

**MORTON MANDAN PUBLIC LIBRARY
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

	Page
BOARD OF TRUSTEES AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Fund	8
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	11
Notes to the Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	26
Note to the Required Supplementary Information	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	28
Schedule of Findings and Responses	30

MORTON MANDAN PUBLIC LIBRARY
BOARD OF TRUSTEES AND APPOINTED OFFICIALS
DECEMBER 31, 2021

Board of Trustees

President	Rebecca Donovan	City of Mandan
Vice President	Linda Ehreth	City of Mandan
Treasurer	Melanie Gaebe	Morton County
Mandan City Commissioner	Amber Larson	City of Mandan
Morton County Commissioner	Jackie Buckley	Morton County
Trustee	Jen Padilla	Morton County
Trustee	Dawn Perrin Ramos	Morton County
Trustee	Vern Mastel	City of Mandan

Appointed Officials

Interim Director	Mary Henderson
Assistant Director	Vacant

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Morton Mandan Public Library
Mandan, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of December 31, 2021, and the respective changes in financial position for the year ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morton Mandan Public Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the City of Mandan that is attributable to the transactions of the Morton Mandan Public Library. They do not purport to, and do not, present fairly the financial position of the City of Mandan, North Dakota as of December 31, 2021 and the changes in its financial position for the

year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morton Mandan Public Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Morton Mandan Public Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morton Mandan Public Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the report. The other information comprises the listing of the board of trustees and appointed officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2022 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal controls over financial reporting and compliance.

Brady Martz

**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

August 6, 2022

MORTON MANDAN PUBLIC LIBRARY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 909,499
Taxes receivable	9,539
Due from City	84,910
Prepaid items	11,669
Capital assets (net of depreciation):	
Buildings and improvements	683,894
Infrastructure	11,091
Machinery and equipment	14,455
Total assets	1,725,057
LIABILITIES	
Salaries and benefits payable	13,345
Accounts payable	19,355
Noncurrent liabilities:	
Due within one year:	
Compensated absences	16,776
Due after one year:	
Compensated absences	12,820
Total liabilities	62,296
NET POSITION	
Net investment in capital assets	709,440
Unrestricted	953,321
Total net position	\$ 1,662,761

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Culture and recreation	\$ 711,458	\$ 24,335	\$ 232,506	\$ (454,617)
Total governmental activities	<u>\$ 711,458</u>	<u>\$ 24,335</u>	<u>\$ 232,506</u>	<u>(454,617)</u>

<u>General Revenues</u>	
Property, delinquent, mobile home taxes	525,181
State aid distribution	10,650
Disabled veterans credit	4,675
Homestead credit	7,613
Interest	307
Miscellaneous	8,009
Total general revenues	<u>556,435</u>
Change in net position	101,818
Net position - January 1	<u>1,560,943</u>
Net position - December 31	<u>\$ 1,662,761</u>

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2021

	General
ASSETS	
Cash and cash equivalents	\$ 909,499
Taxes receivable	9,539
Due from City	84,910
Prepaid items	11,669
Total assets	\$ 1,015,617
LIABILITIES	
Salaries and benefits payable	\$ 13,345
Accounts payable	19,355
Total liabilities	32,700
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	8,681
FUND BALANCES	
Nonspendable:	
Prepaid items	11,669
Committed for:	
Bookmobile replacement	113,661
Operating reserve	143,147
Capital reserve	187,900
Assigned:	
Subsequent Year's Budget: Appropriation of Fund Balance	5,539
Unassigned	512,320
Total fund balance	974,236
Total liabilities, deferred inflows of resources and fund balance	\$ 1,015,617

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total fund balance for governmental fund		\$ 974,236
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:		
Buildings and improvements (net of depreciation)	683,894	
Infrastructure (net of depreciation)	11,091	
Machinery and equipment (net of depreciation)	14,455	
Total capital assets	709,440	709,440
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund:		
Taxes receivable		8,681
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund:		
Compensated absences		(29,596)
Total net position of governmental activities		\$ 1,662,761

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	General
REVENUES	
Taxes	\$ 528,390
Intergovernmental	255,444
Charges for services	23,754
Fines and forfeits	582
Interest	307
Miscellaneous	8,009
Total revenues	816,486
EXPENDITURES	
Current	
Culture and recreation	688,266
Capital Outlay	10,330
Total expenditures	698,596
Excess (deficiency) of revenues over (under) expenditures	117,890
Net change in fund balance	117,890
Fund balance - January 1	856,346
Fund balance - December 31	\$ 974,236

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balance - total governmental fund		\$ 117,890
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay	10,330	
Depreciation	(29,192)	
Total	(18,862)	(18,862)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund:		
Taxes receivable (net)		(3,207)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund:		
Net decrease in compensated absences		5,997
Change in net position of governmental activities		\$ 101,818

See Notes to Financial Statements

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, is a joint public library serving Morton County and the City of Mandan, and is governed by a joint board of trustees comprising of four members from Morton County and four members from the City of Mandan, and operates under a Memorandum of Understanding between Morton County and the City of Mandan. The Library has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are as follows:

Reporting Entity

For financial reporting purposes, the Library has included all funds and activities that make up its legal entity. The Library has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete. The Governmental 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 Library 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 Library.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Library's funds and activities based on these criteria since there are no component units to include in the Library's reporting entity.

Government-Wide Financial Statements

The statement of net position and statement of activities report information on all non-fiduciary activities of the Library. The Library's activities are governmental activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of net position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in two categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Unrestricted net position consists of net position that does not meet the definition of the preceding category. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for the governmental fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes and intergovernmental. Unearned revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due and payable.

Financial Statement Presentation

The Library reports the following governmental fund:

General Fund - This fund is the principal operating fund of the Library. It is used to account for all financial resources that are not accounted for in other funds.

Cash and Cash Equivalents

Cash and cash equivalents, for reporting purposes, include cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Investments

State statutes authorize the Library to invest in state and local securities, commercial paper, bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, 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, certificates of deposit fully insured by the federal deposit insurance corporation or the state, obligations of the state.

Taxes Receivable

Taxes receivable represent the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A five percent discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the five percent discount on the property taxes.

Prepaid Items

Prepaid items reflect payments for costs applicable to future accounting periods. Prepaid items in the governmental fund financial statements are reflected as a reservation of fund balance on the balance sheet.

Capital Assets

Capital assets, which include buildings and improvements, infrastructure, machinery and equipment, and construction work in progress, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of two years are capitalized and reported in the governmental activities column in the government-wide financial statements. Exceptions include: buildings and improvements, the threshold is \$25,000 and infrastructure assets, the threshold is \$50,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Infrastructure consists of parking lots. Infrastructure is reported in the governmental activities column in the government-wide financial statements.

Fixed assets in governmental funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, are reported in the governmental activities column in the government-wide financial statements.

Construction work in progress is not depreciated.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Infrastructure	30
Machinery and equipment	5

Due from City

According to the 2006 Memorandum of Understanding between the Morton County Public Library and City of Mandan Public Library, the funding formula from each entity for the Library's annual budget is to be based on population statistics and if in the future the population statistics shift, the future board would then determine the most equitable formula. Since the City of Mandan's budget contribution exceeded Morton County's budget contribution for the Library for fiscal year 2018 and 2019, the City of Mandan approved to retain property taxes levied and collected on behalf of the Library in an amount equal to the budget contribution in excess of the funding formula indicated in the Memorandum of Understanding and to hold the funds in a City of Mandan account to be used for future building improvements at the Library as determined by the Board of City Commissioners. As of December 31, 2021, the balance of funds retained by the City of Mandan for the Library amounted to \$84,910.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated Absences

Annual Leave

Eligible Library employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 240 hours as of the date of the

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

employee's anniversary. The amount of annual leave earned ranges between eight and eighteen hours per month. The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability.

Sick Leave

Eligible Library employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. Employees vesting between the ages of 62 to 64, the City is liable for one-third of the employee's accumulated unused sick leave up to a maximum of 60 days. Employees vesting at age 65 or older, the Library is liable for all the employee's accumulated unused sick leave up to a maximum of 60 days. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has reached age 62.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

Revenues and Expenditures/Expenses

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental), then further by function for governmental activities. Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction, available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. When revenues are not restricted or do not have constraints placed on their use, the funds are considered by the Library's board to be committed or set aside for a specific purpose. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Library's board has provided otherwise in its commitment or assignment actions.

In the governmental fund financial statements, expenditures are reported by character: "Current" or "Capital Outlay". Current expenditures are subclassified by function.

Capital outlay includes expenditures for capital assets.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Net Position

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

Fund Balance Classifications

In the fund financial statements, fund balance for governmental funds are reported in five classifications that comprise a hierarchy based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in those funds can be spent:

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

Restricted results when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (simple majority vote) of the Library’s highest level of decision-making authority (Library board) and cannot be used for any other purpose unless the Library removes or changes the specified use by taking the same type of action it employed to previously commit the amounts.

Assigned consists of amounts that are constrained by the Library’s intent to be used for specific purposes, but are neither restricted nor committed, as expressed by the director to which the City of Mandan’s commission has delegated the authority to assign amounts to be used for specific purposes. The City of Mandan’s budget and finance committee has the authority to remove or change the assignment of funds.

Unassigned is the residual classification for the general fund and represents the amount that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Minimum Fund Balance

The unrestricted fund balance is the amount in the fund balance less nonspendable and restricted fund balance. The Library will strive to maintain a minimum unrestricted general fund balance equal to 17% of the general fund’s subsequent year budgeted expenditures (less debt service and capital outlay). This will assist in maintaining an adequate level of fund balance to provide for economic and financial stability. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum target, as noted above, the replenishment will be within five years.

The minimum fund balance in the General Fund at December 31, 2021 was \$148,035.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations at the Legal Level of Control

The appropriated budget is prepared by fund and function. The Library may make transfers of appropriations for operations and maintenance expenditures within a fund. Transfers of appropriations for salaries and benefits, capital outlay, or between funds require the approval of the Library's board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

NOTE 3 DEPOSITS

Custodial Credit Risk

The Library minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the Library would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The Library does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the Library's board requires that all Library funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

At December 31, 2021, the carrying amount of the Library's deposits was \$878,678 and the bank balance was \$911,347 all of which was insured and collateralized. The Library also maintains a petty cash balance of \$200.

The deposits presented in the financial statements at December 31, 2021, are as follows:

<u>Primary Government</u>	
Cash and cash equivalents	\$ 909,499
Less: Petty cash	<u>(200)</u>
Total deposits	<u>\$ 909,299</u>

NOTE 4 INVESTMENTS

The investment policies of the Library are governed by state statutes, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rates. The Library does not have a formal investment policy

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library does not have an investment policy that specifically addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Library does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Library does not have a formal investment policy governing foreign currency risk.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year:

Governmental Activities	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Capital assets being depreciated:				
Buildings and improvements	\$ 1,020,735	\$ -	\$ -	\$ 1,020,735
Infrastructure	139,339	-	-	139,339
Machinery and equipment	620,623	10,330	-	630,953
Total capital assets being depreciated	<u>1,780,697</u>	<u>10,330</u>	<u>-</u>	<u>1,791,027</u>
Less accumulated depreciation for:				
Buildings and improvements	316,426	20,415	-	336,841
Infrastructure	123,602	4,646	-	128,248
Machinery and equipment	612,367	4,131	-	616,498
Total accumulated depreciation	<u>1,052,395</u>	<u>29,192</u>	<u>-</u>	<u>1,081,587</u>
Total capital assets being depreciated, net	<u>728,302</u>	<u>(18,862)</u>	<u>-</u>	<u>709,440</u>
Total capital assets, net	<u>\$ 728,302</u>	<u>\$ (18,862)</u>	<u>\$ -</u>	<u>\$ 709,440</u>

Depreciation expense was charged to function/program of the Library as follows:

Governmental Activities

Culture and Recreation	<u>\$ 29,192</u>
------------------------	------------------

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 6 LONG-TERM DEBT

Changes in long-term liabilities for the year ended December 31, 2021, are summarized as follows:

<u>Governmental Activities</u>	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 35,593</u>	<u>\$ 32,732</u>	<u>\$ (38,729)</u>	<u>\$ 29,596</u>	<u>\$ 16,776</u>

NOTE 7 EMPLOYEE PENSION PLAN

Defined Contribution Plan

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible Library employees. The Defined Contribution Plan had 7 participants as of December 31, 2021.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the Library is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the Plan for being totally disabled.

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service	25%
Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. The employer's required contributions for the year ended December 31, 2021 were \$18,773.

The City, or vendors contracted by the City, has exclusive authority to invest and manage the assets of the Employee Retirement Plan and Trust. The Plan allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the City.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 8 RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Settlements, resulting from these risks, have not exceeded insurance coverage in any of the past three fiscal years.

North Dakota Insurance Reserve Fund

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The Library pays an annual premium to NDIRF for its general liability, auto, and public asset insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile coverage.

Machinery and Equipment

The Library pays an annual premium to The Cincinnati Insurance Company for its machinery and equipment insurance coverage. The coverage by The Cincinnati Insurance Company is limited to losses of \$3,000,000.

State Fire and Tornado Fund

The Library participates in the State Fire and Tornado Fund. The Library pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund currently provides the Library with an aggregate coverage limit of \$250,000,000 with specific special limits varying from \$500 to \$500,000.

State Bonding Fund

The Library participates in the State Bonding Fund. The Fund currently provides the Library with blanket fidelity bond coverage in the amount of \$2,000,000 for its public employees and public officials. The Fund does not currently charge any premium for this coverage.

Workforce Safety & Insurance

The Library participates in the Workforce Safety & Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

PERS Uniform Group Insurance Program

The Library participates in the PERS Uniform Group Insurance Program who contracts with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The Library contributes a percentage of the monthly premium based upon an employee’s years of service.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 9 NEW PRONOUNCEMENTS

The Library will implement the following pronouncements for fiscal years ending after 2021:

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

MORTON MANDAN PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Library's year end. Subsequent events have been evaluated through August 6, 2022, which is the date the financial statements were available to be issued.

MORTON MANDAN PUBLIC LIBRARY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 560,541	\$ 560,541	\$ 528,390	\$ (32,151)
Intergovernmental	254,250	254,250	255,444	1,194
Charges for services	26,200	26,200	23,754	(2,446)
Fines and forfeits	2,500	2,500	582	(1,918)
Interest	1,400	1,400	307	(1,093)
Miscellaneous	508,500	508,500	8,009	(500,491)
	<u>1,353,391</u>	<u>1,353,391</u>	<u>816,486</u>	<u>(536,905)</u>
Total revenues				
EXPENDITURES				
Current				
Culture and recreation	811,463	811,463	688,266	123,197
Capital outlay	510,000	510,000	10,330	499,670
	<u>1,321,463</u>	<u>1,321,463</u>	<u>698,596</u>	<u>622,867</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>31,928</u>	<u>31,928</u>	<u>117,890</u>	<u>85,962</u>
Net change in fund balance	<u>\$ 31,928</u>	<u>\$ 31,928</u>	<u>117,890</u>	<u>\$ 85,962</u>
Fund balance - January 1			<u>856,346</u>	
Fund balance - December 31			<u>\$ 974,236</u>	

See Note to the Required Supplementary Information

MORTON MANDAN PUBLIC LIBRARY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

NOTE 1 GENERAL BUDGETARY POLICIES AND PROCEDURES

The Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, is required to prepare the annual Budget in accordance with the state's Municipal Budget Law and also with existing City Ordinances, Resolutions, contracts and agreements. In addition to these legal requirements, the City's Significant Budget Policies provide further direction and guidance to the budgeting process.

The annual budget is adopted on a basis consistent with generally accepted accounting principles for the governmental fund. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund and function. The Library may make transfers of appropriations for operations and maintenance expenditures within a fund. Transfers of appropriations for salaries and benefits, capital outlay, or between funds require the approval of the Library's board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

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

To the Board of Trustees
Morton Mandan Public Library
Mandan, 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 and the major fund of Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Morton Mandan Public Library's basic financial statements, and have issued our report thereon dated August 6, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morton Mandan Public Library's internal control over financial reporting (internal control) as a basis for designing 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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our

audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2021-001 that we considered a significant deficiency.

Report on Compliance and Other Matters

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

Morton Mandan Public Library's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Morton Mandan Public Library's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Morton Mandan Public Library's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

August 6, 2022

MORTON MANDAN PUBLIC LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-001: Preparation of Financial Statements– Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect

There is an increased risk of material misstatement or omission of material disclosures to the Library's financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Due to the cost benefit, the Library has elected to have the auditors prepare the financial statements. The City has two CPA's on staff who keep current with the new accounting standards. City staff currently reviews the financial statements and schedules prior to finalization of the financial statements.