CITY OF VELVA
VELVA, NORTH DAKOTA

REVIEWED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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CITY OF VELVA
CITY OFFICIALS
DECEMBER 31, 2017

Elected Officials

Scott Blotter	Commission President
Tom Foley	Commission Vice President
Jennifer Soli	Commissioner
David Keller	Commissioner
Benjamin Zietz	Commissioner

BradyMartz

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the City Commission
City of Velva
Velva, North Dakota

We have reviewed the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Velva, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the City of Velva, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 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.

Brady Martz

BRADY, MARTZ AND ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

September 25, 2023

CITY OF VELVA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 523,994	$ 201,903	$ 725,897
Capital assets, not being depreciated:			
Construction in progress	255,712	-	255,712
Capital assets:			
Machinery and equipment	531,503	115,133	646,636
Buildings	972,241	29,805	1,002,046
Infrastructure	3,363,574	1,071,124	4,434,698
Less: accumulated depreciation	(1,887,799)	(407,115)	(2,294,914)
Total assets	3,759,225	1,010,850	4,770,075
LIABILITIES			
Current liabilities:			
Accounts payable	130,000	-	130,000
Accrued taxes payable	16,278	-	16,278
Other payables	972	-	972
Current maturities of general obligation bonds	15,000	-	15,000
Current maturities of revenue bonds	15,833	15,000	30,833
Current maturities of special assessment bonds net of bond premium	115,263	-	115,263
Current maturities of notes payable	40,010	-	40,010
Noncurrent liabilities:			
General obligation bond, net current maturities	190,000	-	190,000
Revenue bonds, net current maturities	173,265	225,000	398,265
Special assessment bond, net current maturities and bond premium	335,789	-	335,789
Notes payable, net current maturities	119,928	-	119,928
Total liabilities	1,152,338	240,000	1,392,338
NET POSITION			
Net investment in capital assets	2,230,143	568,947	2,799,090
Restricted for:			
Public safety	16,995	-	16,995
Debt service	103,761	-	103,761
Capital projects	164,399	-	164,399
Unrestricted	91,589	201,903	293,492
Total net position	$ 2,606,887	$ 770,850	$ 3,377,737

CITY OF VELVA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-type Activities	Total
Governmental Activities:					
General government	$ 357,215	$ 8,613	$ (348,602)		$ (348,602)
Cemetery	6,534	-	(6,534)		(6,534)
Culture and recreation	3,614	-	(3,614)		(3,614)
Economic development	76,737	-	(76,737)		(76,737)
Highways and streets	251,096	-	(251,096)		(251,096)
Public safety	98,055	-	(98,055)		(98,055)
Public works	47,428	-	(47,428)		(47,428)
Interest and other fiscal charges	5,956	-	(5,956)		(5,956)
Total governmental activities	846,635	8,613	(838,022)		(838,022)
Business-type Activities:					
Water and sewer	338,601	297,426		$ (41,175)	(41,175)
Garbage	75,100	78,536		3,436	3,436
Total Business-type activities	413,701	375,962		(37,739)	(37,739)
Total primary government	$ 1,260,336	$ 384,575	(838,022)	(37,739)	(875,761)
General Revenues					
Property, delinquent, mobile home taxes			548,624	-	548,624
Special assessments			828		828
City sales tax			90,203	-	90,203
State aid distribution			68,426	-	68,426
Cigarette taxes			1,424	-	1,424
Highway tax distribution			98,835	-	98,835
Oil and gas production taxes			14,046	-	14,046
Interest			1,948	-	1,948
Miscellaneous			34,360	6,033	40,393
Transfers			187,952	(187,952)	-
Total general revenues, gain (loss) on sale of capital assets, and transfers			1,046,646	(181,919)	864,727
Change in net position			208,624	(219,658)	(11,034)
Net position - January 1			2,398,263	990,508	3,388,771
Net position - December 31			$ 2,606,887	$ 770,850	$ 3,377,737

CITY OF VELVA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

DECEMBER 31, 2017

	General	Roads and Bridges	Sales Tax	Water Plant 2006	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 238,839	$ -	$ 155,344	$ 103,761	$ 26,050	$ 523,994
Total assets	$ 238,839	$ -	$ 155,344	$ 103,761	$ 26,050	$ 523,994
LIABILITIES						
Accrued taxes payable	$ 16,278	$ -	$ -	$ -	$ -	$ 16,278
Other payables	972	-	-	-	-	972
Total liabilities	17,250	-	-	-	-	17,250
FUND BALANCES						
Restricted for:						
Public safety	-	-	-	-	16,995	16,995
Debt service	-	-	-	103,761	-	103,761
Capital projects	-	-	155,344	-	9,055	164,399
Committed for:						
Economic development	17,614	-			-	17,614
Culture and recreation	18,953	-			-	18,953
Unassigned	185,022	-	-	-	-	185,022
Total fund balances	221,589	-	155,344	103,761	26,050	506,744
Total liabilities and fund balances	$ 238,839	$ -	$ 155,344	$ 103,761	$ 26,050	$ 523,994

CITY OF VELVA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2017

Total Fund Balances for Governmental Funds		$ 506,744
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 funds:		
Construction in progress	255,712	
Infrastructure	3,363,574	
Buildings	972,241	
Machinery and equipment	531,503	
Less: accumulated depreciation	(1,887,799)	
Total capital assets		3,235,231
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accounts payable	(130,000)	
General obligation bonds payable	(205,000)	
Revenue bonds payable	(189,098)	
Special assessments bonds payable and unamortized bond premium	(451,052)	
Notes payable	(159,938)	
		(1,135,088)
Total Net Position of Governmental Activities		$ 2,606,887

CITY OF VELVA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Roads and Bridges	Sales Tax	Water Plant 2006	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 395,608	$ 98,835	$ 90,203	$ 135,553	$ 18,887	$ 739,086
Licenses and permits	7,070	-	-	-	-	7,070
Intergovernmental	68,426	-	-	-	-	68,426
Fines and forfeits	1,543	-	-	-	-	1,543
Special assessments	828	-	-	-	-	828
Oil and gas production	14,046	-	-	-	-	14,046
Interest	1,948	-	-	-	-	1,948
Miscellaneous	30,676	3,600	-	-	84	34,360
Total revenues	520,145	102,435	90,203	135,553	18,971	867,307
EXPENDITURES						
Current:						
General government	353,512	-	-	-	-	353,512
Cemetery	-	-	-	-	6,534	6,534
Economic development and assistance	69,000	-	-	-	7,737	76,737
Highways and streets	-	162,894	-	-	666	163,560
Public safety	81,300	-	-	-	6,733	88,033
Debt Service:						
Principal retirement	26,000	-	18,293	90,833	19,875	155,001
Interest and other fiscal charges	4,800	-	1,995	11,311	18,113	36,219
Capital outlays	270,249	5,200	-	-	7,558	283,007
Total expenditures	804,861	168,094	20,288	102,144	67,216	1,162,603
Excess (deficiency) of revenues over (under) expenditures	(284,716)	(65,659)	69,915	33,409	(48,245)	(295,296)
OTHER FINANCING SOURCES (USES)						
Transfers in	526,659	46,799	60,652	-	95,805	729,915
Transfers out	(248,126)	-	(169,086)	(49,852)	(74,899)	(541,963)
Total other financing sources and uses	278,533	46,799	(108,434)	(49,852)	20,906	187,952
Net change in fund balances	(6,183)	(18,860)	(38,519)	(16,443)	(27,339)	(107,344)
Fund balances - January 1	227,772	18,860	193,863	120,204	53,389	614,088
Fund balances - December 31	$ 221,589	$ -	$ 155,344	$ 103,761	$ 26,050	$ 506,744

CITY OF VELVA
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances-Total Governmental Funds		$ (107,344)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays	283,007	
Depreciation	(152,303)	
Total		130,704
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Amortization of bond premium	30,263	
Principal retirements	155,001	
		185,264
Change in Net Position of Governmental Activities		$ 208,624

See Independent Accountant's Review Report and Notes to the Financial Statements

CITY OF VELVA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	**Garbage**	**Total**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 178,956	$ 22,947	$ 201,903
Capital assets			
Infrastructure	1,071,124	-	1,071,124
Buildings	29,805	-	29,805
Machinery and Equipment	115,133	-	115,133
Less accumulated depreciation	(407,115)	-	(407,115)
Total capital assets	808,947	-	808,947
Total assets	987,903	22,947	1,010,850
LIABILITIES			
Current liabilities			
Current maturities of revenue bonds	15,000	-	15,000
Non-current liabilities			
Revenue bonds, less current maturities	225,000	-	225,000
Total liabilities	240,000	-	240,000
NET POSITION			
Net investment in capital assets	568,947	-	568,947
Unrestricted	178,956	22,947	201,903
Total net position	$ 747,903	$ 22,947	$ 770,850

CITY OF VELVA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	**Garbage**	**Total**
Operating revenues:			
Taxes	$ -	$ 5,912	$ 5,912
Charges for services	297,426	72,624	370,050
Total Operating Revenues	297,426	78,536	375,962
Operating expenses:			
Salaries and benefits	93,094	-	93,094
Garbage contracted services	-	75,093	75,093
Utilities	27,921	-	27,921
Supplies	45,073	-	45,073
Repairs and maintenance	76,122	-	76,122
Miscellaneous	68,932	7	68,939
Depreciation	27,459	-	27,459
Total operating expenses	338,601	75,100	413,701
Operating income (loss)	(41,175)	3,436	(37,739)
Nonoperating Revenues (expenses):			
Other income (expense)	6,033	-	6,033
Income (loss) before transfers	(35,142)	3,436	(31,706)
Transfers in	17,201	-	17,201
Transfers out	(202,264)	(2,889)	(205,153)
Change in net position	(220,205)	547	(219,658)
Net position, January 1	968,108	22,400	990,508
Net position, December 31	$ 747,903	$ 22,947	$ 770,850

CITY OF VELVA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	**Garbage**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 297,426	$ 78,536	$ 375,962
Payments to employees	(93,094)	-	(93,094)
Payments to suppliers	(218,048)	(75,100)	(293,148)
Net cash provided (used) by operating activities:	(13,716)	3,436	(10,280)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Other receipts (disbursements)	6,033	-	6,033
Transfers in (out)	(185,063)	(2,889)	(187,952)
Net cash provided (used) by investing activities:	(179,030)	(2,889)	(181,919)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(20,222)	-	(20,222)
Principal payments on long term debt	(15,000)	-	(15,000)
Net cash provided (used) by investing activities:	(35,222)	-	(35,222)
Net increase (decrease) in cash and cash equivalents	(227,968)	547	(227,421)
Cash and cash equivalents - January 1	406,924	22,400	429,324
Cash and cash equivalents - December 31	$ 178,956	$ 22,947	$ 201,903
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	$ (41,175)	$ 3,436	$ (37,739)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	27,459	-	27,459
Net cash provided (used) by operating activities	$ (13,716)	$ 3,436	$ (10,280)

CITY OF VELVA
STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2017

	Library	Parks and Recreation Retirement	Fire Department Equipment Reserve
ASSETS			
Cash and cash equivalents	$ 1,821	$ 80,114	$ 56,192
LIABILITIES			
Due to other governments	$ 1,821	$ 80,114	$ 56,192

NOTE 1 DESCRIPTION OF THE CITY

The City of Velva operates under a City Commission form of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's significant accounting policies are as described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Financial Reporting Entity

The financial statements of the reporting entity include those of the City of Velva, North Dakota (the primary government). Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of an organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the City. Fiscal dependence can include the City's approval of the budget, issuance of debt, and/or levying of taxes for the organization. Based on these criteria, the City of Velva does not have any component units.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

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

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

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. There are three categories of funds: governmental, proprietary and fiduciary. The funds of the financial entity are described below:

<u>Governmental Funds</u>

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

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital project funds - Capital project funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

Debt service funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Major Funds

The funds are further classified as major or nonmajor. The City reports the following major funds:

Governmental

General fund as described above.

Roads and Bridges, a special revenue fund, is used to account for the revenues from the highway distribution tax and related expenditures.

Sales Tax, a special revenue fund, is used to account for the revenues from the sales tax revenues and related expenditures.

Water Plant 2006, a debt service fund, is used to account for the accumulation of resources for, and payment for the 2006 water plant.

Proprietary

Enterprise funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following major enterprise funds.

Water and Sewer, an enterprise fund, is used to account for water and sewer services provided to the residents of the City.

Garbage, an enterprise fund, is used to account for garbage services provided to the residents of the City.

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

Government-wide financial statements

In the government-wide financial statements, both the governmental and business-type activities are prepared using the economic resources measurement focus within the limitations of the modified cash basis of accounting.

Fund financial statements

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.

All governmental funds and fiduciary funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current 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.

The proprietary funds use an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the 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 recording payroll tax liabilities and long term debt and depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive 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), 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.

Cash and Cash Equivalents

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

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's cash and cash equivalents.

Capital Assets

Capital assets, which include infrastructure, construction in progress, property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at aquisition value at the date of donation.

The City's capitalization policy is $2,000 and an estimated useful life in excess of one year or more.

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

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

Infrastructure	20 to 50 years
Building	20 to 50 years
Machinery and equipment	5 to 15 years

Long-Term Debt

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

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of capital lease, notes, and bonds payables. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements. In the fund financial statements, governmental fund types recognize bond discounts during the current period.

Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2) Restricted net position - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3) Unrestricted net position - All other net position that do not meet the definition of net investment in capital assets or restricted.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Interfund Transactions

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

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1) Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables. Advance to and advance from represent noncurrent interfund receivables and payables.

2) Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.

3) Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

4) Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1) Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

2) Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the

net amount of transfers between governmental and business-type activities, which are reported as transfers. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

Property Taxes

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

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15th. Penalty and interest are added on March 1st if the first half of the taxes is not paid. Additional penalty and interest are added on a quarterly basis to those taxes that are not paid.

Taxes are collected by the county and remitted monthly to the City.

Insurance Recoveries

Insurance recoveries are classified under miscellaneous revenue in the fund financial statements. These amounts are factored into gain/loss on the disposal of capital assets on the government wide financial statements, which is included in general government expenses on the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 3 DEPOSITS

In accordance with North Dakota statutes, the City maintains deposits at 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.

Credit Risk:

The City may invest idle funds as authorized in North Dakota statutes, as follows:

(a) 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
(b) Securities sold under agreement to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above
(c) Certificates of deposits fully insured by the federal deposit insurance corporation
(d) Obligations of the state

As of December 31, 2017, the City had investments in certificates of deposits as authorized by statutes. These amounts are classified as cash and cash equivalents on the financial statements in accordance with the City's policy.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution.

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to $250,000. At December 31, 2017, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. $734,350 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance.

Concentration of Credit Risk:

The City does not have a limit on the amount the City may invest in any one issuer. The City has no formal investment policy.

NOTE 4 INTERFUND ACCOUNTS AND TRANSFERS

Interfund Transfers

A summary of interfund transfers for the fiscal year ended December 31, 2017, follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General	$ 526,659	$ (248,126)
Roads & Bridges	46,799	-
Sales Tax	60,652	(169,086)
Water Plant	-	(49,852)
Non-major	95,805	(74,899)
Proprietary Funds:		
Water	17,201	(202,264)
Garbage	-	(2,889)
	$ 747,116	$ (747,116)

Transfers were to cover deficit cash balances related to expenditures in excess of revenues.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year ended December 31, 2017:

	Balance 1/1/17	Additions	Deletions	Balance 12/31/17
Governmental activities				
Capital assets not being depreciated:				
Construction in progress	$ 194,041	$ 277,807	$ (216,136)	$ 255,712
Capital assets being depreciated:				
Equipment	526,303	5,200	-	531,503
Buildings	972,241	-	-	972,241
Infrastructure	3,147,438	216,136	-	3,363,574
Total capital assets being depreciated	4,645,982	221,336	-	4,867,318
Less accumulated depreciation:				
Equipment	(230,694)	(41,779)	-	(272,473)
Buildings	(898,167)	(8,389)	-	(906,556)
Infrastructure	(606,635)	(102,135)	-	(708,770)
Total accumulated depreciation	(1,735,496)	(152,303)	-	(1,887,799)
Total capital assets being depreciated, net	2,910,486	69,033	-	2,979,519
Net capital assets	$ 3,104,527	$ 346,840	$ (216,136)	$ 3,235,231

	Balance 1/1/17	Additions	Deletions	Balance 12/31/17
Business type activities				
Capital assets being depreciated:				
Equipment	$ 94,911	$ 20,222	$ -	$ 115,133
Buildings	29,805	-	-	29,805
Infrastructure	1,071,124	-	-	1,071,124
Total capital assets being depreciated	1,195,840	20,222	-	1,216,062
Less accumulated depreciation:				
Equipment	(67,873)	(8,191)	-	(76,064)
Buildings	(23,478)	(320)	-	(23,798)
Infrastructure	(288,305)	(18,948)	-	(307,253)
Total accumulated depreciation	(379,656)	(27,459)	-	(407,115)
Net capital assets	$ 816,184	$ (7,237)	$ -	$ 808,947

Depreciation expense for the governmental activities was charged as follows on the Statement of Activities:

General Government	$	3,703
Culture & Recreation		3,614
Highway & Streets		87,536
Public Safety		10,022
Public Works		47,428
Total Depreciation Expense	$	152,303

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City of Velva for the year ended December 31, 2017:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
Governmental activites					
General obligation bonds	$ 220,000	$ -	$ (15,000)	$ 205,000	$ 15,000
Revenue bonds	204,931	-	(15,833)	189,098	15,833
Special assessments bonds	415,000	-	(85,000)	330,000	85,000
Plus: bond premium	151,314	-	(30,263)	121,051	30,263
Notes payable	199,107	-	(39,168)	159,938	40,010
Total	$ 1,190,352	$ -	$ (185,264)	$ 1,005,087	$ 186,106
Business type activities					
Revenue bonds	$ 255,000	$ -	$ (15,000)	$ 240,000	$ 15,000

Long term debt at December 31, 2017 consists of the following individual issues:

	Balance 12/31/17
Governmental activities:	
General obligation bonds payable:	
$300,000 General Obligation Bonds of 2009 due in annual principal installments of $15,000 to $20,000 through May 1, 2029; semi-annual interest payments at 2.875% to 4.250%.	$ 205,000
Revenue bonds payable:	
$190,000 Sewer Revenue Bonds of 2011 due in annual principal installments of $10,000 to $15,000 through September 1, 2031; semi-annual interest payments at 2.50%	$ 150,000
$70,000 Refunding Improvement Bonds, Series 2012 due in annual principal installments of $5,833 through May 1, 2024; semi-annual interest payments at 2.50%.	39,098
Total revenue bonds payable	$ 189,098
Special assessments bonds payable:	
$1,031,321 Special Assessments Bonds - Water Treatment Plant Improvements due in annual principal installments of $85,000 to $75,000; semi-annual interest at 2.50%.	$ 330,000
Note payable:	
$121,300 JD Loader note payable due in annual principal installments of $16,752 to $19,109 through July 2018; annual interest payment at 4.50%.	$ 19,086
$160,000 fire truck note payable due in annual principal installments of $1,333 through July 2024; no interest due. Note secured by fire truck.	105,333
$50,000 note payable for sewer lagoon repair due in annual principal installments of $4,779 to $5,227 through February 2024; annual interest at 1%.	35,519
Total notes payable	$ 159,938
Business-type activities:	
$300,000 Water Revenue Bonds of 2009 due in annual principal installments of $15,000 to $20,000 through September 1, 2029; semi-annual interest payments at 2.50%	$ 240,000

The future expected requirements to amortize long term debt, including interest, as of December 31, 2017 are as follows:

Governmental activities

	General Obligation Bonds		Revenue Bonds		Special Assessments Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 15,000	$ 8,394	$ 15,833	$ 4,625	$ 85,000	$ 8,250
2019	15,000	7,756	15,833	4,258	85,000	6,125
2020	15,000	7,119	15,833	3,892	85,000	4,000
2021	15,000	6,481	15,834	3,510	75,000	1,875
2022	15,000	5,844	15,834	3,115	-	-
2023-2027	90,000	18,700	59,931	10,292	-	-
2028-2031	40,000	1,700	50,000	3,125	-	-
	$ 205,000	$ 55,994	$ 189,098	$ 32,817	$ 330,000	$ 20,250

	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2018	$ 40,010	$ 1,222	$ 155,843	$ 22,491
2019	20,973	306	136,806	18,445
2020	21,023	256	136,856	15,267
2021	21,073	206	126,907	12,072
2022	21,124	155	51,958	9,114
2023-2027	35,735	156	185,666	29,148
2028-2031	-	-	90,000	4,825
	$ 159,938	$ 2,301	$ 884,036	$ 111,362

Business-type activities

	Revenue Bonds	
	Principal	Interest
2018	$ 15,000	$ 6,000
2019	15,000	5,625
2020	20,000	5,250
2021	20,000	4,750
2022	20,000	4,250
2023-2027	100,000	13,750
2028-2031	50,000	1,875
	$ 240,000	$ 41,500

NOTE 7 RISK MANAGEMENT

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

In 1986, the 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 2,000 political subdivisions. The City of Velva pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $1,000,000 per occurrence for general liability.

The City of Velva 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 State

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

The City of Velva has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance for its full-time employees.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 8 DEFINED BENEFIT PLAN - NDPERS

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the members accumulated contributions, plus interest, is paid to the members 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 members accrued normal retirement benefit, or monthly payments in an amount equal to the members 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 members accumulated pension benefits are paid, the balance will be payable to the surviving spouses designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

The members account balance includes the vested employer contributions equal to the members 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, 2017, if the City of Velva were to report on the full accrual basis, a liability of $257,269 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employers proportion of the net pension liability was based on the Employers share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the Employers proportion was 0.016006 percent, which was a decrease of 0.002505 from its proportion measured as of June 30, 2016. There was no net pension liability or deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis.

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of Year	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%

*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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657, Bismarck, ND 58502-1657.

NOTE 9 DEFINED BENEFIT PLAN - OPEB

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At December 31, 2017, if the City of Velva were to report on the full accrual basis, a liability of $11,947 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employers proportion of the net pension liability was based on the Employers share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the Employers proportion was 0.015103 percent. There was no net pension liability or deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657, Bismarck, ND 58502-1657.

NOTE 10 COMMITMENTS

In July 2019, the City discovered that employee and employer contribution rates were not calculated correctly for employees participating in the NDPERS main retirement plan. The issue has since been corrected and the City has determined approximately $30,750 is due to employees for excess contributions deducted from their gross pay.

The City has committed to three ongoing projects which include the levee evaluation and certification, park access project, and GIS mapping project which had total costs at completion of $44,284, $235,727 and $16,000, respectively. At December 31, 2017, amounts paid on these projects were $33,408, $211,109 and $11,195, respectively, and are included in construction in progress.

NOTE 11 RELATED PARTY TRANSACTION

The City issued a $160,000 note payable for the purchase of a fire truck for the City of Velva Fire Department. The note is expected to be repaid utilizing property taxes levied for the Fire Department – Equipment Reserve. The fire truck is the property of the City of Velva Fire Department. The remaining balance on the note payable is $105,333 as of December 31, 2017.

NOTE 12 LITIGATION

The City settled a lawsuit filed against them, resulting in the incursion of a liability as of December 31, 2017 totaling $130,000.

NOTE 13 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after December 31, 2017:

GASB Statement No. 82*, Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

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

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

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

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.
- 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.
- 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 14 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the City in 2020. The pandemic also prompted various federal funding sources, of which the City benefited from. COVID relief funds received by the City totaled $48,836 and American Rescue Plan Act funds received totaled $188,149. The City also received $417,628 from the state's Prairie Dog Fund.

The City entered into and completed various construction commitments subsequent to the financial statement date. These projects include:

1. The City completed the Park Bridge project at an approximate cost of $280,000 in 2020. The City received state reimbursement for this project of approximately $142,000.

2. The City started a water meter replacement project in 2020. The project is expected to cost approximately $120,000.

3. Asphalt patching was done in 2020, and costed $70,319. Another asphalt and street overlay project was completed in 2022 for $131,490.

4. The major lift station was replaced in 2021, costing approximately $589,052.

The City paid off the business-type activities bonds in 2020 and the governmental general obligation bonds were paid off in 2022.

Subsequent events have been evaluated through September 25, 2023, which is the date these financial statements were available to be issued.