

# **AUDIT REPORT**

CITY OF LINTON  
Linton, North Dakota

For the Years Ended December 31, 2017 and 2016

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

CITY OF LINTON  
Linton, North Dakota

TABLE OF CONTENTS  
For the Years Ended December 31, 2017 and 2016

	<u>Page(s)</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
 <b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position - Modified Cash Basis	14,15
Statement of Activities - Modified Cash Basis	16,17
Balance Sheet - Modified Cash Basis - Governmental Funds	18,19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	20,21
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	22,23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	24,25
Statement of Net Position - Modified Cash Basis - Proprietary Funds	26,27
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds	28,29
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	30,31
Statement of Fiduciary Assets and Liabilities - Agency Funds	32,33
Notes to the Financial Statements	34-54
 <b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules - Modified Cash Basis	
General Fund	55,56
Highway Fund	57,58
City Sales Tax Fund	59,60
Notes to the Budgetary Comparison Schedules	61-62
Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement Fund	63
Schedule of Fund Activity Arising from Cash Transactions	64,65
Schedule of Expenditures of Federal Awards	66
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	67-68
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	69-70
Schedule of Findings and Responses	71-72

CITY OF LINTON  
Linton, North Dakota

CITY OFFICIALS

Derrick Walker	Mayor
Daniel Imdieke	President
Dennis Morris	Vice President
Shelly Hauge	Alderman
Randall Meidinger	Alderman
Joe Ptacek	Alderman
Linda Schumacher-Kelsch	Alderman
Sharon Jangula	Auditor/Administrator
Joy Bosch	Deputy Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Linton  
Linton, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of December 31, 2017 and 2016, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 14, 2018

CITY OF LINTON

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the City of Linton's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2017 and 2016. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2017 are as follows:

- \* Total net position of the city decreased \$34,468 as a result of the current year's operations. Net position of the governmental activities decreased \$33,945 and net position of the business-type activities decreased \$523.
- \* Governmental net position totaled \$2,317,868 and business-type net position totaled \$3,287,356.
- \* Total revenues from all sources were \$889,729 for governmental activities and \$661,995 for business-type activities.
- \* Total expenses were \$821,757 for governmental activities and \$764,436 for business-type activities.
- \* The city's general fund had \$258,343 in total revenues and \$315,938 in total expenditures. There was a total of \$87,977 from other financing sources. Overall, the general fund balance increased by \$30,383 for the year ended December 31, 2017.

Key financial highlights for the year ended December 31, 2016 are as follows:

- \* Total net position of the city increased \$63,777 as a result of the current year's operations. Net position of the governmental activities increased \$105,930 and net position of the business-type activities decreased \$42,152.
- \* Governmental net position totaled \$2,351,814 and business-type net position totaled \$3,287,879.
- \* Total revenues from all sources were \$952,619 for governmental activities and \$664,771 for business-type activities.
- \* Total expenses were \$846,689 for governmental activities and \$706,924 for business-type activities.
- \* The city's general fund had \$264,821 in total revenues and \$326,812 in total expenditures. Overall, the general fund balance decreased by \$61,990 for the year ended December 31, 2016.

## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- \* Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- \* Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

## REPORTING ON THE CITY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2017 and 2016?"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works, urban and economic development, culture and recreation, and debt service. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and garbage.

#### **REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

##### Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, highway fund, city sales tax fund, swimming pool project fund and 2014-1 street improvement fund are considered "major governmental funds". The city's water fund, sewer fund, garbage fund and 02-1 water/sewer main fund are considered "major enterprise funds".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Table I provides a summary of the city's net position as of December 31, 2017 and 2016. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position decreased by \$34,468 and increased by \$63,777 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2017, the city's net position of \$5,605,224 is segregated into three separate categories. Net investment in capital assets totals \$3,802,149. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,430,221 of the city's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents \$372,854, which includes (\$181,231) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$554,085 is available to meet the city's ongoing obligations.



Table I  
 Net Position  
 As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,425,578	635,180
Capital Assets (net of accumulated depreciation)	2,873,752	6,308,213
Total Assets	<u>4,299,330</u>	<u>6,943,393</u>
Deferred Outflows of Resources	<u>70,316</u>	<u>0</u>
<u>Liabilities</u>		
Current Liabilities	239,896	96,554
Long-Term Liabilities	1,560,334	3,559,484
Net Pension Liability	217,813	
Total Liabilities	<u>2,018,043</u>	<u>3,656,038</u>
Deferred Inflows of Resources	<u>33,734</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,103,325	2,698,824
Restricted	1,165,765	264,457
Unrestricted	48,779	324,075
Total Net Position	<u>2,317,868</u> =====	<u>3,287,356</u> =====

As of December 31, 2016, the city's net position of \$5,639,692 is segregated into three separate categories. Net investment in capital assets totals \$3,820,072. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,425,175 of the city's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents \$394,445, which includes (\$172,853) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$567,298 is available to meet the city's ongoing obligations.

Net Position  
 As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,511,574	553,974
Capital Assets (net of accumulated depreciation)	3,050,595	6,508,233
Total Assets	<u>4,562,169</u>	<u>7,062,207</u>
Deferred Outflows of Resources	<u>39,316</u>	<u>0</u>
<u>Liabilities</u>		
Current Liabilities	239,280	119,659
Long-Term Liabilities	1,798,222	3,654,669
Net Pension Liability	161,210	
Total Liabilities	<u>2,198,712</u>	<u>3,774,328</u>
Deferred Inflows of Resources	<u>50,959</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,040,887	2,779,185
Restricted	1,284,260	140,915
Unrestricted	26,666	367,779
Total Net Position	<u>2,351,814</u> =====	<u>3,287,879</u> =====

Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,768,258	505,893
Capital Assets (net of accumulated depreciation)	3,227,438	6,708,253
Total Assets	4,995,696	7,214,146
Deferred Outflows of Resources	28,086	0
<u>Liabilities</u>		
Current Liabilities	283,677	116,494
Long-Term Liabilities	2,297,313	3,767,621
Net Pension Liability	164,748	
Total Liabilities	2,745,738	3,884,115
Deferred Inflows of Resources	32,160	0
<u>Net Position</u>		
Net Investment in Capital Assets	977,796	2,862,711
Restricted	1,175,229	104,127
Unrestricted	92,859	363,193
Total Net Position	2,245,884	3,330,031

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II  
Changes in Net Position  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Revenues</u>		
<u>Program Revenues:</u>		
Charges for Services	106,396	657,627
Operating Grants and Contributions	298,956	
<u>General Revenues:</u>		
Property Taxes	129,390	
Other Taxes	293,036	
Intergovernmental - Unrestricted	45,173	
Interest Earnings and Other Revenue	16,777	4,368
Total Revenues	889,729	661,995
<u>Expenses</u>		
General Government	253,839	
Public Safety	72,865	
Streets and Public Works	278,937	
Urban and Economic Development	93,344	
Culture and Recreation	62,332	
Other	17,786	
Interest on Long-term Debt	42,654	
Water		507,560
Sewer		69,420
Garbage		163,743
02-1 Water/Sewer Main		23,713
Total Expenses	821,757	764,436
Net Change in Position Before Transfers	67,972	(102,441)
Transfers	(101,918)	101,918
Net Change in Position	(33,945)	(523)

Property taxes constituted 8%, other taxes 19%, unrestricted intergovernmental 3%, operating grants and contributions 19%, and charges for services made up 49% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 16%, public safety 5%, streets and public works 18%, and enterprise 48% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	100,450	661,206
Operating Grants and Contributions	297,059	
<u>General Revenues:</u>		
Property Taxes	126,653	
Other Taxes	349,988	
Intergovernmental - Unrestricted	54,629	
Interest Earnings and Other Revenue	23,840	3,566
<b>Total Revenues</b>	<u>952,619</u>	<u>664,771</u>
<b>Expenses</b>		
General Government	247,285	
Public Safety	83,909	
Streets and Public Works	291,397	
Urban and Economic Development	112,827	
Culture and Recreation	35,038	
Other	15,745	
Interest on Long-term Debt	60,488	
Water		459,206
Sewer		78,690
Garbage		144,265
02-1 Water/Sewer Main		24,763
<b>Total Expenses</b>	<u>846,689</u>	<u>706,924</u>
<b>Net Change in Position</b>	<u>105,930</u>	<u>(42,152)</u>
	=====	=====

Property taxes constituted 8%, other taxes 22%, unrestricted intergovernmental 3%, operating grants and contributions 18%, and charges for services made up 47% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 16%, public safety 5%, streets and public works 5%, and enterprise 19% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	58,776	628,250
Operating Grants and Contributions	951,597	1,691,283
<u>General Revenues:</u>		
Property Taxes	119,860	
Other Taxes	233,453	
Intergovernmental - Unrestricted	86,209	
Interest Earnings and Other Revenue	13,450	11,490
<b>Total Revenues</b>	<b>1,463,345</b>	<b>2,331,023</b>
<b>Expenses</b>		
General Government	209,377	
Public Safety	68,493	
Streets and Public Works	386,389	
Urban and Economic Development	83,788	
Culture and Recreation	34,820	
Other	49,141	
Interest on Long-term Debt	70,276	
Water		488,228
Sewer		128,365
Garbage		187,335
02-1 Water/Sewer Main		25,813
<b>Total Expenses</b>	<b>902,284</b>	<b>829,741</b>
<b>Net Change in Position</b>	<b>561,061</b>	<b>1,501,282</b>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2017

	<u>Total Cost Year Ended Dec. 31, 2017</u>	<u>Net Cost Year Ended Dec. 31, 2017</u>
General Government	253,839	185,373
Public Safety	72,865	71,558
Streets and Public Works	278,937	138,056
Urban and Economic Development	93,344	93,344
Culture and Recreation	62,332	62,332
Other	17,786	17,786
Interest on Long-term Debt	42,654	(152,044)
<b>Total Expenses</b>	<b>821,757</b>	<b>416,404</b>

Total and Net Cost of Services  
As of December 31, 2016

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	247,285	181,909
Public Safety	83,909	83,909
Streets and Public Works	291,397	154,327
Urban and Economic Development	112,827	112,827
Culture and Recreation	35,038	35,038
Other	15,745	15,745
Interest on Long-term Debt	60,488	(134,575)
Total Expenses	846,689	449,180

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$889,729 and expenditures of \$873,808 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$952,619 and expenditures of \$1,209,303. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$236,691. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$206,308.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2017 and 2016, the city amended the general fund budgets. The gross effect was to decrease appropriations by \$8,252 for the year ended December 31, 2017 and to increase appropriations by \$13,235 for the year ended December 31, 2016.

Actual revenue for the year ended December 31, 2017 was \$6,963 more than budgeted. Actual expenditures for the year ended December 31, 2017 were equal to the amended budget.

Actual revenue for the year ended December 31, 2016 was \$15,557 less than budgeted. Actual expenditures for the year ended December 31, 2016 were equal to the amended budget.

**CAPITAL ASSETS**

As of December 31, 2017 and 2016, the city had \$9,181,965 and \$9,558,828, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2017, 2016 and 2015.

Table IV

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	2,587,912	5,877,244
Machinery and Vehicles	285,840	430,969
Total (net of depreciation)	<u>2,873,752</u> =====	<u>6,308,213</u> =====

This total represents a decrease of \$376,863 in capital assets from January 1, 2017.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	2,730,853	6,043,521
Machinery and Vehicles	319,742	464,712
Total (net of depreciation)	<u>3,050,595</u> =====	<u>6,508,233</u> =====

This total represents a decrease of \$376,863 in capital assets from January 1, 2016.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	2,873,794	6,209,798
Machinery and Vehicles	353,644	498,455
Total (net of depreciation)	<u>3,227,438</u> =====	<u>6,708,253</u> =====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

## **DEBT ADMINISTRATION**

As of December 31, 2017, the city had \$5,456,268 in outstanding debt of which \$336,450 was due within one year. As of December 31, 2016, the city had \$5,811,831 in outstanding debt of which \$358,940 was due within one year. During fiscal years 2017 and 2016, the city did not issue any new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 6 to the audited financial statements which follow this analysis.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Sharon Jangula, City Auditor, Linton, ND.

CITY OF LINTON  
Linton, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2017

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Linton Airport Authority	Linton Public Library	Linton Ind. Dev. Corporation
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	1,425,577.88	635,180.32	2,060,758.20	15,418.05	27,708.23	488,292.35
Loans to Economic Development						222,722.60
Capital Assets (net of accumulated depreciation):						
Land				81,000.00		
Buildings and Infrastructure	2,587,912.00	5,877,244.00	8,465,156.00	2,590,699.00		
Machinery and Vehicles	285,840.00	430,969.00	716,809.00			
Total Capital Assets	2,873,752.00	6,308,213.00	9,181,965.00	2,671,699.00		
Total Assets	4,299,329.88	6,943,393.32	11,242,723.20	2,687,117.05	27,708.23	711,014.95
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions	70,316.00		70,316.00			
Total Liabilities	2,018,043.40	3,656,037.64	5,674,081.04			
<b>LIABILITIES:</b>						
Long-Term Liabilities:						
Due Within One Year:						
Bank Loan Payable	19,895.99		19,895.99			
Special Assessment Bonds Payable	220,000.00		220,000.00			
Revenue Bonds Payable		96,554.00	96,554.00			
Due After One Year:						
Bank Loan Payable	20,531.41		20,531.41			
Special Assessment Bonds Payable	1,510,000.00		1,510,000.00			
Revenue Bonds Payable		3,512,835.00	3,512,835.00			
Compensated Absences Payable	29,803.00	46,648.64	76,451.64			
Net Pension Liability	217,813.00		217,813.00			
Total Liabilities	2,018,043.40	3,656,037.64	5,674,081.04			



<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Changes in Resources Related to Pensions	33,734.00			33,734.00
<hr/>				
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,103,324.60	2,698,824.00	3,802,148.60	2,671,699.00
Restricted for:				
Debt Service	858,459.66	112,046.96	970,506.62	
Restricted for Infrastructure/Capital Improv.		101,917.66	101,917.66	
Asset Replacement		50,492.28	50,492.28	
Special Purposes	307,304.92		307,304.92	
Unrestricted	48,779.30	324,074.78	372,854.08	15,418.05
				27,708.23
Total Net Position	2,317,868.48	3,287,355.68	5,605,224.16	2,687,117.05
				27,708.23
				711,014.95

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

CITY OF LINTON  
Linton, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2016

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Linton Airport Authority	Linton Public Library	Linton Ind. Dev. Corporation
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	1,511,574.27	553,973.75	2,065,548.02	2,606.15	25,899.19	455,099.71
Loans to Economic Development						203,157.40
Capital Assets (net of accumulated depreciation):						
Land				81,000.00		
Construction in Progress	2,730,853.00	6,043,521.00	8,774,374.00	1,773,615.00		
Buildings and Infrastructure	319,742.00	464,712.00	784,454.00	948,053.00		
Machinery and Vehicles				1,188.00		
Total Capital Assets	3,050,595.00	6,508,233.00	9,558,828.00	2,803,856.00		
Total Assets	4,562,169.27	7,062,206.75	11,624,376.02	2,806,462.15	25,899.19	658,257.11
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Changes in Resources Related to Pensions	39,316.00		39,316.00			
<b>LIABILITIES:</b>						
Long-Term Liabilities:						
Due Within One Year:		25,435.38	25,435.38			
Capital Lease Payable	19,280.23		19,280.23			
Bank Loan Payable	220,000.00		220,000.00			
Special Assessment Bonds Payable		94,224.00	94,224.00			
Revenue Bonds Payable						
Due After One Year:						
Bank Loan Payable	40,427.40		40,427.40			
Special Assessment Bonds Payable	1,730,000.00		1,730,000.00			
Revenue Bonds Payable		3,609,389.00	3,609,389.00			
Compensated Absences Payable	27,794.86	45,279.67	73,074.53			
Net Pension Liability	161,210.00		161,210.00			
Total Liabilities	2,198,712.49	3,774,328.05	5,973,040.54			

DEFERRED INFLOWS OF RESOURCES:		50,959.00	
Changes in Resources Related to Pensions			
NET POSITION:		2,803,856.00	
Net Investment in Capital Assets	1,040,887.37	2,779,184.62	3,820,071.99
Restricted for:			
Debt Service	1,000,106.41	98,198.02	1,098,304.43
Asset Replacement		42,717.28	42,717.28
Special Purposes	284,153.63		284,153.63
Unrestricted	26,666.37	367,778.78	394,445.15
			2,606.15
Total Net Position	2,351,813.78	3,287,878.70	5,639,692.48
			2,806,462.15
			25,899.19
			658,257.11

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

CITY OF LINTON  
Linton, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position

	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Linton Airport Authority	Linton Public Library	Linton Ind. Dev. Corporation	
<u>Functions/Programs</u>										
<u>Primary Government:</u>										
Governmental Activities:										
General Government	253,838.60	68,465.44		(185,373.16)		(185,373.16)				
Public Safety	72,865.36	1,307.00		(71,558.36)		(71,558.36)				
Streets and Public Works	278,936.90	36,623.49	104,257.73	(138,055.68)		(138,055.68)				
Urban and Econ. Development	93,343.68			(93,343.68)		(93,343.68)				
Culture and Recreation	62,332.06			(62,332.06)		(62,332.06)				
Other	17,785.50			(17,785.50)		(17,785.50)				
Interest on Long-Term Debt	42,654.41		194,698.75	152,044.34		152,044.34				
<b>Total Governmental Activities</b>	<b>821,756.51</b>	<b>106,395.93</b>	<b>298,956.48</b>	<b>(416,404.10)</b>		<b>(416,404.10)</b>				
<u>Business-Type Activities:</u>										
Water	507,560.21	393,399.00			(114,161.21)	(114,161.21)				
Sewer	69,420.36	87,778.61			18,358.25	18,358.25				
Garbage	163,742.82	176,449.85			12,707.03	12,707.03				
Water/Sewer Main	23,712.50				(23,712.50)	(23,712.50)				
<b>Total Business-Type Activities</b>	<b>764,435.89</b>	<b>657,627.46</b>			<b>(106,808.43)</b>	<b>(106,808.43)</b>				
<b>Total Primary Government</b>	<b>1,586,192.40</b>	<b>764,023.39</b>	<b>298,956.48</b>	<b>(416,404.10)</b>	<b>(106,808.43)</b>	<b>(523,212.53)</b>				
<u>Component Units:</u>										
Linton Airport Authority	173,455.03	10,264.00	27,125.54							
Linton Public Library	30,629.15		14,867.61							
Linton Ind. Dev. Corporation	61,089.21	1,500.00	5,000.00							
<b>Total Component Units</b>	<b>265,173.39</b>	<b>11,764.00</b>	<b>46,993.15</b>							
							(136,065.49)	(15,761.54)	(54,589.21)	
							(136,065.49)	(15,761.54)	(54,589.21)	

General Revenues:

Taxes:					
Property taxes; levied for general purposes	120,955.94			9,973.82	11,442.05
Property taxes; levied for special purposes	8,433.95				
City sales taxes	266,696.14				
Cigarette taxes	3,156.06				
City Lodging taxes	12,566.97				
Telecommunication taxes	1,227.23				
Homestead tax credit	8,338.94				
Disabled veterans tax credit	1,051.12				
Intergovernmental revenue not restricted to specific programs	45,173.40			3,428.50	3,933.72
Earnings on investments and other revenue	16,776.71		4,367.75	3,318.07	2,194.81
Transfers	(101,917.66)		101,917.66		
Total General Revenues and Transfers	382,458.80	106,285.41	488,744.21	16,720.39	17,570.58
Change in Net Position	(33,945.30)	(523.02)	(34,468.32)	(119,345.10)	1,809.04
Net Position - January 1	2,351,813.78	3,287,878.70	5,639,692.48	2,806,462.15	25,899.19
Net Position - December 31	2,317,868.48	3,287,355.68	5,605,224.16	2,687,117.05	27,708.23
					711,014.95

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

CITY OF LINTON  
Linton, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2016

Net (Expense) Revenue and Changes in Net Position

	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Linton Airport Authority	Linton Public Library	Linton Ind. Dev. Corporation	
<u>Functions/Programs</u>										
<u>Primary Government:</u>										
<u>Governmental Activities:</u>										
General Government	247,285.34	65,376.59		(181,908.75)		(181,908.75)				
Public Safety	83,909.48			(83,909.48)		(83,909.48)				
Streets and Public Works	291,397.03	35,073.46	101,996.74	(154,326.83)		(154,326.83)				
Urban and Econ. Development	112,826.87			(112,826.87)		(112,826.87)				
Culture and Recreation	35,037.50			(35,037.50)		(35,037.50)				
Other	15,745.34			(15,745.34)		(15,745.34)				
Interest on Long-Term Debt	60,487.76		195,062.45	134,574.69		134,574.69				
<b>Total Governmental Activities</b>	<b>846,689.32</b>	<b>100,450.05</b>	<b>297,059.19</b>	<b>(449,180.08)</b>		<b>(449,180.08)</b>				
<u>Business-Type Activities:</u>										
Water	459,205.61	395,122.79			(64,082.82)	(64,082.82)				
Sewer	78,690.35	83,352.59			4,662.24	4,662.24				
Garbage	144,265.06	182,730.13			38,465.07	38,465.07				
Water/Sewer Main	24,762.50				(24,762.50)	(24,762.50)				
<b>Total Business-Type Activities</b>	<b>706,923.52</b>	<b>661,205.51</b>			<b>(45,718.01)</b>	<b>(45,718.01)</b>				
<b>Total Primary Government</b>	<b>1,553,612.84</b>	<b>761,655.56</b>	<b>297,059.19</b>	<b>(449,180.08)</b>	<b>(45,718.01)</b>	<b>(494,898.09)</b>				
<u>Component Units:</u>										
Linton Airport Authority	64,440.85	12,264.00	1,642,935.78				1,590,758.93	(16,117.95)	(114,416.29)	
Linton Public Library	25,710.45		9,592.50							
Linton Ind. Dev. Corporation	121,216.29	1,800.00	5,000.00							
<b>Total Component Units</b>	<b>211,367.59</b>	<b>14,064.00</b>	<b>1,657,528.28</b>				<b>1,590,758.93</b>	<b>(16,117.95)</b>	<b>(114,416.29)</b>	

<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes	120,239.03			9,713.68	11,149.20
Property taxes; levied for special purposes	6,414.06				
City sales taxes	322,362.41				
Cigarette taxes	3,320.21				
City Lodging taxes	14,435.33				
Telecommunications taxes	1,227.23				
Homestead tax credit	7,250.06				
Disabled veterans tax credit	1,392.67				
Intergovernmental revenue not restricted to specific programs	54,628.81			4,201.28	4,821.61
Earnings on investments and other revenue	23,839.77	3,565.67		613.58	2,194.84
	555,109.58	3,565.67	558,675.25	14,528.54	18,165.65
Total General Revenues					131,686.90
Change in Net Position	105,929.50	(42,152.34)	63,777.16	1,605,287.47	2,047.70
Net Position - January 1	2,245,884.28	3,330,031.04	5,575,915.32	1,201,174.68	23,851.49
Net Position - December 31	2,351,813.78	3,287,878.70	5,639,692.48	2,806,462.15	25,899.19
					658,257.11

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

CITY OF LINTON  
Linton, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2017

Major Funds

	General	Highway	City Sales Tax	Swimming Pool Project	2014-1 Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash, Cash Equivalents and Investments	236,691.14	98,896.81	144,979.92	-0-	858,459.66	86,550.35	1,425,577.88
<b>FUND BALANCES:</b>							
Restricted for:							
Streets and Public Works		98,896.81				29,170.13	128,066.94
Urban and Economic Development			144,979.92			31,093.16	176,073.08
Emergency Cemetery						6,816.76	6,816.76
Debt Service					858,459.66	6,277.51	6,277.51
Other Purposes						13,192.79	13,192.79
Unassigned	236,691.14						236,691.14
<b>Total Fund Balances</b>	<b>236,691.14</b>	<b>98,896.81</b>	<b>144,979.92</b>	<b>-0-</b>	<b>858,459.66</b>	<b>86,550.35</b>	<b>1,425,577.88</b>

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



CITY OF LINTON  
Linton, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2016

Major Funds

	General	Highway	City Sales Tax	Swimming Pool Project	2014-1 Street Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash, Cash Equivalents and Investments	206,308.41	125,012.10	117,673.75	83,992.98	916,113.43	62,473.60	1,511,574.27
<b>FUND BALANCES:</b>							
Restricted for:							
Streets and Public Works		125,012.10				20,699.26	145,711.36
Urban and Economic Development			117,673.75			18,526.19	136,199.94
Emergency						3,932.03	3,932.03
Cemetery						6,323.36	6,323.36
Debt Service				83,992.98	916,113.43		1,000,106.41
Other Purposes						12,992.76	12,992.76
Unassigned	206,308.41						206,308.41
<b>Total Fund Balances</b>	<b>206,308.41</b>	<b>125,012.10</b>	<b>117,673.75</b>	<b>83,992.98</b>	<b>916,113.43</b>	<b>62,473.60</b>	<b>1,511,574.27</b>

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

CITY OF LINTON  
Linton, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds		1,425,577.88
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	4,603,849.00	
Less Accumulated Depreciation	(1,730,097.00)	
Net Capital Assets	2,873,752.00	2,873,752.00
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	70,316.00	
Total Deferred Inflows of Resources	(33,734.00)	
Net Deferred Outflows/Inflows of Resources	36,582.00	36,582.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:</p>		
Bank Loan Payable	(40,427.40)	
Special Assessments Bonds Payable	(1,730,000.00)	
Compensated Absences Payable	(29,803.00)	
Net Pension Liability	(217,813.00)	
Total Long-Term Liabilities	(2,018,043.40)	(2,018,043.40)
Total Net Position of Governmental Activities		2,317,868.48

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

CITY OF LINTON  
Linton, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds	1,511,574.27
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	4,603,849.00	
Less Accumulated Depreciation	(1,553,254.00)	
Net Capital Assets		3,050,595.00

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	39,316.00	
Total Deferred Inflows of Resources	(50,959.00)	
Net Deferred Outflows/Inflows of Resources		(11,643.00)

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

Bank Loan Payable	(59,707.63)	
Special Assessments Bonds Payable	(1,950,000.00)	
Compensated Absences Payable	(27,794.86)	
Net Pension Liability	(161,210.00)	
Total Long-Term Liabilities		(2,198,712.49)

Total Net Position of Governmental Activities	2,351,813.78
	2,351,813.78

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

CITY OF LINTON  
Linton, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2017

	Major Funds						Total Governmental Funds
	General	Highway	City Sales Tax	Swimming Pool Project	2014-1 Street Improvement	Other Governmental Funds	
<b>Revenues:</b>							
Taxes	122,154.71		266,696.14			21,029.38	409,880.23
Special Assessments	2,659.14				194,698.75		197,357.89
Licenses, Permits and Fees	19,178.66						19,178.66
Intergovernmental	57,108.12	104,257.73				611.40	161,977.25
Charges for Services	338.90	396.09				33,229.36	33,964.35
Fines and Forfeits	1,307.00						1,307.00
Miscellaneous	55,596.76	687.77	493.36	65.94	8,394.98	824.68	66,063.49
<b>Total Revenues</b>	<b>258,343.29</b>	<b>105,341.59</b>	<b>267,189.50</b>	<b>65.94</b>	<b>203,093.73</b>	<b>55,694.82</b>	<b>889,728.87</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	239,452.46						239,452.46
Public Safety	72,865.36						72,865.36
Streets and Public Works		110,269.74				27,024.16	137,293.90
Urban and Economic Development			93,343.68				93,343.68
Culture and Recreation	3,620.00		11,324.13	16,187.93			31,132.06
Other						17,785.50	17,785.50
<b>Debt Service:</b>							
Principal		19,280.23			220,000.00		239,280.23
Interest and Service Charges		1,906.91			40,747.50		42,654.41
<b>Total Expenditures</b>	<b>315,937.82</b>	<b>131,456.88</b>	<b>104,667.81</b>	<b>16,187.93</b>	<b>260,747.50</b>	<b>44,809.66</b>	<b>873,807.60</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(57,594.53)</b>	<b>(26,115.29)</b>	<b>162,521.69</b>	<b>(16,121.99)</b>	<b>(57,653.77)</b>	<b>10,885.16</b>	<b>15,921.27</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In	87,977.26			20,106.27		13,191.59	121,275.12
Transfers Out			(135,215.52)	(87,977.26)			(223,192.78)
<b>Total Other Financing Sources (Uses)</b>	<b>87,977.26</b>		<b>(135,215.52)</b>	<b>(67,870.99)</b>		<b>13,191.59</b>	<b>(101,917.66)</b>
<b>Net Change in Fund Balances</b>	<b>30,382.73</b>	<b>(26,115.29)</b>	<b>27,306.17</b>	<b>(83,992.98)</b>	<b>(57,653.77)</b>	<b>24,076.75</b>	<b>(85,996.39)</b>
<b>Fund Balance - January 1</b>	<b>206,308.41</b>	<b>125,012.10</b>	<b>117,673.75</b>	<b>83,992.98</b>	<b>916,113.43</b>	<b>62,473.60</b>	<b>1,511,574.27</b>
<b>Fund Balance - December 31</b>	<b>236,691.14</b>	<b>98,896.81</b>	<b>144,979.92</b>	<b>-0-</b>	<b>858,459.66</b>	<b>86,550.35</b>	<b>1,425,577.88</b>

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

CITY OF LINTON  
Linton, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2016

	Major Funds						Total Governmental Funds
	General	Highway	City Sales Tax	Swimming Pool Project	2014-1 Street Improvement	Other Governmental Funds	
<b>Revenues:</b>							
Taxes	121,437.80		322,362.41			20,877.85	464,678.06
Special Assessments	1,057.77				195,062.45		196,120.22
Licenses, Permits and Fees	16,022.60						16,022.60
Intergovernmental	66,153.72	101,996.74				438.03	168,588.49
Charges for Services		1,014.92				33,000.77	34,015.69
Fines and Forfeits	1,984.87						1,984.87
Miscellaneous	58,164.54	341.05	48.43	286.38	11,724.50	643.99	71,208.89
<b>Total Revenues</b>	<b>264,821.30</b>	<b>103,352.71</b>	<b>322,410.84</b>	<b>286.38</b>	<b>206,786.95</b>	<b>54,960.64</b>	<b>952,618.82</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	239,064.68						239,064.68
Public Safety	83,909.48						83,909.48
Streets and Public Works		109,308.70				40,445.33	149,754.03
Urban and Economic Development			112,826.87				112,826.87
Culture and Recreation	3,837.50						3,837.50
Other						15,745.34	15,745.34
<b>Debt Service:</b>							
Principal		18,676.88		305,000.00	220,000.00		543,676.88
Interest and Service Charges		2,510.26		14,480.00	43,497.50		60,487.76
<b>Total Expenditures</b>	<b>326,811.66</b>	<b>130,495.84</b>	<b>112,826.87</b>	<b>319,480.00</b>	<b>263,497.50</b>	<b>56,190.67</b>	<b>1,209,302.54</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(61,990.36)</b>	<b>(27,143.13)</b>	<b>209,583.97</b>	<b>(319,193.62)</b>	<b>(56,710.55)</b>	<b>(1,230.03)</b>	<b>(256,683.72)</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In				161,181.23		12,569.89	173,751.12
Transfers Out			(173,751.12)				(173,751.12)
<b>Total Other Financing Sources (Uses)</b>			<b>(173,751.12)</b>	<b>161,181.23</b>		<b>12,569.89</b>	
<b>Net Change in Fund Balances</b>	<b>(61,990.36)</b>	<b>(27,143.13)</b>	<b>35,832.85</b>	<b>(158,012.39)</b>	<b>(56,710.55)</b>	<b>11,339.86</b>	<b>(256,683.72)</b>
Fund Balance - January 1	268,298.77	152,155.23	81,840.90	242,005.37	972,823.98	51,133.74	1,768,257.99
Fund Balance - December 31	206,308.41	125,012.10	117,673.75	83,992.98	916,113.43	62,473.60	1,511,574.27

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

CITY OF LINTON  
Linton, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds (85,996.39)

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(176,843.00)	(176,843.00)

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

Debt Proceeds	0.00	
Repayment of Debt	239,280.23	239,280.23

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

Net Increase in Compensated Absences	(2,008.14)	
Net Increase to Pension Expense	(8,378.00)	(10,386.14)

Change in Net Position of Governmental Activities (33,945.30)  
=====

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

CITY OF LINTON  
Linton, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds (256,683.72)

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(176,843.00)	(176,843.00)

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

Debt Proceeds	0.00	
Repayment of Debt	543,676.88	543,676.88

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

Net Increase in Compensated Absences	(189.66)	
Net Increase to Pension Expense	(4,031.00)	(4,220.66)

Change in Net Position of Governmental Activities		105,929.50
		=====

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

CITY OF LINTON  
Linton, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	319,095.79	124,978.15	143,365.65	47,740.73	635,180.32
<b>Noncurrent Assets:</b>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	5,429,363.00		45,881.00	402,000.00	5,877,244.00
Machinery and Vehicles	251,140.00	30,535.00	149,294.00		430,969.00
<b>Total Noncurrent Assets</b>	<b>5,680,503.00</b>	<b>30,535.00</b>	<b>195,175.00</b>	<b>402,000.00</b>	<b>6,308,213.00</b>
<b>Total Assets</b>	<b>5,999,598.79</b>	<b>155,513.15</b>	<b>338,540.65</b>	<b>449,740.73</b>	<b>6,943,393.32</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Revenue Bonds Payable	60,554.00			36,000.00	96,554.00
<b>Noncurrent Liabilities:</b>					
Revenue Bonds Payable	3,348,835.00			164,000.00	3,512,835.00
Compensated Absences Payable	7,040.00	39,061.44	547.20		46,648.64
<b>Total Noncurrent Liabilities</b>	<b>3,355,875.00</b>	<b>39,061.44</b>	<b>547.20</b>	<b>164,000.00</b>	<b>3,559,483.64</b>
<b>Total Liabilities</b>	<b>3,416,429.00</b>	<b>39,061.44</b>	<b>547.20</b>	<b>200,000.00</b>	<b>3,656,037.64</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,271,114.00	30,535.00	195,175.00	202,000.00	2,698,824.00
Restricted for Debt Service	64,306.23			47,740.73	112,046.96
Restricted for Infrastructure/Capital Imp.	50,958.83	50,958.83			101,917.66
Restricted for Asset Replacement	50,492.28				50,492.28
Unrestricted	146,298.45	34,957.88	142,818.45		324,074.78
<b>Total Net Position</b>	<b>2,583,169.79</b>	<b>116,451.71</b>	<b>337,993.45</b>	<b>249,740.73</b>	<b>3,287,355.68</b>

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



CITY OF LINTON  
Linton, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2016

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	309,893.02	57,818.91	138,522.03	47,739.79	553,973.75
<b>Noncurrent Assets:</b>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	5,577,823.00		46,948.00	418,750.00	6,043,521.00
Machinery and Vehicles	267,314.00	32,062.00	165,336.00		464,712.00
Total Noncurrent Assets	5,845,137.00	32,062.00	212,284.00	418,750.00	6,508,233.00
Total Assets	6,155,030.02	89,880.91	350,806.03	466,489.79	7,062,206.75
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Capital Lease Payable			25,435.38		25,435.38
Revenue Bonds Payable	59,224.00			35,000.00	94,224.00
Total Current Liabilities	59,224.00		25,435.38	35,000.00	119,659.38
<b>Noncurrent Liabilities:</b>					
Revenue Bonds Payable	3,409,389.00			200,000.00	3,609,389.00
Compensated Absences Payable	6,425.84	36,819.72	2,034.11		45,279.67
Total Noncurrent Liabilities	3,415,814.84	36,819.72	2,034.11	200,000.00	3,654,668.67
Total Liabilities	3,475,038.84	36,819.72	27,469.49	235,000.00	3,774,328.05
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,376,524.00	32,062.00	186,848.62	183,750.00	2,779,184.62
Restricted for Debt Service	50,458.23			47,739.79	98,198.02
Restricted for Asset Replacement	42,717.28				42,717.28
Unrestricted	210,291.67	20,999.19	136,487.92		367,778.78
Total Net Position	2,679,991.18	53,061.19	323,336.54	231,489.79	3,287,878.70

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

CITY OF LINTON  
Linton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<u>Operating Revenues:</u>					
<u>Charges for Sales and Services:</u>					
Water Charges	131,658.49				131,658.49
Water Surcharges	260,390.51				260,390.51
Sewer Charges		87,778.61			87,778.61
Garbage Collections			174,410.42		174,410.42
Turn-on Fee	1,350.00				1,350.00
Miscellaneous Service			2,039.43		2,039.43
<b>Total Operating Revenues</b>	<b>393,399.00</b>	<b>87,778.61</b>	<b>176,449.85</b>		<b>657,627.46</b>
<u>Operating Expenses:</u>					
Salaries and Benefits	53,332.85	56,375.71	84,100.42		193,808.98
Office Supplies and Equipment	10,117.70	847.88	2,167.73		13,133.31
Fuel and Power	6,689.57	3,482.75	6,551.13		16,723.45
Supplies, Repairs and Maintenance	45,485.49		14,318.23		59,803.72
Landfill Fees			38,294.49		38,294.49
Sanitary Sewer Repairs and Maintenance		7,037.02			7,037.02
Water Purchases	132,526.95				132,526.95
Miscellaneous	862.82	150.00	300.20		1,313.02
Depreciation	164,634.00	1,527.00	17,109.00	16,750.00	200,020.00
<b>Total Operating Expenses</b>	<b>413,649.38</b>	<b>69,420.36</b>	<b>162,841.20</b>	<b>16,750.00</b>	<b>662,660.94</b>
<b>Operating Income (Loss)</b>	<b>(20,250.38)</b>	<b>18,358.25</b>	<b>13,608.65</b>	<b>(16,750.00)</b>	<b>(5,033.48)</b>
<u>Non-Operating Revenues (Expenses):</u>					
Interest Income	2,305.99	110.94	1,274.68	0.94	3,692.55
Miscellaneous Receipts			675.20		675.20
Interest Expense	(93,010.83)		(901.62)	(5,875.00)	(99,787.45)
Service Charges	(900.00)			(1,087.50)	(1,987.50)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(91,604.84)</b>	<b>110.94</b>	<b>1,048.26</b>	<b>(6,961.56)</b>	<b>(97,407.20)</b>
<b>Income (Loss) Before Transfers</b>	<b>(111,855.22)</b>	<b>18,469.19</b>	<b>14,656.91</b>	<b>(23,711.56)</b>	<b>(102,440.68)</b>
Transfers In	234,108.66	50,958.83		41,962.50	327,029.99
Transfers Out	(219,074.83)	(6,037.50)			(225,112.33)
<b>Change in Net Position</b>	<b>(96,821.39)</b>	<b>63,390.52</b>	<b>14,656.91</b>	<b>18,250.94</b>	<b>(523.02)</b>
<b>Net Position - January 1</b>	<b>2,679,991.18</b>	<b>53,061.19</b>	<b>323,336.54</b>	<b>231,489.79</b>	<b>3,287,878.70</b>
<b>Net Position - December 31</b>	<b>2,583,169.79</b>	<b>116,451.71</b>	<b>337,993.45</b>	<b>249,740.73</b>	<b>3,287,355.68</b>

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

CITY OF LINTON  
Linton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2016

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<u>Operating Revenues:</u>					
<u>Charges for Sales and Services:</u>					
Water Charges	128,696.28				128,696.28
Water Surcharges	265,276.51				265,276.51
Sewer Charges		83,352.59			83,352.59
Garbage Collections			179,574.13		179,574.13
Turn-on Fee	1,150.00				1,150.00
Miscellaneous Service			3,156.00		3,156.00
<b>Total Operating Revenues</b>	<b>395,122.79</b>	<b>83,352.59</b>	<b>182,730.13</b>		<b>661,205.51</b>
<u>Operating Expenses:</u>					
Salaries and Benefits	53,570.70	55,930.61	70,579.87		180,081.18
Office Supplies and Equipment	2,917.82	943.92	3,070.59		6,932.33
Fuel and Power	6,039.81	2,987.75	6,654.42		15,681.98
Supplies, Repairs and Maintenance	14,632.79	2,433.00	6,065.96		23,131.75
Landfill Fees			38,937.84		38,937.84
Sanitary Sewer Repairs and Maintenance		14,668.07			14,668.07
Water Purchases	121,108.00				121,108.00
Miscellaneous	809.00	200.00	75.00		1,084.00
Depreciation	164,634.00	1,527.00	17,109.00	16,750.00	200,020.00
<b>Total Operating Expenses</b>	<b>363,712.12</b>	<b>78,690.35</b>	<b>142,492.68</b>	<b>16,750.00</b>	<b>601,645.15</b>
<b>Operating Income (Loss)</b>	<b>31,410.67</b>	<b>4,662.24</b>	<b>40,237.45</b>	<b>(16,750.00)</b>	<b>59,560.36</b>
<u>Non-Operating Revenues (Expenses):</u>					
Interest Income	1,675.65	603.66	653.96	15.40	2,948.67
Miscellaneous Receipts			617.00		617.00
Interest Expense	(94,548.49)		(1,772.38)	(6,750.00)	(103,070.87)
Service Charges	(945.00)			(1,262.50)	(2,207.50)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(93,817.84)</b>	<b>603.66</b>	<b>(501.42)</b>	<b>(7,997.10)</b>	<b>(101,712.70)</b>
<b>Income (Loss) Before Transfers</b>	<b>(62,407.17)</b>	<b>5,265.90</b>	<b>39,736.03</b>	<b>(24,747.10)</b>	<b>(42,152.34)</b>
Transfers In	206,823.36			43,012.50	249,835.86
Transfers Out	(243,648.36)	(6,187.50)			(249,835.86)
<b>Change in Net Position</b>	<b>(99,232.17)</b>	<b>(921.60)</b>	<b>39,736.03</b>	<b>18,265.40</b>	<b>(42,152.34)</b>
<b>Net Position - January 1</b>	<b>2,779,223.35</b>	<b>53,982.79</b>	<b>283,600.51</b>	<b>213,224.39</b>	<b>3,330,031.04</b>
<b>Net Position - December 31</b>	<b>2,679,991.18</b>	<b>53,061.19</b>	<b>323,336.54</b>	<b>231,489.79</b>	<b>3,287,878.70</b>

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

CITY OF LINTON  
Linton, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<u>Cash flows from operating activities:</u>					
Receipts from customers	393,399.00	87,778.61	176,449.85		657,627.46
Payments to suppliers	(195,682.53)	(11,517.65)	(61,631.78)		(268,831.96)
Payments to employees	(52,718.69)	(54,133.99)	(85,587.33)		(192,440.01)
<b>Net cash provided (used) by operating activities</b>	<b>144,997.78</b>	<b>22,126.97</b>	<b>29,230.74</b>		<b>196,355.49</b>
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts			675.20		675.20
Transfers in	234,108.66	50,958.83		41,962.50	327,029.99
Transfers out	(219,074.83)	(6,037.50)			(225,112.33)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>15,033.83</b>	<b>44,921.33</b>	<b>675.20</b>	<b>41,962.50</b>	<b>102,592.86</b>
<u>Cash flows from capital and related financing activities:</u>					
Principal payments	(59,224.00)		(25,435.38)	(35,000.00)	(119,659.38)
Interest payments	(93,010.83)		(901.62)	(5,875.00)	(99,787.45)
Service charges	(900.00)			(1,087.50)	(1,987.50)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(153,134.83)</b>		<b>(26,337.00)</b>	<b>(41,962.50)</b>	<b>(221,434.33)</b>
<u>Cash flows from investing activities:</u>					
Interest income	2,305.99	110.94	1,274.68	0.94	3,692.55
<b>Net increase in cash and cash equivalents</b>	<b>9,202.77</b>	<b>67,159.24</b>	<b>4,843.62</b>	<b>0.94</b>	<b>81,206.57</b>
Cash and cash equivalents, January 1	309,893.02	57,818.91	138,522.03	47,739.79	553,973.75
Cash and cash equivalents, December 31	319,095.79	124,978.15	143,365.65	47,740.73	635,180.32
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	(20,250.38)	18,358.25	13,608.65	(16,750.00)	(5,033.48)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Net increase (decrease) in compensated absences	614.16	2,241.72	(1,486.91)		1,368.97
Depreciation expense	164,634.00	1,527.00	17,109.00	16,750.00	200,020.00
<b>Net cash provided (used) by operating activities</b>	<b>144,997.78</b>	<b>22,126.97</b>	<b>29,230.74</b>	<b>-0-</b>	<b>196,355.49</b>

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

CITY OF LINTON  
Linton, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2016

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	02-1 Water/Sewer Main	
<u>Cash flows from operating activities:</u>					
Receipts from customers	395,122.79	83,352.59	182,730.13		661,205.51
Payments to suppliers	(145,507.42)	(21,232.74)	(54,803.81)		(221,543.97)
Payments to employees	(51,006.46)	(52,501.25)	(69,866.78)		(173,374.49)
<b>Net cash provided (used) by operating activities</b>	<b>198,608.91</b>	<b>9,618.60</b>	<b>58,059.54</b>		<b>266,287.05</b>
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts			617.00		617.00
Transfers in	206,823.36			43,012.50	249,835.86
Transfers out	(243,648.36)	(6,187.50)			(249,835.86)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(36,825.00)</b>	<b>(6,187.50)</b>	<b>617.00</b>	<b>43,012.50</b>	<b>617.00</b>
<u>Cash flows from capital and related financing activities:</u>					
Principal payments	(56,929.00)		(24,564.62)	(35,000.00)	(116,493.62)
Interest payments	(94,548.49)		(1,772.38)	(6,750.00)	(103,070.87)
Service charges	(945.00)			(1,262.50)	(2,207.50)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(152,422.49)</b>		<b>(26,337.00)</b>	<b>(43,012.50)</b>	<b>(221,771.99)</b>
<u>Cash flows from investing activities:</u>					
Interest income	1,675.65	603.66	653.96	15.40	2,948.67
<b>Net increase in cash and cash equivalents</b>	<b>11,037.07</b>	<b>4,034.76</b>	<b>32,993.50</b>	<b>15.40</b>	<b>48,080.73</b>
Cash and cash equivalents, January 1	298,855.95	53,784.15	105,528.53	47,724.39	505,893.02
Cash and cash equivalents, December 31	309,893.02	57,818.91	138,522.03	47,739.79	553,973.75
=====					
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	31,410.67	4,662.24	40,237.45	(16,750.00)	59,560.36
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Net increase (decrease) in compensated absences	2,564.24	3,429.36	713.09		6,706.69
Depreciation expense	164,634.00	1,527.00	17,109.00	16,750.00	200,020.00
<b>Net cash provided (used) by operating activities</b>	<b>198,608.91</b>	<b>9,618.60</b>	<b>58,059.54</b>	<b>-0-</b>	<b>266,287.05</b>
=====					

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

CITY OF LINTON  
Linton, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Agency Funds  
December 31, 2017

	Agency Funds
<u>Assets:</u>	
Cash	8,325.00
<u>Liabilities:</u>	
Due to Other Governments	8,325.00
	=====

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

CITY OF LINTON  
Linton, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Agency Funds  
December 31, 2016

	Agency Funds
<u>Assets:</u>	
Cash	9,707.11
<u>Liabilities:</u>	
Due to Other Governments	9,707.11

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

CITY OF LINTON  
Linton, North Dakota

Notes to the Financial Statements  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

Linton Industrial Development Corporation: The Linton industrial development corporation's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the industrial development corporation budget. The industrial development corporation has the authority to issue its own debt.



## B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

*Highway Distribution.* This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance.

*City Sales Tax.* This fund accounts for the accumulation of city sales taxes which the city has dedicated to capital improvements, economic development, water and sewer debt service payments on improvement projects and/or to fund future infrastructure and capital improvement projects and a portion set-aside for the city's park district.

*Swimming Pool Project.* This fund accounts for a portion of the city's sales taxes to be used for the payment of long-term debt principal and interest related to the General Obligation Swimming Pool Bonds of 2006. The city paid these bonds off during 2016 and this fund was closed in 2017.

*2014-1 Street Improvement.* This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds, Series 2014.

The city reports the following major enterprise funds:

*Water.* This fund accounts for the activities of the city's water distribution system.

*Sewer.* This fund accounts for the activities of the city's sewage collection system.

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

*02-1 Water/Sewer Main.* This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Water and Sewer Improvement Revenue Bonds of 2002.

The city reports the following fund type:

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

#### C. Measurement Focus and Basis of Accounting

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

##### Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	15 to 75 years
Machinery and Vehicles	7 to 20 years

#### F. Compensated Absences

Vested or accumulated vacation leave and vested sick leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the city. The employees may carry forward unused vacation leave not to exceed 240 hours at the employees current pay rate. Upon termination of employment, employees are compensated for 25% of sick leave earned, with 5 years of service, and 50% of unused sick leave after 10 years of service.

#### G. Long-Term Obligations

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

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

#### H. Pension

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

#### I. Fund Equity

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

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

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

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

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

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

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

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

- \* Committed
- \* Assigned
- \* Unassigned

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

#### J. Interfund Transactions

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

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

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

#### K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2017 the city's carrying amount of deposits was \$2,069,083 and the bank balance was \$2,087,894. Of the bank balance, \$409,741 was covered by Federal Depository Insurance. The remaining balance of \$1,678,153 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the city's carrying amount of deposits was \$2,075,255 and the bank balance was \$2,082,230. Of the bank balance, \$408,528 was covered by Federal Depository Insurance. The remaining balance of \$1,673,702 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2017 the city held certificates of deposit in the amount of \$1,275,292, which are all considered deposits.

At December 31, 2016 the city held certificates of deposit in the amount of \$1,207,449, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 LOANS TO ECONOMIC DEVELOPMENT

The Linton Industrial Development Corporation has loaned funds to provide moneys for various local economic development projects. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>2017</u>	<u>2016</u>
Shelly Hauge	76,024.67	79,180.09
Plains Mobile, Inc.	55,900.00	55,900.00
Linton Floral	4,679.61	4,777.43
Tracie Ritz	20,561.48	20,560.48
Unique Attractions		2,434.74
Lyle and Gene Kenner	18,937.57	18,937.57
Delta T Development	8,127.64	5,581.50
Linton Hotel Group	17,647.01	15,785.59
The Grill, LLC	20,844.62	
Total	<u>222,722.60</u>	<u>203,157.40</u>
	=====	=====

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31:

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	4,040,225			4,040,225
Machinery and Vehicles	563,624			563,624
<b>Total</b>	<u>4,603,849</u>			<u>4,603,849</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	1,309,372	142,941		1,452,313
Machinery and Vehicles	243,882	33,902		277,784
<b>Total</b>	<u>1,553,254</u>	<u>176,843</u>		<u>1,730,097</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>3,050,595</u>	<u>(176,843)</u>	<u>-0-</u>	<u>2,873,752</u>
	=====	=====	=====	=====

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	4,040,225			4,040,225
Machinery and Vehicles	563,624			563,624
<b>Total</b>	<u>4,603,849</u>			<u>4,603,849</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	1,166,431	142,941		1,309,372
Machinery and Vehicles	209,980	33,902		243,882
<b>Total</b>	<u>1,376,411</u>	<u>176,843</u>		<u>1,553,254</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>3,227,438</u>	<u>(176,843)</u>	<u>-0-</u>	<u>3,050,595</u>
	=====	=====	=====	=====



2017

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	6,661,729			6,661,729
Machinery and Vehicles	661,246			661,246
Total	<u>7,322,975</u>			<u>7,322,975</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	618,208	166,277		784,485
Machinery and Vehicles	196,534	33,743		230,277
Total	<u>814,742</u>	<u>200,020</u>		<u>1,014,762</u>
Business-type Activities				
Capital Assets, Net	6,508,233	(200,020)	-0-	6,308,213
	=====	=====	=====	=====

2016

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	6,661,729			6,661,729
Machinery and Vehicles	661,246			661,246
Total	<u>7,322,975</u>			<u>7,322,975</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	451,931	166,277		618,208
Machinery and Vehicles	162,791	33,743		196,534
Total	<u>614,722</u>	<u>200,020</u>		<u>814,742</u>
Business-type Activities				
Capital Assets, Net	6,708,253	(200,020)	-0-	6,508,233
	=====	=====	=====	=====

	<u>2017</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Municipal Airport: Capital assets not being depreciated:</b>				
Land	81,000			81,000
Construction in Progress	1,773,615	14,975	1,788,590	
<b>Total</b>	<u>1,854,615</u>	<u>14,975</u>	<u>1,788,590</u>	<u>81,000</u>
<b>Capital assets being depreciated:</b>				
Buildings and Infrastructure	1,710,920	1,788,590	575,000	2,924,510
Machinery and Vehicles	11,880			11,880
<b>Total</b>	<u>1,722,800</u>	<u>1,788,590</u>	<u>575,000</u>	<u>2,936,390</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Infrastructure	762,867	145,944	575,000	333,811
Machinery and Vehicles	10,692	1,188		11,880
<b>Total</b>	<u>773,559</u>	<u>147,132</u>	<u>575,000</u>	<u>345,691</u>
<b>Total capital assets being depreciated, net</b>	<u>949,241</u>	<u>1,641,458</u>		<u>2,590,699</u>
<b>Municipal Airport Capital Assets, Net</b>	<u>2,803,856</u>	<u>1,656,433</u>	<u>1,788,590</u>	<u>2,671,699</u>

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Municipal Airport: Capital assets not being depreciated:</b>				
Land	81,000			81,000
Construction in Progress		1,773,615		1,773,615
<b>Total</b>	<u>81,000</u>	<u>1,773,615</u>		<u>1,854,615</u>
<b>Capital assets being depreciated:</b>				
Buildings and Infrastructure	1,710,920			1,710,920
Machinery and Vehicles	11,880			11,880
<b>Total</b>	<u>1,722,800</u>			<u>1,722,800</u>
<b>Less accumulated depreciation for:</b>				
Buildings and Infrastructure	707,412	55,455		762,867
Machinery and Vehicles	9,504	1,188		10,692
<b>Total</b>	<u>716,916</u>	<u>56,643</u>		<u>773,559</u>
<b>Total capital assets being depreciated, net</b>	<u>1,005,884</u>	<u>(56,643)</u>		<u>949,241</u>
<b>Municipal Airport Capital Assets, Net</b>	<u>1,086,884</u>	<u>1,716,972</u>	<u>-0-</u>	<u>2,803,856</u>

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

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
General Government	4,000	4,000
Streets and Public Works	141,643	141,643
Culture and Recreation	31,200	31,200
 Total	<u>176,843</u>	<u>176,843</u>
	=====	=====
<u>Business-type Activities:</u>		
Water	164,634	164,634
Sewer	1,527	3,027
Garbage	17,109	17,109
02-1 Water/Sewer Main	16,750	16,750
 Total	<u>200,020</u>	<u>200,020</u>
	=====	=====
<u>Component Unit:</u>		
Airport	147,132	56,643
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities:

<u>Governmental Activities</u>					
	<u>2017</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Bank Loan	59,708		19,281	40,427	19,896
Special Assessment Bonds	1,950,000		220,000	1,730,000	220,000
Compensated Absences *	27,795	2,008		29,803	
 Total	<u>2,037,503</u>	<u>2,008</u>	<u>239,281</u>	<u>1,800,230</u>	<u>239,896</u>
	=====	=====	=====	=====	=====
	<u>2016</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Bank Loan	78,385		18,677	59,708	19,280
General Obligation Bonds	305,000		305,000		
Special Assessment Bonds	2,170,000		220,000	1,950,000	220,000
Compensated Absences *	27,605	190		27,795	
 Total	<u>2,580,990</u>	<u>190</u>	<u>543,677</u>	<u>2,037,503</u>	<u>239,280</u>
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Business-Type Activities

2017

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease	25,435		25,435		
Revenue Bonds	3,703,613		94,224	3,609,389	96,554
Compensated Absences	45,280	1,369		46,649	
<b>Total</b>	<u>3,774,328</u>	<u>1,369</u>	<u>119,659</u>	<u>3,656,038</u>	<u>96,554</u>
	=====	=====	=====	=====	=====

2016

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease	50,000		24,565	25,435	24,435
Revenue Bonds	3,795,542		91,929	3,703,613	94,224
Compensated Absences	38,573	6,707		45,280	
<b>Total</b>	<u>3,884,115</u>	<u>6,707</u>	<u>116,494</u>	<u>3,774,328</u>	<u>118,659</u>
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Governmental Activities

Outstanding debt at December 31, 2017 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2017, is as follows:

Bank Loan Payable. The city has entered into a loan agreement to provide funds for the purchase of a 2002 John Deere 772CH wheel loader.

\$96,490 Loan Payable with Security State Bank, due in annual installments of \$21,187.14 through October 10, 2019; interest is at 3.15%.	40,427.40
	=====

The annual requirements to amortize the outstanding bank loan payable are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	19,895.99	1,291.15
2019	20,531.41	655.73
<b>Total</b>	<u>40,427.40</u>	<u>1,946.88</u>
	=====	=====

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for a street improvement project. Special assessment bonds outstanding at December 31, 2017 are as follows:

\$2,170,000 Refunding Improvement Bonds, Series 2014, due in annual installments of \$215,000 to \$220,000 through November 1, 2025; interest is at 1.25% to 3%.

1,730,000.00  
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	220,000.00	37,247.50
2019	220,000.00	34,222.50
2020	215,000.00	30,422.50
2021	215,000.00	26,122.50
2022	215,000.00	21,392.50
2023-2025	645,000.00	28,756.25
Total	<u>1,730,000.00</u>	<u>178,163.75</u>
	=====	=====

Business-Type Activities (Proprietary Funds)

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2017, are as follows:

\$563,063 Water Improvement Revenue Bonds of 2002, due in annual installments of \$30,000 to \$35,000 through September 1, 2022; interest is 2.5%.

170,000.00

\$95,770 Sewer Improvement Revenue Bonds of 2002, due in annual installments of \$6,000 through September 1, 2022; interest is 2.5%.

30,000.00

\$224,800 Water Improvement Revenue Bonds of 2011, due in annual installments of \$10,000 to \$14,000 through September 1, 2031; interest is 2.5%.

170,000.00

\$1,109,000 Water Improvement Revenue Bonds, Series RD 2013-1, due in annual installments of \$17,723 to \$42,830 through April 1, 2054; interest is 2.5%.

1,058,382.00

\$1,665,000 Water Improvement Revenue Bonds, Series RD 2014-1, due in annual installments of \$24,680 to \$66,330 through March 25, 2055; interest is 2.75%.

1,617,604.00

\$579,000 Water Improvement Revenue Bonds, Series RD 2014-2, due in annual installments of \$8,151 to \$23,998 through March 25, 2055; interest is 3%.

563,403.00

Total Revenue Bonds Payable

3,609,389.00  
=====

The annual requirements to amortize the outstanding revenue bonds payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	96,554	96,413
2019	102,921	93,878
2020	105,324	91,180
2021	106,766	88,419
2022	108,246	85,619
2023-2027	366,886	394,592
2028-2032	403,418	342,343
2033-2037	398,194	288,415
2038-2042	455,114	230,720
2043-2047	520,209	164,741
2048-2052	594,655	89,281
2053-2055	351,102	13,480
Total	3,609,389	1,979,080
	=====	=====

Note 7 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2017</u>		
General Fund	87,977.26	
Swimming Pool Project		87,977.26
To close fund.		
02-1 Water/Sewer Main	41,962.50	
2011 Water Meter	15,400.00	
2013-1 Water System Improv.	137,734.83	
USDA Debt Service Reserve	13,848.00	
Asset Replacement Reserve	16,167.00	
Water		219,074.83
Sewer		6,037.50
To provide funding to make debt service payments and to set-aside funds for required reserves.		
Swimming Pool Project	20,106.27	
Water - City Sales Tax	50,958.83	
Sewer - City Sales Tax	50,958.83	
City Sales Tax		122,023.93
To transfer share of sales tax.		
Special Assessment CST		
Debt Capacity	13,191.59	
City Sales Tax		13,191.59
To set-aside funds to pay city's share of special assessments.		

December 31, 2016

USDA Debt Service Reserve	14,836.00	
Water	9,549.87	
2013-1 Water System Improv.		24,385.87

To close fund.

02-1 Water/Sewer Main	43,012.50	
2011 Water Meter	14,670.00	
2013-1 Water System Improv.	145,830.49	
USDA Debt Service Reserve	5,770.00	
Asset Replacement Reserve	16,167.00	
Water		219,262.49
Sewer		6,187.50

To provide funding to make debt service payments and to set-aside funds for required reserves.

Swimming Pool Project	161,181.23	
City Sales Tax		161,181.23

To transfer share of sales tax to make debt service payments.

Special Assessment CST		
Debt Capacity	12,569.89	
City Sales Tax		12,569.89

To set-aside funds to pay city's share of special assessments.

Note 8 RELATED PARTY TRANSACTION

The Linton Industrial Development Corporation, a discretely presented component unit of the City of Linton has entered into an agreement for the purchase of a building with a member of the city's governing board. The Linton Industrial Development Corporation approved an economic development loan for the purchase of this building in the amount of \$92,000. This loan is to be repaid over 16 years with an interest rate of 5%.

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,039,731 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,601,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

**Pension Benefits**

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



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

#### **Death and Disability Benefits**

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

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

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

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

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

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

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

- 1 to 12 months of service -  
Greater of one percent of monthly salary or \$25
- 13 to 25 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, the City of Linton reported a liability of \$217,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 the city's proportion was .022349 percent, which was a decrease of .001359 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2017 the city recognized pension expense of \$24,077. At December 31, 2017 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	3,272	2,017
Changes in assumptions	20,080	10,821
Net difference between projected and actual earnings on pension plan investments	30,388	
Changes in proportion and differences between employer contributions and proportionate share of contributions		20,896
City contributions subsequent to the measurement date (see below)	16,576	
Total	<u>70,316</u> =====	<u>33,734</u> =====

\$16,576 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended June 30: -----	
2018	2,539
2019	2,539
2020	9,168
2021	4,206
2022	1,554
Thereafter	0

**Actuarial assumptions.** The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses.
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Equity Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

**Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate.** The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The city's proportionate share of the net pension liability	308,963	217,813	141,014

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

CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	128,110.00	128,110.00	122,154.71	(5,955.29)
Special Assessments	200.00	200.00	2,659.14	2,459.14
Licenses, Permits and Fees	16,950.00	16,950.00	19,178.66	2,228.66
Intergovernmental	53,100.00	53,100.00	57,108.12	4,008.12
Charges for Services			338.90	338.90
Fines and Forfeits	1,500.00	1,500.00	1,307.00	(193.00)
Miscellaneous	51,520.00	51,520.00	55,596.76	4,076.76
<b>Total Revenues</b>	<b>251,380.00</b>	<b>251,380.00</b>	<b>258,343.29</b>	<b>6,963.29</b>
<u>Expenditures:</u>				
Current:				
General Government	249,790.00	239,452.46	239,452.46	
Public Safety	70,400.00	72,865.36	72,865.36	
Culture and Recreation	4,000.00	3,620.00	3,620.00	
<b>Total Expenditures</b>	<b>324,190.00</b>	<b>315,937.82</b>	<b>315,937.82</b>	
Excess (Deficiency) of Revenues Over Expenditures	(72,810.00)	(64,557.82)	(57,594.53)	6,963.29
<u>Other Financing Sources:</u>				
Transfers In			89,977.26	89,977.26
<b>Net Change in Fund Balances</b>	<b>(72,810.00)</b>	<b>(64,557.82)</b>	<b>32,382.73</b>	<b>96,940.55</b>
Fund Balance - January 1	206,308.41	206,308.41	206,308.41	
<b>Fund Balance - December 31</b>	<b>133,498.41</b>	<b>141,750.59</b>	<b>238,691.14</b>	<b>96,940.55</b>

CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	127,310.00	127,310.00	121,437.80	(5,872.20)
Special Assessments	200.00	200.00	1,057.77	857.77
Licenses, Permits and Fees	14,325.00	14,325.00	16,022.60	1,697.60
Intergovernmental	84,998.00	84,998.00	66,153.72	(18,844.28)
Fines and Forfeits	1,000.00	1,000.00	1,984.87	984.87
Miscellaneous	52,545.00	52,545.00	58,164.54	5,619.54
<b>Total Revenues</b>	<b>280,378.00</b>	<b>280,378.00</b>	<b>264,821.30</b>	<b>(15,556.70)</b>
<u>Expenditures:</u>				
Current:				
General Government	233,757.00	239,064.68	239,064.68	
Public Safety	76,200.00	83,909.48	83,909.48	
Culture and Recreation	3,620.00	3,837.50	3,837.50	
<b>Total Expenditures</b>	<b>313,577.00</b>	<b>326,811.66</b>	<b>326,811.66</b>	
<b>Net Change in Fund Balances</b>	<b>(33,199.00)</b>	<b>(46,433.66)</b>	<b>(61,990.36)</b>	<b>(15,556.70)</b>
<b>Fund Balance - January 1</b>	<b>268,298.77</b>	<b>268,298.77</b>	<b>268,298.77</b>	
<b>Fund Balance - December 31</b>	<b>235,099.77</b>	<b>221,865.11</b>	<b>206,308.41</b>	<b>(15,556.70)</b>

CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	93,818.00	93,818.00	104,257.73	10,439.73
Charges for Services	1,000.00	1,000.00	396.09	(603.91)
Miscellaneous	275.00	275.00	687.77	412.77
<b>Total Revenues</b>	<b>95,093.00</b>	<b>95,093.00</b>	<b>105,341.59</b>	<b>10,248.59</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	111,248.00	110,269.74	110,269.74	
Debt Service:				
Principal	19,281.00	19,280.23	19,280.23	
Interest	1,907.00	1,906.91	1,906.91	
<b>Total Expenditures</b>	<b>132,436.00</b>	<b>131,456.88</b>	<b>131,456.88</b>	
<b>Net Change in Fund Balances</b>	<b>(37,343.00)</b>	<b>(36,363.88)</b>	<b>(26,115.29)</b>	<b>10,248.59</b>
<b>Fund Balance - January 1</b>	<b>125,012.10</b>	<b>125,012.10</b>	<b>125,012.10</b>	
<b>Fund Balance - December 31</b>	<b>87,669.10</b>	<b>88,648.22</b>	<b>98,896.81</b>	<b>10,248.59</b>

CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	127,618.00	127,618.00	101,996.74	(25,621.26)
Charges for Services	1,000.00	1,000.00	1,014.92	14.92
Miscellaneous	275.00	275.00	341.05	66.05
<b>Total Revenues</b>	<b>128,893.00</b>	<b>128,893.00</b>	<b>103,352.71</b>	<b>(25,540.29)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	107,427.00	109,308.70	109,308.70	
Debt Service:				
Principal	18,677.00	18,676.88	18,676.88	
Interest	2,511.00	2,510.26	2,510.26	
<b>Total Expenditures</b>	<b>128,615.00</b>	<b>130,495.84</b>	<b>130,495.84</b>	
<b>Net Change in Fund Balances</b>	<b>278.00</b>	<b>(1,602.84)</b>	<b>(27,143.13)</b>	<b>(25,540.29)</b>
<b>Fund Balance - January 1</b>	<b>152,155.23</b>	<b>152,155.23</b>	<b>152,155.23</b>	
<b>Fund Balance - December 31</b>	<b>152,433.23</b>	<b>150,552.39</b>	<b>125,012.10</b>	<b>(25,540.29)</b>



CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
City Sales Tax Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	90,000.00	90,000.00	266,696.14	176,696.14
Miscellaneous	10.00	10.00	493.36	483.36
<b>Total Revenues</b>	<b>90,010.00</b>	<b>90,010.00</b>	<b>267,189.50</b>	<b>177,179.50</b>
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	103,000.00	93,343.68	93,343.68	
Culture and Recreation		11,324.13	11,324.13	
<b>Total Expenditures</b>	<b>103,000.00</b>	<b>104,667.81</b>	<b>104,667.81</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(12,990.00)</b>	<b>(14,657.81)</b>	<b>162,521.69</b>	<b>177,179.50</b>
<u>Other Financing (Uses):</u>				
Transfers Out	(13,200.00)	(13,200.00)	(135,215.52)	(122,015.52)
<b>Net Change in Fund Balances</b>	<b>(26,190.00)</b>	<b>(27,857.81)</b>	<b>27,306.17</b>	<b>55,163.98</b>
<b>Fund Balance - January 1</b>	<b>117,673.75</b>	<b>117,673.75</b>	<b>117,673.75</b>	
<b>Fund Balance - December 31</b>	<b>91,483.75</b>	<b>89,815.94</b>	<b>144,979.92</b>	<b>55,163.98</b>

CITY OF LINTON  
Linton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
City Sales Tax Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	180,000.00	180,000.00	322,362.41	142,362.41
Miscellaneous	25.00	25.00	48.43	23.43
<b>Total Revenues</b>	<b>180,025.00</b>	<b>180,025.00</b>	<b>322,410.84</b>	<b>142,385.84</b>
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	63,000.00	112,826.87	112,826.87	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>117,025.00</b>	<b>67,198.13</b>	<b>209,583.97</b>	<b>142,385.84</b>
<u>Other Financing (Uses):</u>				
Transfers Out	(104,960.00)	(104,960.00)	(173,751.12)	(68,791.12)
<b>Net Change in Fund Balances</b>	<b>12,065.00</b>	<b>(37,761.87)</b>	<b>35,832.85</b>	<b>73,594.72</b>
<b>Fund Balance - January 1</b>	<b>81,840.90</b>	<b>81,840.90</b>	<b>81,840.90</b>	
<b>Fund Balance - December 31</b>	<b>93,905.90</b>	<b>44,079.03</b>	<b>117,673.75</b>	<b>73,594.72</b>

CITY OF LINTON  
Linton, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

For the years ended December 31, 2017 and 2016, the governing board approved the following amendments to the city's budgets:

December 31, 2017

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
General Fund	324,190	(8,252)	315,938
<u>Special Revenue Funds</u>			
Highway	132,436	(979)	131,457
City Sales Tax	103,000	1,668	104,668
Cemetery	6,005	(1,211)	4,794
Street Light Maint.	32,500	(7,742)	24,758
Emergency	5,935	(3,669)	2,266
City Lodging Tax	20,000	(20,000)	
Special Assmt. CST Debt	13,200	(208)	12,992
<u>Debt Service Fund</u>			
Swimming Pool Project		16,188	16,188

December 31, 2016

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
		<u>Appropriations</u>	
General Fund	313,577	13,235	326,812
<u>Special Revenue Funds</u>			
Highway	128,615	1,881	130,496
City Sales Tax	63,000	49,827	112,827
Cemetery	6,400	(796)	5,604
Street Light Maint.	31,000	4,121	35,121
Emergency	5,900	(575)	5,325
City Lodging Tax	10,000	(10,000)	
Special Assmt. CST Debt	11,000	(859)	10,141
<u>Debt Service Fund</u>			
Swimming Pool Project	58,980	260,500	319,480

CITY OF LINTON  
Linton, North Dakota

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

	2017	2016	2015
	-----	-----	-----
City's proportion of the net pension liability	0.022349%	0.023708%	0.025956%
City's proportionate share of the net pension liability	217,813	161,210	164,748
City's covered-employee payroll	212,561	212,716	218,650
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	102.47%	75.79%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

	2017	2016	2015
	-----	-----	-----
Statutorily required contribution	15,134	15,145	14,496
Contributions in relation to the statutorily required contribution	(15,134)	(15,145)	(14,496)
Contribution deficiency (excess)	0	0	0
City's covered-employee payroll	212,561	212,716	218,650
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	6.63%

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

- For changes of assumptions, see Note 10 to the financial statements.

CITY OF LINTON  
Linton North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<b>Major Governmental Funds</b>						
General Fund	206,308.41	258,343.29	87,977.26		315,937.82	236,691.14
Highway	125,012.10	105,341.59			131,456.88	98,896.81
City Sales Tax	117,673.75	267,189.50		135,215.52	104,667.81	144,979.92
Swimming Pool Project	83,992.98	65.94	20,106.27	87,977.26	16,187.93	
2014-1 Street Improvement	916,113.43	203,093.73			260,747.50	858,459.66
<b>Total Major Governmental Funds</b>	<b>1,449,100.67</b>	<b>834,034.05</b>	<b>108,083.53</b>	<b>223,192.78</b>	<b>828,997.94</b>	<b>1,339,027.53</b>
<b>Non-Major Governmental Funds</b>						
Cemetery	6,323.36	4,748.09			4,793.94	6,277.51
Street Light Maintenance	20,699.26	33,229.36			24,758.49	29,170.13
Emergency	3,932.03	5,150.40			2,265.67	6,816.76
City Lodging Tax	18,526.19	12,566.97				31,093.16
Sp. Assessment CST Debt Capacity	12,991.56		13,191.59		12,991.56	13,191.59
Public Facilities	1.20					1.20
<b>Total Non-Major Governmental Funds</b>	<b>62,473.60</b>	<b>55,694.82</b>	<b>13,191.59</b>		<b>44,809.66</b>	<b>86,550.35</b>
<b>Total Governmental Funds</b>	<b>1,511,574.27</b>	<b>889,728.87</b>	<b>121,275.12</b>	<b>223,192.78</b>	<b>873,807.60</b>	<b>1,425,577.88</b>
<b>Major Enterprise Funds</b>						
<b>Water:</b>						
Operating	216,717.51	395,704.99		219,074.83	240,009.22	153,338.45
2011 Water Meter	15,050.23		15,400.00		15,400.00	15,050.23
13-1 Water System Improvement	0.00		137,734.83		137,734.83	
USDA Debt Service Reserve	35,408.00		13,848.00			49,256.00
Asset Replacement Reserve	42,717.28		16,167.00		8,392.00	50,492.28
Water - City Sales Tax			50,958.83			50,958.83
<b>Sewer:</b>						
Operating	57,818.91	87,889.55		6,037.50	65,651.64	74,019.32
Sewer - City Sales Tax			50,958.83			50,958.83
Garbage	138,522.03	178,399.73			173,556.11	143,365.65
02-1 Water/Sewer Main	47,739.79	0.94	41,962.50		41,962.50	47,740.73
<b>Total Major Enterprise Funds</b>	<b>553,973.75</b>	<b>661,995.21</b>	<b>327,029.99</b>	<b>225,112.33</b>	<b>682,706.30</b>	<b>635,180.32</b>
<b>Agency Funds</b>						
Accrued Tax Payable	9,707.11	185,441.45			186,823.56	8,325.00
Linton Park District		72,389.09			72,389.09	
Linton Airport Authority		13,402.32			13,402.32	
Linton Public Library		16,472.77			16,472.77	
Job Development Authority		6,148.35			6,148.35	
<b>Total Agency Funds</b>	<b>9,707.11</b>	<b>293,853.98</b>			<b>295,236.09</b>	<b>8,325.00</b>
<b>Total Primary Government</b>	<b>2,075,255.13</b>	<b>1,845,578.06</b>	<b>448,305.11</b>	<b>448,305.11</b>	<b>1,851,749.99</b>	<b>2,069,083.20</b>
<b>Discretely Presented</b>						
<b>Component Units:</b>						
Linton Municipal Airport Authority	2,606.15	54,109.93			41,298.03	15,418.05
Linton Public Library	25,899.19	32,438.19			30,629.15	27,708.23
Linton Industrial Develop. Corp.	455,099.71	123,689.41			90,496.77	488,292.35
<b>Total Discretely Presented Component Units</b>	<b>483,605.05</b>	<b>210,237.53</b>			<b>162,423.95</b>	<b>531,418.63</b>
<b>Total Reporting Entity</b>	<b>2,558,860.18</b>	<b>2,055,815.59</b>	<b>448,305.11</b>	<b>448,305.11</b>	<b>2,014,173.94</b>	<b>2,600,501.83</b>

CITY OF LINTON  
Linton North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Governmental Funds</b>						
General Fund	268,298.77	264,821.30			326,811.66	206,308.41
Highway	152,155.23	103,352.71			130,495.84	125,012.10
City Sales Tax	81,840.90	322,410.84		173,751.12	112,826.87	117,673.75
Swimming Pool Project	242,005.37	286.38	161,181.23		319,480.00	83,992.98
2014-1 Street Improvement	972,823.98	206,786.95			263,497.50	916,113.43
<b>Total Major Governmental Funds</b>	<b>1,717,124.25</b>	<b>897,658.18</b>	<b>161,181.23</b>	<b>173,751.12</b>	<b>1,153,111.87</b>	<b>1,449,100.67</b>
<b>Non-Major Governmental Funds</b>						
Cemetery	8,207.90	3,719.85			5,604.39	6,323.36
Street Light Maintenance	22,819.15	33,000.77			35,120.66	20,699.26
Emergency	5,452.01	3,804.69			5,324.67	3,932.03
City Lodging Tax	4,090.86	14,435.33				18,526.19
Sp. Assessment CST Debt Capacity	10,562.62		12,569.89		10,140.95	12,991.56
Public Facilities	1.20					1.20
<b>Total Non-Major Governmental Funds</b>	<b>51,133.74</b>	<b>54,960.64</b>	<b>12,569.89</b>		<b>56,190.67</b>	<b>62,473.60</b>
<b>Total Governmental Funds</b>	<b>1,768,257.99</b>	<b>952,618.82</b>	<b>173,751.12</b>	<b>173,751.12</b>	<b>1,209,302.54</b>	<b>1,511,574.27</b>
<b>Major Enterprise Funds</b>						
Water:						
Operating	226,146.03	396,797.98	9,549.87	219,262.49	196,513.88	216,717.51
2011 Water Meter	15,050.23		14,670.00		14,670.00	15,050.23
13-1 Water System Improvement	16,307.41	0.46	145,830.49	24,385.87	137,752.49	35,408.00
USDA Debt Service Reserve	14,802.00		20,606.00			42,717.28
Asset Replacement Reserve	26,550.28		16,167.00			57,818.91
Sewer	53,784.15	83,956.25		6,187.50	73,733.99	138,522.03
Garbage	105,528.53	184,001.09			151,007.59	47,739.79
02-1 Water/Sewer Main	47,724.39	15.40	43,012.50		43,012.50	505,973.75
<b>Total Major Enterprise Funds</b>	<b>505,893.02</b>	<b>664,771.18</b>	<b>249,835.86</b>	<b>249,835.86</b>	<b>616,690.45</b>	<b>553,973.75</b>
<b>Agency Funds</b>						
Accrued Tax Payable	7,153.08	257,425.22			254,871.19	9,707.11
Linton Park District		54,540.55			54,540.55	
Linton Airport Authority		13,914.96			13,914.96	
Linton Public Library		17,616.31			17,616.31	
Job Development Authority		6,077.29			6,077.29	
<b>Total Agency Funds</b>	<b>7,153.08</b>	<b>349,574.33</b>			<b>347,020.30</b>	<b>9,707.11</b>
<b>Total Primary Government</b>	<b>2,281,304.09</b>	<b>1,966,964.33</b>	<b>423,586.98</b>	<b>423,586.98</b>	<b>2,173,013.29</b>	<b>2,075,255.13</b>
<b>Discretely Presented</b>						
<b>Component Units:</b>						
Linton Municipal Airport Authority	114,290.68	1,669,728.32			1,781,412.85	2,606.15
Linton Public Library	23,851.49	27,758.15			25,710.45	25,899.19
Linton Industrial Develop. Corp.	441,237.05	150,952.90			137,090.24	455,099.71
<b>Total Discretely Presented</b>	<b>579,379.22</b>	<b>1,848,439.37</b>			<b>1,944,213.54</b>	<b>483,605.05</b>
<b>Total Reporting Entity</b>	<b>2,860,683.31</b>	<b>3,815,403.70</b>	<b>423,586.98</b>	<b>423,586.98</b>	<b>4,117,226.83</b>	<b>2,558,860.18</b>

CITY OF LINTON  
Linton, North Dakota

Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 2017 and 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2017	2016
<u>U.S. Department of Transportation</u>				
Direct Program:				
Airport Improvement Program	20.106		12,686.00	1,558,684.00
			=====	=====

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.



# Rath & Mehrer, P.C.

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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Linton  
Linton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, Linton, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated September 14, 2018.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002, that we consider to be significant deficiencies.

## Compliance and Other Matters

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

## City's Response to Findings

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

## Purpose of this Report

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

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 14, 2018

# Rath & Mehrer, P.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Linton  
Linton, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited the City of Linton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2017 and 2016. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the city's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do not provide a legal determination of the city's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2017 and 2016.

## Report on Internal Control Over Compliance

Management of the City of Linton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the city's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 14, 2018

CITY OF LINTON  
Linton, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2017 and 2016

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

\* Material weakness(es) identified?                           Yes              X   No

\* Significant deficiency(ies) identified?              X   Yes                   None Reported

Noncompliance Material to financial statements noted?                   Yes              X   No

Federal Awards

Internal control over major program(s):

\* Material weakness(es) identified?                           Yes              X   No

\* Significant deficiency(ies) identified?                   Yes              X   None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       Yes              X   No

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Project

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

       Yes              X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. 2017-001 - Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

*Effect:* There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

*Recommendation:* Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

2. 2017-002 - Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2017 and 2016 are prepared by the city's external auditors.

*Criteria:* A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.