

**CITY OF MINTO  
MINTO, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the  
City Council  
Minto, North Dakota

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

We have audited the accompanying financial statements of the City of Minto, North Dakota, which comprise the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minto, North Dakota, as of December 31, 2015 and 2014, and the respective changes in the financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### **Adoption of New Accounting Standard**

As described in Note 10 to the financial statements, during the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 10 to the financial statements, the City has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of the City of Minto, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Minto, North Dakota's internal control over financial reporting and compliance.



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

October 25, 2017

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2015**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 694,236	\$ 253,479	\$ 947,715
Investments	69,626		69,626
Receivables:			
Taxes	6,528	-	6,528
Special assessments	169,932	-	169,932
Accounts (net of uncollectible)	3,434	10,948	14,382
Other governments	8,104	-	8,104
Total current assets	<u>951,860</u>	<u>264,427</u>	<u>1,216,287</u>
Non current assets			
Special assessments receivable	<u>1,539,321</u>	<u>-</u>	<u>1,539,321</u>
Capital assets			
Property, plant and equipment	390,031	4,916,350	5,306,381
Infrastructure	1,575,401	-	1,575,401
Less: accumulated depreciation	<u>(602,383)</u>	<u>(2,800,340)</u>	<u>(3,402,723)</u>
Net capital assets	<u>1,363,049</u>	<u>2,116,010</u>	<u>3,479,059</u>
<b>TOTAL ASSETS</b>	<u>3,854,230</u>	<u>2,380,437</u>	<u>6,234,667</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan-NDPERS	<u>4,872</u>	<u>6,573</u>	<u>11,445</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	7,461	4,457	11,918
Interest payable	12,017	-	12,017
Current portion of long-term debt	<u>186,574</u>	<u>-</u>	<u>186,574</u>
Total current liabilities	<u>206,052</u>	<u>4,457</u>	<u>210,509</u>
Long-term liabilities			
Accrued vacation	6,103	6,030	12,133
Non-current portion of long-term debt	1,603,028	-	1,603,028
Net pension liability	<u>25,345</u>	<u>34,188</u>	<u>59,533</u>
Total long-term liabilities	<u>1,634,476</u>	<u>40,218</u>	<u>1,674,694</u>
<b>TOTAL LIABILITIES</b>	<u>1,840,528</u>	<u>44,675</u>	<u>1,885,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan-NDPERS	<u>6,233</u>	<u>8,408</u>	<u>14,641</u>
<b>NET POSITION</b>			
Net investment in capital assets	541,803	2,116,010	2,657,813
Restricted-debt service	341,205		341,205
Restricted-other	219,667		219,667
Unrestricted	<u>909,666</u>	<u>217,917</u>	<u>1,127,583</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,012,341</u>	<u>\$2,333,927</u>	<u>\$4,346,268</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Current							
General government	\$ 159,872	\$ 78,260	\$ 378	\$ -	\$ (81,234)	\$ -	\$ (81,234)
Public safety	13,540	-	-	-	(13,540)	-	(13,540)
Highways and streets	132,656	13,003	313	-	(119,340)	-	(119,340)
Health and welfare	-	-	1,960	72	2,032	-	2,032
Culture and recreation	33,513	22,634	-	-	(10,879)	-	(10,879)
Interest and fees	47,924	-	-	-	(47,924)	-	(47,924)
Total Governmental Activities	<u>387,505</u>	<u>113,897</u>	<u>2,651</u>	<u>72</u>	<u>(270,885)</u>	<u>-</u>	<u>(270,885)</u>
<b>Business-Type Activities</b>							
Water	307,771	191,587	-	-	-	(116,184)	(116,184)
Garbage	56,520	60,109	-	-	-	3,589	3,589
Sewer	79,560	31,803	-	-	-	(47,757)	(47,757)
Total Business-Type Activities	<u>443,851</u>	<u>283,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,352)</u>	<u>(160,352)</u>
Total Primary Government	<u>\$ 831,356</u>	<u>\$ 397,396</u>	<u>\$ 2,651</u>	<u>\$ 72</u>	<u>(270,885)</u>	<u>(160,352)</u>	<u>(431,237)</u>
General Receipts:							
Property taxes					156,325	-	156,325
Special assessments-interest					116,649	-	116,649
Intergovernmental (not restricted for specific program)							-
State					70,869	-	70,869
Other general revenues					2,671	16,897	19,568
Subtotal					<u>346,514</u>	<u>16,897</u>	<u>363,411</u>
Change in Net Position					<u>75,629</u>	<u>(143,455)</u>	<u>(67,826)</u>
Net Position, January 1					1,963,503	2,513,521	4,477,024
GASB 68 and 71 Implementation-See Note 10					<u>(26,791)</u>	<u>(36,139)</u>	<u>(62,930)</u>
Net Position-Beginning-as Restated					<u>1,936,712</u>	<u>2,477,382</u>	<u>4,414,094</u>
Net Position, December 31					<u>\$ 2,012,341</u>	<u>\$ 2,333,927</u>	<u>\$ 4,346,268</u>

See Notes to the Financial Statements



**CITY OF MINTO, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2015**

	<u>General</u>	<u>2005 Paving Improvement OT/GA</u>	<u>Waste Water Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 135,782	\$ 138,724	\$ 200,063	\$ 219,667	\$ 694,236
Investments	69,626	-	-	-	69,626
Receivables:					
Taxes	6,528	-	-	-	6,528
Special assessments	-	835,350	873,903	-	1,709,253
Accounts	3,434	-	-	-	3,434
Other governments	<u>5,686</u>	<u>2,418</u>	<u>-</u>	<u>-</u>	<u>8,104</u>
Total Assets	<u>\$ 221,056</u>	<u>\$ 976,492</u>	<u>\$ 1,073,966</u>	<u>\$ 219,667</u>	<u>\$ 2,491,181</u>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ 7,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,461</u>
Total liabilities	<u>7,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,461</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property taxes receivable	6,528	-	-	-	6,528
Delinquent special assessments		17,670	17,670		35,340
Uncertified special assessments	<u>-</u>	<u>817,680</u>	<u>856,233</u>	<u>-</u>	<u>1,673,913</u>
Total Deferred Inflows of Resources	<u>6,528</u>	<u>835,350</u>	<u>873,903</u>	<u>-</u>	<u>1,715,781</u>
<b>FUND BALANCE</b>					
Restricted		141,142	200,063	219,667	560,872
Unassigned	<u>207,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,067</u>
Total Fund Balance	<u>207,067</u>	<u>141,142</u>	<u>200,063</u>	<u>219,667</u>	<u>767,939</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 221,056</u>	<u>\$ 976,492</u>	<u>\$ 1,073,966</u>	<u>\$ 219,667</u>	<u>\$ 2,491,181</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2015**

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

Total fund balance-governmental funds		\$ 767,939
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		\$ 1,965,432
Accumulated depreciation		<u>(602,383)</u>
Net		1,363,049
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
		(1,361)
Bond discounts are not financial resources and therefore are not reported in governmental funds.		
Bond discount		15,375
Accumulated amortization		<u>(5,514)</u>
Net		9,861
Delinquent property taxes, delinquent special assessments and uncertified special assessments will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Delinquent property taxes		6,528
Special assessments		1,709,253
Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(12,017)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:		
Vacations payable		(6,103)
Notes payable		(990,000)
Capital lease payable		(104,463)
Bonds payable		(705,000)
Net pension liability		<u>(25,345)</u>
		<u>(1,830,911)</u>
Total net position-governmental activities		<u>\$2,012,341</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 48,447	\$ -	\$ -	\$ 107,677	\$ 156,124
Special assessments	-	146,855	78,235	-	225,090
Licenses, permits and fees	92,128	-	-	-	92,128
Intergovernmental revenues	73,143	-	-	72	73,215
Miscellaneous revenues	21,796	215	246	2,560	24,817
Total revenues	<u>235,514</u>	<u>147,070</u>	<u>78,481</u>	<u>110,309</u>	<u>571,374</u>
<b>Expenditures:</b>					
Current:					
General government	122,570	-	-	39,689	162,259
Public safety	11,669	-	1,194	677	13,540
Highways and streets	16,087	-	-	31,755	47,842
Culture and recreation	33,513	-	-	-	33,513
Capital outlay	6,300	-	-	9,498	15,798
Debt service:					
Principal retirement	-	130,000	53,115	11,191	194,306
Interest	-	13,201	23,481	3,954	40,636
Fiscal charges	-	875	4,696	-	5,571
Total expenditures	<u>190,139</u>	<u>144,076</u>	<u>82,486</u>	<u>96,764</u>	<u>513,465</u>
Excess of Revenues Over (Under) Expenditures	<u>45,375</u>	<u>2,994</u>	<u>(4,005)</u>	<u>13,545</u>	<u>57,909</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from debt issuance	-	-	135,022	-	135,022
Operating transfers in	100	-	-	1,682	1,782
Operating transfers out	(1,682)	-	-	(100)	(1,782)
Total other financing sources (uses)	<u>(1,582)</u>	<u>-</u>	<u>135,022</u>	<u>1,582</u>	<u>135,022</u>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	43,793	2,994	131,017	15,127	192,931
Fund Balance (Deficit), Beginning of Year	<u>163,274</u>	<u>138,148</u>	<u>69,046</u>	<u>204,540</u>	<u>575,008</u>
Fund Balance (Deficit), End of Year	<u>\$ 207,067</u>	<u>\$ 141,142</u>	<u>\$ 200,063</u>	<u>\$ 219,667</u>	<u>\$ 767,939</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Net change in fund balance- total governmental funds	\$ 192,931
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>	
Capital asset purchases capitalized	\$ 15,798
Depreciation expense	<u>(84,814)</u>
Excess of capital outlay over depreciation expense	(69,016)
<p>Governmental funds report discounts on bond issuance as expenditures. However, in the statement of activities, the cost of those assets are allocated over the life of the debt as amortization expense. In the current period, these amounts are:</p>	
Amortization expense	(1,922)
<p>Accrued vacation is recorded as expenditures in the funds upon payment, however in the statement of activities the expense is recognized as incurred.</p>	
	2,302
<p>Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position.</p>	
	194,306
<p>Loan proceeds provide current financial resources to governmental funds, however issuing debt increases long-term liabilities in the Statement of Net Position.</p>	
	(135,022)
<p>Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds.</p>	
Net change in unavailable property taxes	201
Net change in special assessments	(108,441)
Changes in deferred outflows and inflows of resources related to net pension liability	1,381
Change in net pension liability	(1,296)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	<u>205</u>
Net change in net position of governmental activities	<u>\$ 75,629</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2015**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 213,684	\$ 23,420	\$ 16,375	\$ 253,479
Accounts receivable	9,109	1,312	527	10,948
Total current assets	<u>222,793</u>	<u>24,732</u>	<u>16,902</u>	<u>264,427</u>
Capital Assets				
Property, plant and equipment	3,231,197	-	1,685,153	4,916,350
Less: Accum. depreciation	(2,067,365)	-	(732,975)	(2,800,340)
Net capital assets	<u>1,163,832</u>	<u>-</u>	<u>952,178</u>	<u>2,116,010</u>
<b>TOTAL ASSETS</b>	<u>1,386,625</u>	<u>24,732</u>	<u>969,080</u>	<u>2,380,437</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	6,047	-	526	6,573
<b>LIABILITIES</b>				
Current				
Accounts payable	3,780	46	631	4,457
Total current liabilities	<u>3,780</u>	<u>46</u>	<u>631</u>	<u>4,457</u>
Long-Term				
Accrued vacation	5,147	-	883	6,030
Net pension liability	31,452	-	2,736	34,188
Total long-term liabilities	<u>36,599</u>	<u>-</u>	<u>3,619</u>	<u>40,218</u>
<b>TOTAL LIABILITIES</b>	<u>40,379</u>	<u>46</u>	<u>4,250</u>	<u>44,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	7,735	-	673	8,408
<b>NET POSITION</b>				
Net investment in capital assets	1,163,832	-	952,178	2,116,010
Unrestricted	180,726	24,686	12,505	217,917
<b>TOTAL NET POSITION</b>	<u>\$ 1,344,558</u>	<u>\$ 24,686</u>	<u>\$ 964,683</u>	<u>\$ 2,333,927</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Sales - net of discounts	\$ 191,587	\$ 60,109	\$ 31,803	\$ 283,499
Cost of good sold	<u>(71,846)</u>	<u>(55,209)</u>	<u>-</u>	<u>(127,055)</u>
Gross profit	<u>119,741</u>	<u>4,900</u>	<u>31,803</u>	<u>156,444</u>
<b>Operating Expenses:</b>				
Salaries	68,805	-	10,553	79,358
Property and liability insurance	1,659	-	150	1,809
Supplies	13,262	353	4,137	17,752
Chemicals	49	-	899	948
Repairs	35,547	-	13,164	48,711
Gas and oil	2,252	-	315	2,567
Travel and training	770	-	-	770
Miscellaneous	2,192	958	-	3,150
Utilities	12,837	-	2,592	15,429
Depreciation	<u>98,552</u>	<u>-</u>	<u>47,750</u>	<u>146,302</u>
Total operating expenses	<u>235,925</u>	<u>1,311</u>	<u>79,560</u>	<u>316,796</u>
Operating Income (Loss)	<u>(116,184)</u>	<u>3,589</u>	<u>(47,757)</u>	<u>(160,352)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest	343	13	13	369
Miscellaneous	<u>16,486</u>	<u>-</u>	<u>42</u>	<u>16,528</u>
Total non-operating revenues (expenses)	<u>16,829</u>	<u>13</u>	<u>55</u>	<u>16,897</u>
Net Income (Loss)	<u>(99,355)</u>	<u>3,602</u>	<u>(47,702)</u>	<u>(143,455)</u>
Net Position, Beginning of Year	<u>1,477,160</u>	<u>21,084</u>	<u>1,015,277</u>	<u>2,513,521</u>
GASB 68 and 71 Implementation	<u>(33,247)</u>	<u>-</u>	<u>(2,892)</u>	<u>(36,139)</u>
Net Position, Beginning of Year as Restated	<u>1,443,913</u>	<u>21,084</u>	<u>1,012,385</u>	<u>2,477,382</u>
Net Position, End of Year	<u>\$ 1,344,558</u>	<u>\$ 24,686</u>	<u>\$ 964,683</u>	<u>\$ 2,333,927</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water	Garbage	Sewer	Total
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 185,992	\$ 60,089	\$ 31,818	\$ 277,899
Cash payments to suppliers	(141,016)	(56,520)	(21,257)	(218,793)
Cash paid to employees	(69,301)	-	(11,151)	(80,452)
Net cash flow from operating activities	(24,325)	3,569	(590)	(21,346)
 <b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous revenues (expenses)	16,488	-	41	16,529
 <b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>				
Interest income	343	13	13	369
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(7,494)	3,582	(536)	(4,448)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	221,178	19,838	16,911	257,927
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				
	\$ 213,684	\$ 23,420	\$ 16,375	\$ 253,479
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (116,184)	\$ 3,589	\$(47,757)	\$(160,352)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	98,552	-	47,750	146,302
Changes in assets and liabilities				
(Increase)/Decrease in accounts receivable	(5,595)	(20)	15	(5,600)
(Increase)/Decrease in deferred outflows of resources	(3,624)	-	(315)	(3,939)
Increase/(Decrease) in accounts payable	(602)	-	-	(602)
Increase/(Decrease) in deferred inflows of resources	1,909	-	166	2,075
Increase/(Decrease) in net pension liability	1,607	-	140	1,747
Increase/(Decrease) in compensated absences	(388)	-	(589)	(977)
Net cash provided (used) by operating activities	\$ (24,325)	\$ 3,569	\$ (590)	\$ (21,346)

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2014**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 498,007	\$ 257,927	\$ 755,934
Investments	69,349		69,349
Receivables:			
Taxes	6,327	-	6,327
Special assessments	153,781	-	153,781
Accounts (net of uncollectible)	3,898	5,348	9,246
Other governments	9,356	-	9,356
Total current assets	<u>740,718</u>	<u>263,275</u>	<u>1,003,993</u>
Non current assets			
Special assessments receivable	<u>1,663,913</u>	<u>-</u>	<u>1,663,913</u>
Capital assets			
Property, plant and equipment	374,233	4,916,350	5,290,583
Infrastructure	1,575,401	-	1,575,401
Less: accumulated depreciation	<u>(517,569)</u>	<u>(2,654,038)</u>	<u>(3,171,607)</u>
Net capital assets	<u>1,432,065</u>	<u>2,262,312</u>	<u>3,694,377</u>
<b>TOTAL ASSETS</b>	<u>3,836,696</u>	<u>2,525,587</u>	<u>6,362,283</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	5,602	5,059	10,661
Interest payable	12,222	-	12,222
Current portion of long-term debt	<u>186,191</u>	<u>-</u>	<u>186,191</u>
Total current liabilities	<u>204,015</u>	<u>5,059</u>	<u>209,074</u>
Long-term liabilities			
Accrued vacation	8,405	7,007	15,412
Non-current portion of long-term debt	<u>1,660,773</u>	<u>-</u>	<u>1,660,773</u>
Total long-term liabilities	<u>1,669,178</u>	<u>7,007</u>	<u>1,676,185</u>
<b>TOTAL LIABILITIES</b>	<u>1,873,193</u>	<u>12,066</u>	<u>1,885,259</u>
<b>NET POSITION</b>			
Net investment in capital assets	471,550	2,262,312	2,733,862
Restricted-debt service	207,194		207,194
Restricted-other	204,540		204,540
Unrestricted	<u>1,080,219</u>	<u>251,209</u>	<u>1,331,428</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,963,503</u>	<u>\$ 2,513,521</u>	<u>\$ 4,477,024</u>

See Notes to the Financial Statements



**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Current							
General government	\$ 194,412	\$ 72,681	\$ 420	\$ -	\$ (121,311)	\$ -	\$ (121,311)
Public safety	96,406	-	-	-	(96,406)	-	(96,406)
Highways and streets	121,267	13,046	248	-	(107,973)	-	(107,973)
Health and welfare	-	-	1,991	-	1,991	-	1,991
Culture and recreation	47,838	30,273	-	-	(17,565)	-	(17,565)
Interest and fees	47,413	-	-	-	(47,413)	-	(47,413)
Total Governmental Activities	<u>507,336</u>	<u>116,000</u>	<u>2,659</u>	<u>-</u>	<u>(388,677)</u>	<u>-</u>	<u>(388,677)</u>
<b>Business-Type Activities</b>							
Water	297,984	203,351	-	-	-	(94,633)	(94,633)
Garbage	58,137	60,687	-	-	-	2,550	2,550
Sewer	87,026	32,330	-	-	-	(54,696)	(54,696)
Total Business-Type Activities	<u>443,147</u>	<u>296,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,779)</u>	<u>(146,779)</u>
Total Primary Government	<u>\$ 950,483</u>	<u>\$ 412,368</u>	<u>\$ 2,659</u>	<u>\$ -</u>	<u>(388,677)</u>	<u>(146,779)</u>	<u>(535,456)</u>
General Receipts:							
Property taxes							
					102,431	-	102,431
Special assessments-interest							
					149,964	-	149,964
Intergovernmental (not restricted for specific program)							
State							
					68,752	-	68,752
Other general revenues							
					<u>7,331</u>	<u>2,063</u>	<u>9,394</u>
Subtotal							
					<u>328,478</u>	<u>2,063</u>	<u>330,541</u>
Change in Net Position							
					(60,199)	(144,716)	(204,915)
Net Position, January 1							
					<u>2,023,702</u>	<u>2,658,237</u>	<u>4,681,939</u>
Net Position, December 31							
					<u>\$ 1,963,503</u>	<u>\$ 2,513,521</u>	<u>\$ 4,477,024</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2014**

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 87,115	\$ 135,729	\$ 69,046	\$ 206,117	\$ 498,007
Investments	69,349	-	-	-	69,349
Receivables:					
Taxes	6,327	-	-	-	6,327
Special assessments	-	906,352	911,342	-	1,817,694
Accounts	3,898	-	-	-	3,898
Other governments	6,937	2,419	-	-	9,356
Total assets	\$ 173,626	\$ 1,044,500	\$ 980,388	\$ 206,117	\$ 2,404,631
<b>LIABILITIES</b>					
Accounts payable	\$ 4,025	\$ -	\$ -	\$ 1,577	\$ 5,602
Total liabilities	4,025	-	-	1,577	5,602
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property taxes receivable	6,327	-	-	-	6,327
Delinquent special assessments		17,444	17,444		34,888
Uncertified special assessments	-	888,908	893,898	-	1,782,806
Total Deferred Inflows of Resources	6,327	906,352	911,342	-	1,824,021
<b>FUND BALANCE</b>					
Restricted		138,148	69,046	204,540	411,734
Unassigned	163,274	-	-	-	163,274
Total Fund Balance	163,274	138,148	69,046	204,540	575,008
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 173,626	\$ 1,044,500	\$ 980,388	\$ 206,117	\$ 2,404,631

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2014**

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

Total fund balance-governmental funds		\$ 575,008
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		\$ 1,949,634
Accumulated depreciation		<u>(517,569)</u>
Net		1,432,065
Bond discounts are not financial resources and therefore are not reported in governmental funds.		
Bond discount		15,375
Accumulated amortization		<u>(3,592)</u>
Net		11,783
Delinquent property taxes, delinquent special assessments and uncertified special assessments will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Delinquent property taxes		6,327
Special assessments		1,817,694
Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(12,222)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:		
Vacations payable		(8,405)
Notes payable		(908,093)
Capital lease payable		(115,654)
Bonds payable		<u>(835,000)</u>
		<u>(1,867,152)</u>
Total net position-governmental activities		<u>\$ 1,963,503</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 55,832	\$ -	\$ -	\$ 109,921	\$ 165,753
Special assessments	-	148,241	80,681	-	228,922
Licenses, permits and fees	95,032	-	-	-	95,032
Intergovernmental revenues	70,991	-	-	-	70,991
Miscellaneous revenues	26,315	219	224	1,960	28,718
Total revenues	<u>248,170</u>	<u>148,460</u>	<u>80,905</u>	<u>111,881</u>	<u>589,416</u>
<b>Expenditures:</b>					
Current:					
General government	142,837	-	-	48,176	191,013
Public safety	11,108	-	80,181	5,117	96,406
Highways and streets	18,777	-	-	31,929	50,706
Culture and recreation	47,838	-	-	-	47,838
Capital outlay	12,980	-	24,701	133,970	171,651
Debt service:					
Principal retirement	-	130,000	50,000	15,146	195,146
Interest	-	14,670	23,952	-	38,622
Fiscal charges	-	875	4,790	-	5,665
Total expenditures	<u>233,540</u>	<u>145,545</u>	<u>183,624</u>	<u>234,338</u>	<u>797,047</u>
Excess of Revenues Over (Under) Expenditures	<u>14,630</u>	<u>2,915</u>	<u>(102,719)</u>	<u>(122,457)</u>	<u>(207,631)</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from debt issuance	-	-	-	130,800	130,800
Operating transfers in	7,042	-	-	2,644	9,686
Operating transfers out	(1,588)	-	-	(8,098)	(9,686)
Total other financing sources (uses)	<u>5,454</u>	<u>-</u>	<u>-</u>	<u>125,346</u>	<u>130,800</u>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	20,084	2,915	(102,719)	2,889	(76,831)
Fund Balance (Deficit), Beginning of Year	<u>143,190</u>	<u>135,233</u>	<u>171,765</u>	<u>201,651</u>	<u>651,839</u>
Fund Balance (Deficit), End of Year	<u>\$ 163,274</u>	<u>\$ 138,148</u>	<u>\$ 69,046</u>	<u>\$ 204,540</u>	<u>\$ 575,008</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Net change in fund balance- total governmental funds \$ (76,831)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset purchases capitalized	\$171,651	
Depreciation expense	<u>(70,561)</u>	
Excess of capital outlay over depreciation expense		101,090

Governmental funds report discounts on bond issuance as expenditures. However, in the statement of activities, the cost of those assets is allocated over the life of the debt as amortization expense. In the current period, these amounts are:

Amortization expense		(1,922)
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Accrued vacation is recorded as expenditures in the funds upon payment, however in the statement of activities the expense is recognized as incurred.		(3,399)
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position.		195,146
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Loan proceeds provide current financial resources to governmental funds, however issuing debt increases long-term liabilities in the Statement of Net Position.		(130,800)
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Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds.

Net change in unavailable property taxes		(63,322)
Net change in special assessments		(78,957)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities however, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>(1,204)</u>
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Net change in net position of governmental activities		<u>\$ (60,199)</u>
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**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2014**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 221,178	\$ 19,838	\$ 16,911	\$ 257,927
Accounts receivable	<u>3,514</u>	<u>1,292</u>	<u>542</u>	<u>5,348</u>
Total current assets	<u>224,692</u>	<u>21,130</u>	<u>17,453</u>	<u>263,275</u>
Capital Assets				
Property, plant and equipment	3,231,197	-	1,685,153	4,916,350
Less: Accum. depreciation	<u>(1,968,813)</u>	<u>-</u>	<u>(685,225)</u>	<u>(2,654,038)</u>
Net capital assets	<u>1,262,384</u>	<u>-</u>	<u>999,928</u>	<u>2,262,312</u>
<b>TOTAL ASSETS</b>	<u>1,487,076</u>	<u>21,130</u>	<u>1,017,381</u>	<u>2,525,587</u>
<b>LIABILITIES</b>				
Current				
Accounts payable	<u>4,382</u>	<u>46</u>	<u>631</u>	<u>5,059</u>
Total current liabilities	<u>4,382</u>	<u>46</u>	<u>631</u>	<u>5,059</u>
Long-Term				
Accrued vacation	<u>5,535</u>	<u>-</u>	<u>1,472</u>	<u>7,007</u>
Total long-term liabilities	<u>5,535</u>	<u>-</u>	<u>1,472</u>	<u>7,007</u>
<b>TOTAL LIABILITIES</b>	<u>9,917</u>	<u>46</u>	<u>2,103</u>	<u>12,066</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,262,384	-	999,928	2,262,312
Unrestricted	<u>214,775</u>	<u>21,084</u>	<u>15,350</u>	<u>251,209</u>
<b>TOTAL NET POSITION</b>	<u>\$1,477,159</u>	<u>\$ 21,084</u>	<u>\$1,015,278</u>	<u>\$2,513,521</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Sales - net of discounts	\$ 203,351	\$ 60,687	\$ 32,330	\$ 296,368
Cost of goods sold	<u>(68,551)</u>	<u>(55,848)</u>	<u>-</u>	<u>(124,399)</u>
Gross profit	<u>134,800</u>	<u>4,839</u>	<u>32,330</u>	<u>171,969</u>
<b>Operating Expenses:</b>				
Salaries	63,947	-	9,332	73,279
Property and liability insurance	584	-	270	854
Supplies	8,630	1,188	2,523	12,341
Repairs	39,179	339	23,748	63,266
Gas and oil	3,373	-	40	3,413
Travel and training	812	-	-	812
Miscellaneous	1,675	762	-	2,437
Professional fees	15	-	737	752
Utilities	14,192	-	2,626	16,818
Depreciation	<u>97,026</u>	<u>-</u>	<u>47,750</u>	<u>144,776</u>
Total operating expenses	<u>229,433</u>	<u>2,289</u>	<u>87,026</u>	<u>318,748</u>
Operating Income (Loss)	<u>(94,633)</u>	<u>2,550</u>	<u>(54,696)</u>	<u>(146,779)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest	330	14	14	358
Miscellaneous	<u>1,705</u>	<u>-</u>	<u>-</u>	<u>1,705</u>
Total non-operating revenues (expenses)	<u>2,035</u>	<u>14</u>	<u>14</u>	<u>2,063</u>
Net Income (Loss)	(92,598)	2,564	(54,682)	(144,716)
Net Position, Beginning of Year	<u>1,569,757</u>	<u>18,520</u>	<u>1,069,960</u>	<u>2,658,237</u>
Net Position, End of Year	<u>\$1,477,159</u>	<u>\$ 21,084</u>	<u>\$1,015,278</u>	<u>\$2,513,521</u>

See Notes to the Financial Statements

**CITY OF MINTO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Water	Garbage	Sewer	Total
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 202,583	\$ 60,398	\$ 32,249	\$ 295,230
Cash payments to suppliers	(136,861)	(58,137)	(29,944)	(224,942)
Cash paid to employees	(62,991)	-	(8,876)	(71,867)
Net cash flow from operating activities	2,731	2,261	(6,571)	(1,579)
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous revenues (expenses)	1,705	-	-	1,705
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of property and equipment	(8,974)	-	-	(8,974)
<b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>				
Interest income	330	14	13	357
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(4,208)	2,275	(6,558)	(8,491)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	225,386	17,563	23,469	266,418
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				
	\$ 221,178	\$ 19,838	\$ 16,911	\$ 257,927
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (94,633)	\$ 2,550	\$ (54,696)	\$ (146,779)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	97,026	-	47,750	144,776
Changes in assets and liabilities				
(Increase)/Decrease in accounts receivable	(768)	(289)	(81)	(1,138)
Increase/(Decrease) in accounts payable	150	-	-	150
Increase/(Decrease) in compensated absences	956	-	456	1,412
Net cash provided (used) by operating activities	\$ 2,731	\$ 2,261	\$ (6,571)	\$ (1,579)

See Notes to the Financial Statements



**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Basis of Presentation***

*Government-Wide Financial Statements*

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

**Fund Financial Statements**

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

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

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

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

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

*Governmental Funds:*

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

*Proprietary Funds*

Proprietary fund types are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector. The City includes all of the enterprise funds as major, which consist of the Water, Garbage, and Sewer Funds.

**Fiduciary Funds**

The reporting focus of fiduciary funds is on net position and changes in net position. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Currently the City of Minto has no fiduciary funds.

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

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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*Measurement Focus:*

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

Governmental fund financial statements are reported using, the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

*Basis of Accounting*

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

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

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

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

**Cash and Equivalents**

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

**Investments**

Investments consist solely of certificates of deposit.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Revenues**

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

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

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

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

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

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

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

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

**Property Taxes**

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

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

**Unearned Revenues**

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

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
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**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plans as well as amounts paid to the plans after the measurement date. See Note 6 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as in inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the items, *unavailable property taxes*, *delinquent special assessments*, and uncertified special assessments are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the sharing defined benefit pension plan, which represents the actuarial differences within the NDPERS pension plans. See Note 6 for more details.

**Capital Assets**

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

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

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

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

**Capitalized Interest**

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

**Long-Term Debt**

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

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
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In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

### **Compensated Absences**

Staff of the City can accumulate leave up to a total of 250 hours. Compensated absences are recognized when paid.

Sick leave is recorded as an expenditure or expense when paid. Employees receive 10% of their accumulated sick leave upon termination.

### **Net Position**

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

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

### **Fund Balances**

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

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

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

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

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Council.

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

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

#### **Minimum Fund Balance Policy**

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

#### **Encumbrances**

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

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Significant Group Concentrations of Credit Risk**

As of December 31, 2015 and 2014, the City's receivables consist of amounts owed from the local area businesses and individuals for utility services. The City does not require collateral or other security.

#### **Inter-fund Activity**

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Pensions**

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

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

State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. The City's cash and investments are held by the designated depository. At December 31, 2015 and 2014, the City had adequate FDIC insurance or pledged collateral to cover all deposits.

**Interest Rate Risk**

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

**Credit Risk**

State statutes authorize local governments to invest in:

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



**CITY OF MINTO, NORTH DAKOTA**  
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**NOTE 4 CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2015 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Non-Depreciable:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Total	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Capital Assets, Depreciable				
Machinery, Equipment and Vehicles	365,733	15,798	-	381,531
Infrastructure	<u>1,575,401</u>	<u>-</u>	<u>-</u>	<u>1,575,401</u>
Total	<u>1,941,134</u>	<u>15,798</u>	<u>-</u>	<u>1,956,932</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	197,264	84,814	-	282,078
Infrastructure	<u>320,305</u>	<u>-</u>	<u>-</u>	<u>320,305</u>
Total Accumulated Depreciation	<u>517,569</u>	<u>84,814</u>	<u>-</u>	<u>602,383</u>
Total Capital Assets, Depreciable, Net	<u>1,423,565</u>	<u>(69,016)</u>	<u>-</u>	<u>1,354,549</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,432,065</u>	<u>\$ (69,016)</u>	<u>\$ -</u>	<u>\$ 1,363,049</u>

Changes in capital assets for the business-type activities for the year ended December 31, 2015 are as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Depreciable				
Buildings and Improvements	\$3,169,918	\$ -	\$ -	\$ 3,169,918
Machinery, Equipment and Vehicles	132,928	-	-	132,928
Infrastructure	<u>1,613,504</u>	<u>-</u>	<u>-</u>	<u>1,613,504</u>
Total	<u>4,916,350</u>	<u>-</u>	<u>-</u>	<u>4,916,350</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,931,463	94,469	-	2,025,932
Machinery and Equipment	65,572	7,827	-	73,399
Infrastructure	<u>657,003</u>	<u>44,006</u>	<u>-</u>	<u>701,009</u>
Total Accumulated Depreciation	<u>2,654,038</u>	<u>146,302</u>	<u>-</u>	<u>2,800,340</u>
Total Capital Assets, Depreciable, Net	<u>\$2,262,312</u>	<u>\$ (146,302)</u>	<u>\$ -</u>	<u>\$ 2,116,010</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Depreciation expenses charged to the various functions in the Statement of Activities for the year ended December 31, 2015 are as follows:

Governmental Activities	
Highways and Streets	<u>\$ 84,814</u>
Business-Type Activities	
Water	\$ 98,552
Sewer	<u>47,750</u>
	<u>\$ 146,302</u>

Changes in capital assets for the governmental activities for the year ended December 31, December 31, 2014 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Non-Depreciable:				
Land	\$ 8,500	\$ -	\$ -	\$ 8,500
Total	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Capital Assets, Depreciable				
Machinery, Equipment and Vehicles	194,082	171,651	-	365,733
Infrastructure	<u>1,575,401</u>	<u>-</u>	<u>-</u>	<u>1,575,401</u>
Total	<u>1,769,483</u>	<u>171,651</u>	<u>-</u>	<u>1,941,134</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	126,703	70,561	-	197,264
Infrastructure	<u>320,305</u>	<u>-</u>	<u>-</u>	<u>320,305</u>
Total Accumulated Depreciation	<u>447,008</u>	<u>70,561</u>	<u>-</u>	<u>517,569</u>
Total Capital Assets, Depreciable, Net	<u>1,322,475</u>	<u>101,090</u>	<u>-</u>	<u>1,423,565</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,330,975</u>	<u>\$ 101,090</u>	<u>\$ -</u>	<u>\$ 1,432,065</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Changes in capital assets for the business-type activities for the year ended December 31, December 31, 2014 are as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Depreciable				
Buildings and Improvements	\$3,160,942	\$ 8,976	\$ -	\$ 3,169,918
Machinery, Equipment and Vehicles	132,928	-	-	132,928
Infrastructure	<u>1,613,504</u>	<u>-</u>	<u>-</u>	<u>1,613,504</u>
Total	<u>4,907,374</u>	<u>8,976</u>	<u>-</u>	<u>4,916,350</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,836,994	94,469	-	1,931,463
Machinery and Equipment	59,270	6,302	-	65,572
Infrastructure	<u>612,998</u>	<u>44,005</u>	<u>-</u>	<u>657,003</u>
Total Accumulated Depreciation	<u>2,509,262</u>	<u>144,776</u>	<u>-</u>	<u>2,654,038</u>
Total Capital Assets, Depreciable, Net	<u>\$2,398,112</u>	<u>\$(135,800)</u>	<u>\$ -</u>	<u>\$ 2,262,312</u>

Depreciation expenses charged to the various functions in the Statement of Activities for the year ended December 31, 2014 are as follows:

Governmental Activities	
Highways and Streets	<u>\$ 70,561</u>
Business-Type Activities	
Water	\$ 97,026
Sewer	<u>47,750</u>
	<u>\$ 144,776</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

The following is a summary of changes in the governmental activities long-term debt by individual issue for the years ended December 31, 2015 and 2014, respectively:

Issue	Interest Rate	As restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
December 31, 2015						
Accrued Vacation		\$ 8,405	\$ -	\$ 2,302	\$ 6,103	\$ -
Bonds Payable						
\$480,000 Refunding Improvement Bonds, Series 2012	1.0-1.7%	360,000	-	65,000	295,000	60,000
\$545,000 Refunding Improvement Bonds, Series 2013	1.25-2.25%	475,000	-	65,000	410,000	65,000
Discount on Bonds		(11,783)		(1,922)	(9,861)	
Notes Payable						
Clean Water State Revolving Fund Program	2.50%	908,093	135,022	53,115	990,000	50,000
Capital Lease						
Street Sweeper	3.30%	115,654	-	11,191	104,463	11,574
Net Pension Liability		<u>24,049</u>	<u>1,296</u>	<u>-</u>	<u>25,345</u>	<u>-</u>
Total Long-Term Debt-Governmental Activities		<u>\$1,879,418</u>	<u>\$136,318</u>	<u>\$ 194,686</u>	<u>\$1,821,050</u>	<u>\$ 186,574</u>

Issue	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
December 31, 2014						
Accrued Vacation		\$ 5,006	\$ 3,399	\$ -	\$ 8,405	\$ -
Bonds Payable						
\$480,000 Refunding Improvement Bonds, Series 2012	1.0-1.7%	420,000	-	60,000	360,000	65,000
\$545,000 Refunding Improvement Bonds, Series 2013	1.25-2.25%	545,000	-	70,000	475,000	65,000
Notes Payable						
Clean Water State Revolving Fund Program	2.50%	958,093	-	50,000	908,093	45,000
Discount on bonds		(13,705)		(1,922)	(11,783)	
Capital Lease						
Street Sweeper	3.30%	<u>-</u>	<u>130,800</u>	<u>15,146</u>	<u>115,654</u>	<u>11,191</u>
Total Long Term Debt-Governmental Activities		<u>\$1,914,394</u>	<u>\$134,199</u>	<u>\$ 193,224</u>	<u>\$1,855,369</u>	<u>\$ 186,191</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

The amount of future payments on the above governmental activities long-term debt for the year ended December 31, 2015 is as follows:

Bonds Payable

	<u>Refunding Improvement Bond, Series 2012</u>			<u>Refunding Improvement Bond, Series 2013</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 60,000	\$ 4,295	\$ 64,295	2016	\$ 65,000	\$ 7,469	\$ 72,469
2017	65,000	3,443	68,443	2017	70,000	6,625	76,625
2018	65,000	2,338	67,338	2018	70,000	5,400	75,400
2019	65,000	1,233	66,233	2019	70,000	3,825	73,825
2020	40,000	340	40,340	2020	70,000	2,250	72,250
2021-2025	-	-	-	2021-2025	65,000	731	65,731
	<u>\$ 295,000</u>	<u>\$ 11,648</u>	<u>\$ 306,648</u>		<u>\$ 410,000</u>	<u>\$ 26,300</u>	<u>\$ 436,300</u>

Note Payable

	<u>Clean Water State Revolving Program</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 50,000	\$ 24,750	\$ 74,750
2017	50,000	23,500	73,500
2018	55,000	22,250	77,250
2019	55,000	20,875	75,875
2020	55,000	19,500	74,500
2021-2025	305,000	76,000	381,000
2026-2030	345,000	35,500	380,500
2031	75,000	1,875	76,875
	<u>\$ 990,000</u>	<u>\$ 224,250</u>	<u>\$ 1,214,250</u>

	<u>Equipment Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,574	\$ 3,572	\$ 15,146
2017	11,970	3,176	15,146
2018	12,379	2,767	15,146
2019	12,802	2,343	15,145
2020	13,240	1,906	15,146
2021-2023	42,498	2,939	45,437
	<u>\$ 104,463</u>	<u>\$ 16,703</u>	<u>\$ 121,166</u>

**NOTE 6 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 issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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 the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

### **Pension Benefits**

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015, the City reported a liability of \$59,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the City's proportion was 0.008755 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$5,434. The City has elected to pay the employer and employee portion of the retirement contribution. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,727	\$ -
Changes in assumptions	-	5,304
Net difference between projected and actual earnings on pension plan investments	6,879	8,136
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,201
Employer contributions subsequent to the measurement date	2,839	-
	<u>\$ 11,445</u>	<u>\$ 14,641</u>

\$2,839 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

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

<u>Year ending June 30</u>	<u>Pension Expense Amount</u>
2016	\$ (1,853)
2017	(1,853)
2018	(1,853)
2019	744
2020	(1,221)

**Actuarial Assumptions**

The total pension liability in the July 1, 2015 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 SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (no setback for females) multiplied by 125%.



**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015, 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 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 of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015.

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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 Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	<u>1% Decrease in Discount Rate-7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase in Discount Rate-9%</u>
Employer's proportionate share of the net pension liability	\$ 91,290	\$ 59,533	\$ 33,549

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2015 and 2014, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Risk Management**

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 8 FUND EQUITY**

The following table presents the fund balances as of December 31, 2015.

	<u>General</u>	2005 Pavement Improvements <u>OT/GA</u>	Waste Water Improvements <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>Fund Balances</b>					
<b>Nonspendable</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted</b>					
Cemetery	-	-	-	2,241	2,241
Social Security	-	-	-	1,047	1,047
Emergency	-	-	-	4,214	4,214
Airport Authority	-	-	-	670	670
Highway Distribution	-	-	-	39,110	39,110
Community Development	-	-	-	172,385	172,385
Debt Service	-	141,142	200,063	-	341,205
<b>Total Restricted</b>	-	141,142	200,063	219,667	560,872
<b>Committed</b>	-	-	-	-	-
<b>Assigned</b>	-	-	-	-	-
<b>Unassigned</b>	207,067	-	-	-	207,067
<b>Total Fund Balance</b>	<u>\$207,067</u>	<u>\$ 141,142</u>	<u>\$ 200,063</u>	<u>\$ 219,667</u>	<u>\$767,939</u>

The following table presents the fund balances as of December 31, 2014.

	<u>General</u>	2005 Pavement Improvements <u>OT/GA</u>	Waste Water Improvements <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>Fund Balances</b>					
<b>Nonspendable</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Restricted</b>					
Social Security	-	-	-	460	460
Emergency	-	-	-	2,934	2,934
Airport Authority	-	-	-	644	644
Highway Distribution	-	-	-	49,945	49,945
Community Development	-	-	-	150,557	150,557
Debt Service	-	138,148	69,045	-	207,193
<b>Total Restricted</b>	-	138,148	69,045	204,540	411,733
<b>Committed</b>	-	-	-	-	-
<b>Assigned</b>	-	-	-	-	-
<b>Unassigned</b>	163,274	-	-	-	163,274
<b>Total Fund Balance</b>	<u>\$163,274</u>	<u>\$ 138,148</u>	<u>\$ 69,045</u>	<u>\$ 204,540</u>	<u>\$575,007</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 9 TRANSFERS**

During the year, the City made interfund transfers. Transfers are approved by the Council and are used to assist in the operation of the fund receiving the transfer. The transfers for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>
Transfers In	
General	\$ 100
Advertising	445
Building	<u>1,237</u>
	<u>\$ 1,782</u>
Transfers Out	
General Fund	\$ 1,682
Community Development	<u>100</u>
	<u>\$ 1,782</u>
	<u>2014</u>
Transfers In	
General	\$ 7,042
Advertising	765
Building	1,056
Cemetery	<u>823</u>
	<u>\$ 9,686</u>
Transfers Out	
General Fund	\$ 1,588
Community Development	<u>8,098</u>
	<u>\$ 9,686</u>

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 10 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of January 1, 2015 as follows:

**Governmental Activities**

Net Position December 31, 2014, as previously reported		\$1,963,503
Restatement for pension accounting:		
Net Pension Liability	\$ (24,049)	
Pension related Deferred Inflows of Resources	(4,695)	
Pension related Deferred Outflows of Resources	<u>1,953</u>	<u>(26,791)</u>
Net Position December 31, 2014 as restated		<u><u>\$1,936,712</u></u>

**Business-Type Activities**

Net Position December 31, 2014, as previously reported		\$2,513,521
Restatement for pension accounting:		
Net Pension Liability-Main System	\$ (32,441)	
Pension related Deferred Inflows of Resources-Main System	(6,332)	
Pension related Deferred Outflows of Resources-Main System	<u>2,634</u>	<u>(36,139)</u>
Net Position December 31, 2014 as restated		<u><u>\$2,477,382</u></u>

**NOTE 11 NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several new statements, some of which have not been implemented by the City.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

**CITY OF MINTO, NORTH DAKOTA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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

**NOTE 12 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the City's year-end. Subsequent events have been evaluated through October 25, 2017, which is the date these financial statements were available to be issued.

**CITY OF MINTO, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 53,233	\$ 53,233	\$ 48,447	\$ (4,786)
Licenses, permits and fees	87,250	87,250	92,128	4,878
Intergovernmental revenues	68,792	68,792	73,143	4,351
Miscellaneous revenues	<u>21,499</u>	<u>21,499</u>	<u>21,796</u>	<u>297</u>
Total revenues	<u>230,774</u>	<u>230,774</u>	<u>235,514</u>	<u>4,740</u>
<b>Expenditures:</b>				
Current				
General government	157,007	157,007	122,570	34,437
Public safety	13,900	13,900	11,669	2,231
Highways and streets	30,722	30,722	16,087	14,635
Culture and recreation	34,936	34,936	33,513	1,423
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>6,300</u>	<u>(1,300)</u>
Total expenditures	<u>241,565</u>	<u>241,565</u>	<u>190,139</u>	<u>51,426</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,791)</u>	<u>(10,791)</u>	<u>45,375</u>	<u>56,166</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	100	100
Operating transfers out	<u>(10,800)</u>	<u>(10,800)</u>	<u>(1,682)</u>	<u>9,118</u>
Total other financing sources (uses)	<u>(10,800)</u>	<u>(10,800)</u>	<u>(1,582)</u>	<u>9,218</u>
Change in Fund Balance	(21,591)	(21,591)	43,793	65,384
Fund Balance, Beginning of Year	<u>163,274</u>	<u>163,274</u>	<u>163,274</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 141,683</u>	<u>\$ 141,683</u>	<u>\$ 207,067</u>	<u>\$ 65,384</u>

See Notes to the Budgetary Comparison Schedules



**CITY OF MINTO, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 47,601	\$ 47,601	\$ 55,832	\$ 8,231
Licenses, permits and fees	76,725	76,725	95,032	18,307
Intergovernmental revenues	70,232	70,232	70,991	759
Miscellaneous revenues	<u>17,394</u>	<u>17,394</u>	<u>26,315</u>	<u>8,921</u>
Total revenues	<u>211,952</u>	<u>211,952</u>	<u>248,170</u>	<u>36,218</u>
<b>Expenditures:</b>				
Current				
General government	154,304	154,304	142,837	11,467
Public safety	17,121	17,121	11,108	6,013
Highways and streets	16,476	16,476	18,777	(2,301)
Culture and recreation	33,860	33,860	47,838	(13,978)
Capital outlay	<u>-</u>	<u>-</u>	<u>12,980</u>	<u>(12,980)</u>
Total expenditures	<u>221,761</u>	<u>221,761</u>	<u>233,540</u>	<u>(11,779)</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,809)</u>	<u>(9,809)</u>	<u>14,630</u>	<u>24,439</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	7,042	7,042
Operating transfers out	<u>(19,408)</u>	<u>(19,408)</u>	<u>(1,588)</u>	<u>17,820</u>
Total other financing sources (uses)	<u>(19,408)</u>	<u>(19,408)</u>	<u>5,454</u>	<u>24,862</u>
Change in Fund Balance	(29,217)	(29,217)	20,084	49,301
Fund Balance, Beginning of Year	<u>143,190</u>	<u>143,190</u>	<u>143,190</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 113,973</u>	<u>\$ 113,973</u>	<u>\$ 163,274</u>	<u>\$ 49,301</u>

See Notes to the Budgetary Comparison Schedules

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

**Budgetary Information**

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

The preliminary budget shall set forth specifically:

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

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

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

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET**

December 31, 2014				
	<u>Budget</u>		<u>Actual</u>	<u>Excess</u>
Highways and streets	\$ 16,476	\$	18,777	\$ 2,301
Culture and recreation	33,860		47,838	13,978
Capital outlay	-		12,980	12,980
December 31, 2015				
Capital outlay	\$ 5,000	\$	6,300	\$ 1,300

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the City.

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

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily Required <u>Contributions</u>	Contribution <u>Deficiency (Excess)</u>	City's Covered-employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2015	\$ 5,924	\$ 5,924	\$ -	\$ 77,994	7.60%

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

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

For The Year Ended <u>December 31</u>	City's Proportion of the Net Pension <u>Liability (Asset)</u>	City's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	City's Covered Employee <u>Payroll</u>	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee <u>Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2015	0.008755%	\$ 59,533	\$ 77,994	76.33%	77.15%

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

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

**CITY OF MINTO, NORTH DAKOTA**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 CHANGES OF ASSUMPTIONS**

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

Mayor and Alderman of the  
City Council  
Minto, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minto, North Dakota as of and for the years ended 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Minto, North Dakota'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-002 to be a significant deficiency.

### **Compliance and Other Matters**

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

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

The City of Minto, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Minto, North Dakota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



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

October 25, 2017



**CITY OF MINTO, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Control Deficiency 2015-001

Condition:

The City has one office employee, the City Auditor, responsible for all accounting and administrative functions. The Auditor handles all incoming monies, prepares receipts, prepares deposits, issues all checks and distributes them, receives bank statements and does the reconciliations. The Auditor also records receipts and disbursements to the journals and maintains the general ledger. The degree of internal control is severely limited.

Cause:

Considering the size of the City, it is not feasible to maintain proper separation of duties.

Recommendation:

The City should attempt to maintain proper separation of duties, whenever possible.

Response:

We concur with the auditor's recommendation. The City will consider the costs and benefits of this recommendation.

Control Deficiency 2015-002

Condition:

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Criteria:

An organization should design an internal control system to provide for the preparation of financial statements of the City.

Cause:

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider additional training of staff or engaging other accountants to draft the financial statements.

Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.