64,309.01
Street Improvement 2013-1	244,999.10	33,081.91			62,988.25	215,092.76
<b>Total Major Governmental Funds</b>	<b>742,374.00</b>	<b>697,775.51</b>	<b>64,034.82</b>	<b>-</b>	<b>853,133.19</b>	<b>651,051.14</b>
<u>Non-major Governmental Funds</u>						
Lodging Tax	15,219.40	3,385.43			140.77	18,464.06
Armory		14,251.00			14,251.00	-
Cemetery	38,122.96	189.95			581.20	37,731.71
Capital Improvements	25,550.68	18,847.28			21,063.90	23,334.06
<b>Total Nonmajor Governmental Funds</b>	<b>78,893.04</b>	<b>36,673.66</b>	<b>-</b>	<b>-</b>	<b>36,036.87</b>	<b>79,529.83</b>
<b>Total Governmental Funds</b>	<b>821,267.04</b>	<b>734,449.17</b>	<b>64,034.82</b>	<b>-</b>	<b>889,170.06</b>	<b>730,580.97</b>
<u>Major Enterprise Funds</u>						
Water:						
Operating	405,905.08	222,460.25		57,017.41	161,641.06	409,706.86
Water Meter	3,185.00	1,840.00			1,600.00	3,425.00
Garbage	87,629.31	167,501.83		7,017.41	159,332.85	88,780.88
<b>Total Major Enterprise Funds</b>	<b>496,719.39</b>	<b>391,802.08</b>	<b>-</b>	<b>64,034.82</b>	<b>322,573.91</b>	<b>501,912.74</b>
<u>Non-Major Enterprise Fund</u>						
Street Lights	(21,366.76)	30,710.86			18,939.69	(9,595.59)
<b>Total Enterprise Funds</b>	<b>475,352.63</b>	<b>422,512.94</b>	<b>-</b>	<b>64,034.82</b>	<b>341,513.60</b>	<b>492,317.15</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Library		5,741.07			5,741.07	
Airport		6,229.52			6,229.52	
Job Development Authority		6,225.54			6,225.54	
<b>Total Custodial Funds</b>	<b>-</b>	<b>18,196.13</b>	<b>-</b>	<b>-</b>	<b>18,196.13</b>	<b>-</b>
<b>Total Primary Government</b>	<b>1,296,619.67</b>	<b>1,175,158.24</b>	<b>64,034.82</b>	<b>64,034.82</b>	<b>1,248,879.79</b>	<b>1,222,898.12</b>
<u>Discretely Presented Component Units</u>						
Library	16,268.04	12,382.86			8,595.16	20,055.74
Airport	10,732.67	53,736.52			24,141.12	40,328.07
Job Development Authority	229,628.62	116,938.34			90,589.67	255,977.29
<b>Total Discretely Presented Component Units</b>	<b>256,629.33</b>	<b>183,057.72</b>	<b>-</b>	<b>-</b>	<b>123,325.95</b>	<b>316,361.10</b>
<b>Total Reporting Entity</b>	<b>1,553,249.00</b>	<b>1,358,215.96</b>	<b>64,034.82</b>	<b>64,034.82</b>	<b>1,372,205.74</b>	<b>1,539,259.22</b>

CITY OF WISHEK  
Wishek, North Dakota

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

	Balance 1/1/2018	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2018
<u>Major Governmental Funds</u>						
General Fund	129,798.66	241,115.40			319,597.25	51,316.81
Highway Tax Distribution	17,337.73	71,905.48	11,088.33		81,668.29	18,663.25
Special Projects Reserve	79,670.61	1,719.00			100.65	81,288.96
Ambulance	266,319.87	103,199.29			92,000.00	277,519.16
Sales Tax	56,505.98	171,959.96			159,879.22	68,586.72
Street Improvement 2013-1	274,381.14	34,527.71			63,909.75	244,999.10
<b>Total Major Governmental Funds</b>	<b>824,013.99</b>	<b>624,426.84</b>	<b>11,088.33</b>	<b>-</b>	<b>717,155.16</b>	<b>742,374.00</b>
<u>Non-major Governmental Funds</u>						
Lodging Tax	13,450.07	2,451.20			681.87	15,219.40
Armory		14,251.00			14,251.00	-
Cemetery	38,253.67	490.99			621.70	38,122.96
Capital Improvements	22,068.07	4,474.50			991.89	25,550.68
<b>Total Nonmajor Governmental Funds</b>	<b>73,771.81</b>	<b>21,667.69</b>	<b>-</b>	<b>-</b>	<b>16,546.46</b>	<b>78,893.04</b>
<b>Total Governmental Funds</b>	<b>897,785.80</b>	<b>646,094.53</b>	<b>11,088.33</b>	<b>-</b>	<b>733,701.62</b>	<b>821,267.04</b>
<u>Major Enterprise Funds</u>						
Water:						
Operating	397,640.67	204,130.95		5,544.17	190,322.37	405,905.08
Water Meter	2,265.00	2,080.00			1,160.00	3,185.00
Garbage	83,545.72	160,685.07		5,544.16	151,057.32	87,629.31
<b>Total Major Enterprise Funds</b>	<b>483,451.39</b>	<b>366,896.02</b>	<b>-</b>	<b>11,088.33</b>	<b>342,539.69</b>	<b>496,719.39</b>
<u>Non-Major Enterprise Fund</u>						
Street Lights	(27,343.48)	30,313.14			24,336.42	(21,366.76)
<b>Total Enterprise Funds</b>	<b>456,107.91</b>	<b>397,209.16</b>	<b>-</b>	<b>11,088.33</b>	<b>366,876.11</b>	<b>475,352.63</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Library		6,155.84			6,155.84	
Airport		5,761.40			5,761.40	
Job Development Authority		5,670.56			5,670.56	
<b>Total Custodial Funds</b>	<b>-</b>	<b>17,587.80</b>	<b>-</b>	<b>-</b>	<b>17,587.80</b>	<b>-</b>
<b>Total Primary Government</b>	<b>1,353,893.71</b>	<b>1,060,891.49</b>	<b>11,088.33</b>	<b>11,088.33</b>	<b>1,118,165.53</b>	<b>1,296,619.67</b>
<u>Discretely Presented Component Units</u>						
Library	16,146.54	9,075.97			8,954.47	16,268.04
Airport	11,813.84	55,548.59			56,629.76	10,732.67
Job Development Authority	229,946.47	87,961.69			88,279.54	229,628.62
<b>Total Discretely Presented Component Units</b>	<b>257,906.85</b>	<b>152,586.25</b>	<b>-</b>	<b>-</b>	<b>153,863.77</b>	<b>256,629.33</b>
<b>Total Reporting Entity</b>	<b>1,611,800.56</b>	<b>1,213,477.74</b>	<b>11,088.33</b>	<b>11,088.33</b>	<b>1,272,029.30</b>	<b>1,553,249.00</b>

# Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Wishek  
Wishek, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wishek, Wishek, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated July 10, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **City's Response to Findings**

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

### **Purpose of this Report**

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 10, 2020

CITY OF WISHEK  
Wishek, North Dakota

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

**SECTION I – SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

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

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. 2019-001 – Segregation of Duties

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

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

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

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

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

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

2. 2019-002- Financial Statement Preparation

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

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

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

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

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

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