

**CITY OF MINTO
MINTO, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2017 and 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of City 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 August 13, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Minto, North Dakota's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

August 13, 2018

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 587,479	\$ 263,632	\$ 851,111
Investments	70,184		70,184
Receivables:			
Taxes	5,660	-	5,660
Special assessments	229,349	-	229,349
Accounts (net of uncollectible)	3,187	10,883	14,070
Other governments	33,794	-	33,794
Total current assets	<u>929,653</u>	<u>274,515</u>	<u>1,204,168</u>
Non current assets			
Special assessments receivable	<u>1,188,728</u>	<u>-</u>	<u>1,188,728</u>
Capital assets			
Land	8,500	-	8,500
Property, plant and equipment	458,042	3,294,726	3,752,768
Infrastructure	1,575,401	1,613,504	3,188,905
Less: accumulated depreciation	<u>(765,945)</u>	<u>(3,076,581)</u>	<u>(3,842,526)</u>
Net capital assets	<u>1,275,998</u>	<u>1,831,649</u>	<u>3,107,647</u>
TOTAL ASSETS	<u>3,394,379</u>	<u>2,106,164</u>	<u>5,500,543</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan - NDPERS	<u>23,988</u>	<u>38,090</u>	<u>62,078</u>
LIABILITIES			
Current liabilities			
Accounts payable	31,236	11,201	42,437
Interest payable	10,681	-	10,681
Current portion of long-term debt	213,741	-	213,741
Total current liabilities	<u>255,658</u>	<u>11,201</u>	<u>266,859</u>
Long-term liabilities			
Accrued vacation	2,112	4,842	6,954
Non-current portion of long-term debt	1,231,415	-	1,231,415
Net pension liability	50,520	79,674	130,194
Total long-term liabilities	<u>1,284,047</u>	<u>84,516</u>	<u>1,368,563</u>
TOTAL LIABILITIES	<u>1,539,705</u>	<u>95,717</u>	<u>1,635,422</u>
DEFERRED INFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan-NDPERS	<u>3,086</u>	<u>4,868</u>	<u>7,954</u>
NET POSITION			
Net investment in capital assets	720,842	1,831,649	2,552,491
Restricted-debt service	616,025	-	616,025
Restricted-other	106,280	-	106,280
Unrestricted	<u>432,429</u>	<u>212,020</u>	<u>644,449</u>
TOTAL NET POSITION	<u>\$ 1,875,576</u>	<u>\$ 2,043,669</u>	<u>\$ 3,919,245</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

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
Governmental Activities							
Current							
General government	\$ 181,646	\$ 77,158	\$ 885	\$ -	\$ (103,603)	\$ -	\$ (103,603)
Public safety	11,202	-	-	-	(11,202)	-	(11,202)
Highways and streets	205,107	13,064	267	-	(191,776)	-	(191,776)
Health and welfare	-	-	1,738	-	1,738	-	1,738
Culture and recreation	25,849	14,056	-	-	(11,793)	-	(11,793)
Other	-	-	750	-	750	-	750
Interest and fees	44,706	-	-	-	(44,706)	-	(44,706)
Total Governmental Activities	468,510	104,278	3,640	-	(360,592)	-	(360,592)
Business-Type Activities							
Water	329,237	207,585	-	-	-	(121,652)	(121,652)
Garbage	60,348	59,325	-	-	-	(1,023)	(1,023)
Sewer	100,133	31,770	-	-	-	(68,363)	(68,363)
Total Business-Type Activities	489,718	298,680	-	-	-	(191,038)	(191,038)
Total Primary Government	\$ 958,228	\$ 402,958	\$ 3,640	\$ -	(360,592)	(191,038)	(551,630)
General Receipts:							
Property taxes					162,317	-	162,317
Special assessments-interest					82,833	-	82,833
Intergovernmental (not restricted for specific program)							-
State					43,616	-	43,616
Other general revenues					3,897	16,186	20,083
Transfers in (out)					(29,610)	29,610	-
Subtotal					263,053	45,796	308,849
Special Items:							
Gain (loss) on sale of assets					(6,818)	-	(6,818)
Change in Net Position					(104,357)	(145,242)	(249,599)
Net Position, January 1					1,979,933	2,188,911	4,168,844
Net Position, December 31					\$ 1,875,576	\$ 2,043,669	\$ 3,919,245

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Highway Distribution	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 107,881	\$ 152,897	\$ 210,051	\$ -	\$ 116,650	\$ 587,479
Investments	70,184	-	-	-	-	70,184
Receivables:						
Taxes	5,660	-	-	-	-	5,660
Special assessments	-	618,267	799,810	-	-	1,418,077
Accounts	3,187	-	-	-	-	3,187
Other governments	28,383	-	-	3,757	1,654	33,794
Due from other funds	18,557	-	-	-	-	18,557
Total Assets	<u>\$ 233,852</u>	<u>\$ 771,164</u>	<u>\$ 1,009,861</u>	<u>\$ 3,757</u>	<u>\$ 118,304</u>	<u>\$ 2,136,938</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 18,557	\$ -	\$ 18,557
Accounts payable	7,412	-	-	11,800	12,024	31,236
Total liabilities	<u>7,412</u>	<u>-</u>	<u>-</u>	<u>30,357</u>	<u>12,024</u>	<u>49,793</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes receivable	5,660	-	-	-	-	5,660
Delinquent special assessments	-	9,712	9,712	-	-	19,424
Uncertified special assessments	-	608,555	790,098	-	-	1,398,653
Total Deferred Inflows of Resources	<u>5,660</u>	<u>618,267</u>	<u>799,810</u>	<u>-</u>	<u>-</u>	<u>1,423,737</u>
FUND BALANCE						
Restricted	-	152,897	210,051	-	106,280	469,228
Unassigned	220,780	-	-	(26,600)	-	194,180
Total Fund Balance	<u>220,780</u>	<u>152,897</u>	<u>210,051</u>	<u>(26,600)</u>	<u>106,280</u>	<u>663,408</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 233,852</u>	<u>\$ 771,164</u>	<u>\$ 1,009,861</u>	<u>\$ 3,757</u>	<u>\$ 118,304</u>	<u>\$ 2,136,938</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, 2017

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

Total fund balance-governmental funds		\$ 663,408
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$ 2,041,943	
Accumulated depreciation	<u>(765,945)</u>	
Net		1,275,998
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.		20,902
Bond discounts are not financial resources and therefore are not reported in governmental funds.		
Bond discount	15,375	
Accumulated amortization	<u>(9,358)</u>	
Net		6,017
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		5,660
Special assessments		1,418,077
Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(10,681)
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	(2,112)	
Notes payable	(890,000)	
Capital lease payable	(116,173)	
Bonds payable	(445,000)	
Net pension liability	<u>(50,520)</u>	
		<u>(1,503,805)</u>
Total net position-governmental activities		<u>\$ 1,875,576</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, 2017

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Highway Distribution	Other Governmental Funds	Total
Revenues:						
Taxes	\$ 81,006	\$ -	\$ -	\$ 36,865	\$ 45,790	\$163,661
Special assessments	-	147,572	84,350	-	-	231,922
Licenses, permits and fees	87,822	-	-	-	-	87,822
Intergovernmental revenues	46,371	-	-	-	-	46,371
Miscellaneous revenues	19,336	266	387	8	1,240	21,237
Total revenues	<u>234,535</u>	<u>147,838</u>	<u>84,737</u>	<u>36,873</u>	<u>47,030</u>	<u>551,013</u>
Expenditures:						
Current:						
General government	159,138	-	-	10,889	9,208	179,235
Public safety	11,202	-	-	-	-	11,202
Highways and streets	23,328	-	-	42,896	58,673	124,897
Culture and recreation	25,849	-	-	-	-	25,849
Capital outlay	-	-	-	10,818	-	10,818
Debt service:						
Principal retirement	-	135,000	50,000	22,959	-	207,959
Interest	-	10,068	23,500	4,744	-	38,312
Fiscal charges	-	875	4,700	-	-	5,575
Total expenditures	<u>219,517</u>	<u>145,943</u>	<u>78,200</u>	<u>92,306</u>	<u>67,881</u>	<u>603,847</u>
Excess of Revenues Over (Under) Expenditures	<u>15,018</u>	<u>1,895</u>	<u>6,537</u>	<u>(55,433)</u>	<u>(20,851)</u>	<u>(52,834)</u>
Other Financing Sources (Uses):						
Operating transfers in	18,193	-	-	15,030	-	33,223
Operating transfers out	<u>(23,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,106)</u>	<u>(62,833)</u>
Total other financing sources (uses)	<u>(5,534)</u>	<u>-</u>	<u>-</u>	<u>15,030</u>	<u>(39,106)</u>	<u>(29,610)</u>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	9,484	1,895	6,537	(40,403)	(59,957)	(82,444)
Fund Balance (Deficit), Beginning of Year	<u>211,296</u>	<u>151,002</u>	<u>203,514</u>	<u>13,803</u>	<u>166,237</u>	<u>745,852</u>
Fund Balance (Deficit), End of Year	<u>\$ 220,780</u>	<u>\$ 152,897</u>	<u>\$ 210,051</u>	<u>\$ (26,600)</u>	<u>\$ 106,280</u>	<u>\$663,408</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, 2017

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

Net change in fund balance- total governmental funds	\$ (82,444)
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	\$ 10,818
Depreciation expense	<u>(80,210)</u>
Excess of capital outlay over depreciation expense	(69,392)
Loss on disposal of fixed asset	(6,818)
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:	
Amortization expense	(1,922)
Accrued vacation is recorded as expenditures in the funds upon payment, however in the statement of activities the expense is recognized as incurred.	2,795
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.	207,959
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	(1,343)
Net change in special assessments	(149,089)
Changes in deferred outflows and inflows of resources related to net pension liability	15,152
Change in net pension liability	(20,358)
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>1,103</u>
Net change in net position of governmental activities	<u>\$ (104,357)</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
AS OF DECEMBER 31, 2017

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 222,070	\$ 20,741	\$ 20,821	\$ 263,632
Accounts receivable	9,403	652	828	10,883
Total current assets	<u>231,473</u>	<u>21,393</u>	<u>21,649</u>	<u>274,515</u>
Capital assets				
Property, plant and equipment	3,217,630	-	1,690,600	4,908,230
Less: Accum. depreciation	<u>(2,246,109)</u>	<u>-</u>	<u>(830,472)</u>	<u>(3,076,581)</u>
Net capital assets	<u>971,521</u>	<u>-</u>	<u>860,128</u>	<u>1,831,649</u>
TOTAL ASSETS	<u>1,202,994</u>	<u>21,393</u>	<u>881,777</u>	<u>2,106,164</u>
DEFERRED OUTFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan - NDPERS	<u>32,470</u>	<u>-</u>	<u>5,620</u>	<u>38,090</u>
LIABILITIES				
Current				
Accounts payable	10,524	46	631	11,201
Total current liabilities	<u>10,524</u>	<u>46</u>	<u>631</u>	<u>11,201</u>
Long-term				
Accrued vacation	3,818	-	1,024	4,842
Net pension liability	67,914	-	11,760	79,674
Total long-term liabilities	<u>71,732</u>	<u>-</u>	<u>12,784</u>	<u>84,516</u>
TOTAL LIABILITIES	<u>82,256</u>	<u>46</u>	<u>13,415</u>	<u>95,717</u>
DEFERRED INFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	<u>4,149</u>	<u>-</u>	<u>719</u>	<u>4,868</u>
NET POSITION				
Net investment in capital assets	971,521	-	860,128	1,831,649
Unrestricted	<u>177,538</u>	<u>21,347</u>	<u>13,135</u>	<u>212,020</u>
TOTAL NET POSITION	<u>\$ 1,149,059</u>	<u>\$ 21,347</u>	<u>\$ 873,263</u>	<u>\$ 2,043,669</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, 2017

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:				
Sales - net of discounts	\$ 207,585	\$ 59,325	\$ 31,770	\$ 298,680
Cost of goods sold	<u>(77,189)</u>	<u>(59,496)</u>	<u>-</u>	<u>(136,685)</u>
Gross profit	<u>130,396</u>	<u>(171)</u>	<u>31,770</u>	<u>161,995</u>
Operating Expenses:				
Salaries	76,272	-	13,637	89,909
Property and liability insurance	846	-	226	1,072
Supplies	14,042	389	4,769	19,200
Repairs	47,233	463	29,851	77,547
Gas and oil	2,793	-	76	2,869
Travel and training	760	-	-	760
Miscellaneous	1,041	-	-	1,041
Utilities	10,050	-	2,735	12,785
Depreciation	<u>99,011</u>	<u>-</u>	<u>48,839</u>	<u>147,850</u>
Total operating expenses	<u>252,048</u>	<u>852</u>	<u>100,133</u>	<u>353,033</u>
Operating Income (Loss)	<u>(121,652)</u>	<u>(1,023)</u>	<u>(68,363)</u>	<u>(191,038)</u>
Non-Operating Revenues (Expenses):				
Interest	368	15	-	383
Miscellaneous	<u>15,803</u>	<u>-</u>	<u>-</u>	<u>15,803</u>
Total non-operating revenues (expenses)	<u>16,171</u>	<u>15</u>	<u>-</u>	<u>16,186</u>
Income (Loss) Before Transfers	<u>(105,481)</u>	<u>(1,008)</u>	<u>(68,363)</u>	<u>(174,852)</u>
Transfers:				
Transfers in	<u>5,939</u>	<u>-</u>	<u>23,671</u>	<u>29,610</u>
Net transfers	<u>5,939</u>	<u>-</u>	<u>23,671</u>	<u>29,610</u>
Net Income (Loss)	(99,542)	(1,008)	(44,692)	(145,242)
Net Position, Beginning of Year	<u>1,248,601</u>	<u>22,355</u>	<u>917,955</u>	<u>2,188,911</u>
Net Position, End of Year	<u>\$ 1,149,059</u>	<u>\$ 21,347</u>	<u>\$ 873,263</u>	<u>\$ 2,043,669</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Cash received from customers	\$ 207,686	\$ 60,258	\$ 31,459	\$ 299,403
Cash payments to suppliers	(146,836)	(60,348)	(37,657)	(244,841)
Cash paid to employees	<u>(72,598)</u>	<u>-</u>	<u>(12,004)</u>	<u>(84,602)</u>
Net cash flow from operating activities	<u>(11,748)</u>	<u>(90)</u>	<u>(18,202)</u>	<u>(30,040)</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES				
Miscellaneous revenues (expenses)	15,803	-	-	15,803
Operating transfers in from other funds	<u>5,939</u>	<u>-</u>	<u>23,671</u>	<u>29,610</u>
Net cash flow from non-capital financing activities	<u>21,742</u>	<u>-</u>	<u>23,671</u>	<u>45,413</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
Interest income	<u>368</u>	<u>15</u>	<u>-</u>	<u>383</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,362	(75)	5,469	15,756
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>211,708</u>	<u>20,816</u>	<u>15,352</u>	<u>247,876</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 222,070</u>	<u>\$ 20,741</u>	<u>\$ 20,821</u>	<u>\$ 263,632</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$(121,652)	\$ (1,023)	\$(68,363)	\$(191,038)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	99,011	-	48,839	147,850
Changes in assets and liabilities				
(Increase)/Decrease in accounts receivable	101	933	(311)	723
(Increase)/Decrease in deferred outflows of resources	(19,227)	-	(3,483)	(22,710)
Increase/(Decrease) in accounts payable	7,118	-	-	7,118
Increase/(Decrease) in deferred inflows of resources	(1,229)	-	(149)	(1,378)
Increase/(Decrease) in net pension liability	26,657	-	5,104	31,761
Increase/(Decrease) in compensated absences	<u>(2,527)</u>	<u>-</u>	<u>161</u>	<u>(2,366)</u>
Net cash provided (used) by operating activities	<u>\$ (11,748)</u>	<u>\$ (90)</u>	<u>\$(18,202)</u>	<u>\$ (30,040)</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2016

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 656,424	\$ 247,876	\$ 904,300
Investments	69,905		69,905
Receivables:			
Taxes	7,003	-	7,003
Special assessments	222,851	-	222,851
Accounts (net of uncollectible)	3,464	11,606	15,070
Other governments	27,847	-	27,847
Total current assets	<u>987,494</u>	<u>259,482</u>	<u>1,246,976</u>
Non current assets			
Special assessments receivable	<u>1,344,315</u>	<u>-</u>	<u>1,344,315</u>
Capital assets			
Land	8,500	-	8,500
Property, plant and equipment	454,464	3,294,726	3,749,190
Infrastructure	1,575,401	1,613,504	3,188,905
Less: accumulated depreciation	<u>(686,157)</u>	<u>(2,928,731)</u>	<u>(3,614,888)</u>
Net capital assets	<u>1,352,208</u>	<u>1,979,499</u>	<u>3,331,707</u>
TOTAL ASSETS	<u>3,684,017</u>	<u>2,238,981</u>	<u>5,922,998</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan - NDPERS	<u>9,682</u>	<u>15,380</u>	<u>25,062</u>
LIABILITIES			
Current liabilities			
Accounts payable	11,788	4,083	15,871
Interest payable	11,784	-	11,784
Current portion of long-term debt	209,527	-	209,527
Total current liabilities	<u>233,099</u>	<u>4,083</u>	<u>237,182</u>
Long-term liabilities			
Accrued vacation	4,907	7,208	12,115
Non-current portion of long-term debt	1,441,666	-	1,441,666
Net pension liability	30,162	47,913	78,075
Total long-term liabilities	<u>1,476,735</u>	<u>55,121</u>	<u>1,531,856</u>
TOTAL LIABILITIES	<u>1,709,834</u>	<u>59,204</u>	<u>1,769,038</u>
DEFERRED INFLOWS OF RESOURCES			
Cost sharing defined benefit pension plan-NDPERS	<u>3,932</u>	<u>6,246</u>	<u>10,178</u>
NET POSITION			
Net investment in capital assets	639,093	1,979,499	2,618,592
Restricted-debt service	636,682	-	636,682
Restricted-other	163,975	-	163,975
Unrestricted	<u>540,183</u>	<u>209,412</u>	<u>749,595</u>
TOTAL NET POSITION	<u>\$ 1,979,933</u>	<u>\$ 2,188,911</u>	<u>\$ 4,168,844</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities								
Current								
General government	\$ 151,378	\$ 78,813	\$ 875	\$ -	\$ (71,690)	\$ -	\$ (71,690)	
Public safety	85,498	-	-	-	(85,498)	-	(85,498)	
Highways and streets	128,335	13,011	265	-	(115,059)	-	(115,059)	
Health and welfare	-	-	1,828	-	1,828	-	1,828	
Culture and recreation	31,589	22,397	-	-	(9,192)	-	(9,192)	
Interest and fees	50,018	-	-	-	(50,018)	-	(50,018)	
Total Governmental Activities	446,818	114,221	2,968	-	(329,629)	-	(329,629)	
Business-Type Activities								
Water	305,023	216,210	-	-	-	(88,813)	(88,813)	
Garbage	62,502	60,154	-	-	-	(2,348)	(2,348)	
Sewer	78,672	31,523	-	-	-	(47,149)	(47,149)	
Total Business-Type Activities	446,197	307,887	-	-	-	(138,310)	(138,310)	
Total Primary Government	\$ 893,015	\$ 422,108	\$ 2,968	\$ -	(329,629)	(138,310)	(467,939)	
General Receipts:								
					140,729	-	140,729	
					90,408	-	90,408	
Intergovernmental (not restricted for specific program)								
					58,351	-	58,351	
					1,962	2,305	4,267	
					9,011	(9,011)	-	
					300,461	(6,706)	293,755	
Special Items:								
					(3,240)	-	(3,240)	
Change in Net Position								
					(32,408)	(145,016)	(177,424)	
Net Position, January 1								
					2,012,341	2,333,927	4,346,268	
Net Position, December 31								
					\$ 1,979,933	\$ 2,188,911	\$ 4,168,844	

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2016

	<u>General</u>	<u>2005 Paving Improvement OT/GA</u>	<u>Waste Water Improvement Fund</u>	<u>Highway Distribution</u>	<u>Emergency</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$ 128,541	\$ 151,002	\$ 203,514	\$ 10,464	\$ 2,262	\$ 160,641	\$ 656,424
Investments	69,905	-	-	-	-	-	69,905
Receivables:							
Taxes	7,003	-	-	-	-	-	7,003
Special assessments	-	733,769	833,397	-	-	-	1,567,166
Accounts	3,464	-	-	-	-	-	3,464
Other governments	21,174	-	-	3,339	-	3,334	27,847
Total assets	<u>\$ 230,087</u>	<u>\$ 884,771</u>	<u>\$ 1,036,911</u>	<u>\$ 13,803</u>	<u>\$ 2,262</u>	<u>\$ 163,975</u>	<u>\$ 2,331,809</u>
LIABILITIES							
Accounts payable	<u>\$ 11,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,788</u>
Total liabilities	<u>11,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,788</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable property taxes receivable	7,003	-	-	-	-	-	7,003
Delinquent special assessments	-	18,755	18,755	-	-	-	37,510
Uncertified special assessments	-	715,014	814,642	-	-	-	1,529,656
Total Deferred Inflows of Resources	<u>7,003</u>	<u>733,769</u>	<u>833,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574,169</u>
FUND BALANCE							
Restricted	-	151,002	203,514	13,803	2,262	163,975	534,556
Unassigned	<u>211,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,296</u>
Total Fund Balance	<u>211,296</u>	<u>151,002</u>	<u>203,514</u>	<u>13,803</u>	<u>2,262</u>	<u>163,975</u>	<u>745,852</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 230,087</u>	<u>\$ 884,771</u>	<u>\$ 1,036,911</u>	<u>\$ 13,803</u>	<u>\$ 2,262</u>	<u>\$ 163,975</u>	<u>\$ 2,331,809</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, 2016

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

Total fund balance-governmental funds	\$ 745,852
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 2,038,365	
Accumulated depreciation	<u>(686,157)</u>	
Net		1,352,208

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.	5,750
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Bond discounts are not financial resources and therefore are not reported in governmental funds.

Bond discount	15,375	
Accumulated amortization	<u>(7,436)</u>	
Net		7,939

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	7,003
Special assessments	1,567,166

Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	(11,784)
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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	(4,907)	
Notes payable	(940,000)	
Capital lease payable	(139,132)	
Bonds payable	(580,000)	
Net pension liability	<u>(30,162)</u>	
		<u>(1,694,201)</u>

Total net position-governmental activities	<u>\$ 1,979,933</u>
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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, 2016

	General	2005 Paving Improvement OT/GA	Waste Water Improvement Fund	Highway Distribution	Emergency	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 65,471	\$ -	\$ -	\$ 38,480	\$ 1,929	\$ 34,376	\$ 140,256
Special assessments	-	149,687	82,808	-	-	-	232,495
Licenses, permits and fees	88,794	-	-	-	-	-	88,794
Intergovernmental revenues	61,194	-	-	-	-	-	61,194
Miscellaneous revenues	25,056	230	343	24	-	1,859	27,512
Total revenues	<u>240,515</u>	<u>149,917</u>	<u>83,151</u>	<u>38,504</u>	<u>1,929</u>	<u>36,235</u>	<u>550,251</u>
Expenditures:							
Current:							
General government	126,678	-	-	8,716	-	19,474	154,868
Public safety	11,617	-	-	-	73,881	-	85,498
Highways and streets	22,413	-	-	14,706	-	6,682	43,801
Culture and recreation	31,589	-	-	-	-	-	31,589
Capital outlay	5,447	-	-	71,486	-	-	76,933
Debt service:							
Principal retirement	-	125,000	50,000	24,131	-	-	199,131
Interest	-	11,764	24,750	3,572	-	-	40,086
Fiscal charges	-	3,293	4,950	-	-	-	8,243
Total expenditures	<u>197,744</u>	<u>140,057</u>	<u>79,700</u>	<u>122,611</u>	<u>73,881</u>	<u>26,156</u>	<u>640,149</u>
Excess of Revenues Over (Under) Expenditures	<u>42,771</u>	<u>9,860</u>	<u>3,451</u>	<u>(84,107)</u>	<u>(71,952)</u>	<u>10,079</u>	<u>(89,898)</u>
Other Financing Sources (Uses):							
Proceeds from Capital Lease Obligations	-	-	-	58,800	-	-	58,800
Operating transfers in	-	-	-	-	70,000	23,553	93,553
Operating transfers out	<u>(38,542)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,000)</u>	<u>(84,542)</u>
Total other financing sources (uses)	<u>(38,542)</u>	<u>-</u>	<u>-</u>	<u>58,800</u>	<u>70,000</u>	<u>(22,447)</u>	<u>67,811</u>
Excess of Revenues and Other Sources (Uses) Over (Under) Expenditures and Other Uses	4,229	9,860	3,451	(25,307)	(1,952)	(12,368)	(22,087)
Fund Balance (Deficit), Beginning of Year	<u>207,067</u>	<u>141,142</u>	<u>200,063</u>	<u>39,110</u>	<u>4,214</u>	<u>176,343</u>	<u>767,939</u>
Fund Balance (Deficit), End of Year	<u>\$ 211,296</u>	<u>\$ 151,002</u>	<u>\$ 203,514</u>	<u>\$ 13,803</u>	<u>\$ 2,262</u>	<u>\$ 163,975</u>	<u>\$ 745,852</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, 2016

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

Net change in fund balance- total governmental funds	\$ (22,087)
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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	\$ 76,933	
Depreciation expense	<u>(84,534)</u>	
Excess of capital outlay over depreciation expense		(7,601)

Loss of disposal of fixed asset	(3,240)
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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.	1,196
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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.	199,131
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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.	(58,800)
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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	475
Net change in special assessments	(142,087)

Changes in deferred outflows and inflows of resources related to net pension liability	7,111
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Change in net pension liability	(4,817)
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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>233</u>
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Net change in net position of governmental activities	<u>\$ (32,408)</u>
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See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
AS OF DECEMBER 31, 2016

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 211,708	\$ 20,816	\$ 15,352	\$ 247,876
Accounts receivable	<u>9,504</u>	<u>1,585</u>	<u>517</u>	<u>11,606</u>
Total current assets	<u>221,212</u>	<u>22,401</u>	<u>15,869</u>	<u>259,482</u>
Capital assets				
Property, plant and equipment	3,217,630	-	1,690,600	4,908,230
Less: Accum. depreciation	<u>(2,147,098)</u>	<u>-</u>	<u>(781,633)</u>	<u>(2,928,731)</u>
Net capital assets	<u>1,070,532</u>	<u>-</u>	<u>908,967</u>	<u>1,979,499</u>
TOTAL ASSETS	<u>1,291,744</u>	<u>22,401</u>	<u>924,836</u>	<u>2,238,981</u>
DEFERRED OUTFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan - NDPERS	<u>13,243</u>	<u>-</u>	<u>2,137</u>	<u>15,380</u>
LIABILITIES				
Current				
Accounts payable	<u>3,406</u>	<u>46</u>	<u>631</u>	<u>4,083</u>
Total current liabilities	<u>3,406</u>	<u>46</u>	<u>631</u>	<u>4,083</u>
Long-Term				
Accrued vacation	6,345	-	863	7,208
Net pension liability	<u>41,257</u>	<u>-</u>	<u>6,656</u>	<u>47,913</u>
Total long-term liabilities	<u>47,602</u>	<u>-</u>	<u>7,519</u>	<u>55,121</u>
TOTAL LIABILITIES	<u>51,008</u>	<u>46</u>	<u>8,150</u>	<u>59,204</u>
DEFERRED INFLOWS OF RESOURCES				
Cost sharing defined benefit pension plan-NDPERS	<u>5,378</u>	<u>-</u>	<u>868</u>	<u>6,246</u>
NET POSITION				
Net investment in capital assets	1,070,532	-	908,967	1,979,499
Unrestricted	<u>178,069</u>	<u>22,355</u>	<u>8,988</u>	<u>209,412</u>
TOTAL NET POSITION	<u>\$ 1,248,601</u>	<u>\$ 22,355</u>	<u>\$ 917,955</u>	<u>\$2,188,911</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, 2016

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:				
Sales - net of discounts	\$ 216,210	\$ 60,154	\$ 31,523	\$ 307,887
Cost of goods sold	<u>(73,194)</u>	<u>(60,260)</u>	<u>-</u>	<u>(133,454)</u>
Gross profit	<u>143,016</u>	<u>(106)</u>	<u>31,523</u>	<u>174,433</u>
Operating Expenses:				
Salaries	71,593	-	11,457	83,050
Property and liability insurance	1,669	-	178	1,847
Supplies	15,005	369	5,953	21,327
Repairs	30,500	1,873	8,384	40,757
Gas and oil	2,544	-	174	2,718
Travel and training	787	-	-	787
Miscellaneous	878	-	-	878
Professional fees	605	-	605	1,210
Utilities	9,501	-	3,263	12,764
Depreciation	<u>98,747</u>	<u>-</u>	<u>48,658</u>	<u>147,405</u>
Total operating expenses	<u>231,829</u>	<u>2,242</u>	<u>78,672</u>	<u>312,743</u>
Operating Income (Loss)	<u>(88,813)</u>	<u>(2,348)</u>	<u>(47,149)</u>	<u>(138,310)</u>
Non-Operating Revenues (Expenses):				
Interest	361	17	-	378
Miscellaneous	<u>1,927</u>	<u>-</u>	<u>-</u>	<u>1,927</u>
Total non-operating revenues (expenses)	<u>2,288</u>	<u>17</u>	<u>-</u>	<u>2,305</u>
Income (Loss) Before Transfers	<u>(86,525)</u>	<u>(2,331)</u>	<u>(47,149)</u>	<u>(136,005)</u>
Transfers:				
Transfers in	568	-	421	989
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net transfers	<u>(9,432)</u>	<u>-</u>	<u>421</u>	<u>(9,011)</u>
Net Income (Loss)	<u>(95,957)</u>	<u>(2,331)</u>	<u>(46,728)</u>	<u>(145,016)</u>
Net Position, Beginning of Year	<u>1,344,558</u>	<u>24,686</u>	<u>964,683</u>	<u>2,333,927</u>
Net Position, End of Year	<u>\$ 1,248,601</u>	<u>\$ 22,355</u>	<u>\$ 917,955</u>	<u>\$ 2,188,911</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Cash received from customers	\$ 215,815	\$ 59,881	\$ 31,533	\$ 307,229
Cash payments to suppliers	(135,057)	(62,502)	(18,557)	(216,116)
Cash paid to employees	(70,143)	-	(8,973)	(79,116)
Net cash flow from operating activities	<u>10,615</u>	<u>(2,621)</u>	<u>4,003</u>	<u>11,997</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES				
Miscellaneous revenues (expenses)	1,927	-	-	1,927
Operating transfers in from other funds	568	-	421	989
Operating transfers out to other funds	(10,000)	-	-	(10,000)
Net cash flow from non-capital financing activities	<u>(7,505)</u>	<u>-</u>	<u>421</u>	<u>(7,084)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of property and equipment	(5,447)	-	(5,447)	(10,894)
Net cash flow from capital and related financing activities	<u>(5,447)</u>	<u>-</u>	<u>(5,447)</u>	<u>(10,894)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES				
Interest income	<u>361</u>	<u>17</u>	<u>-</u>	<u>378</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,976)	(2,604)	(1,023)	(5,603)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>213,684</u>	<u>23,420</u>	<u>16,375</u>	<u>253,479</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 211,708</u>	<u>\$ 20,816</u>	<u>\$ 15,352</u>	<u>\$ 247,876</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (88,813)	\$ (2,348)	\$ (47,149)	\$ (138,310)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	98,747	-	48,658	147,405
Changes in assets and liabilities				
(Increase)/Decrease in accounts receivable	(395)	(273)	10	(658)
(Increase)/Decrease in deferred outflows of resources	(7,196)	-	(1,611)	(8,807)
Increase/(Decrease) in accounts payable	(374)	-	-	(374)
Increase/(Decrease) in deferred inflows of resources	(2,357)	-	195	(2,162)
Increase/(Decrease) in net pension liability	9,805	-	3,920	13,725
Increase/(Decrease) in compensated absences	1,198	-	(20)	1,178
Net cash provided (used) by operating activities	<u>\$ 10,615</u>	<u>\$ (2,621)</u>	<u>\$ 4,003</u>	<u>\$ 11,997</u>

See Notes to the Financial Statements

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 charged 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.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 percent 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, Debt Service Fund-Waste Water Improvement, Highway Distribution Fund, and the Emergency Fund for the year ended December 31, 2016.

Major funds for the governmental funds are the General Fund, Debt Service Fund-2005 Paving Improvement, Debt Service Fund-Waste Water Improvement, and the Highway Distribution Fund for the year ended December 31, 2017.

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.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 and Special Assessments

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.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Special Assessments receivable include the Following components:

Unremitted – includes amounts held by the county as a collection agent

Delinquent – included amount billed to the property owners but not paid as of December 31, 2017

Uncertified – includes assessment installment which will be billed to property owners in future years

Special assessment principal revenues are recognized as installments become measurable and available. Special Assessment - interest is recognized when due.

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.

Accounts Receivable

Accounts receivable are carried at original invoice. Management regularly evaluates customer receivables. Receivables are written off when deemed uncollectible.

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 unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also 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 plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note 6 for more details.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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 acquisition 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.

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

Compensated absences are expensed when earned.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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.

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.

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4 CAPITAL ASSETS

Changes in capital assets for the governmental activities for the year ended December 31, 2017 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	454,464	10,818	(7,240)	458,042
Infrastructure	<u>1,575,401</u>	<u>-</u>	<u>-</u>	<u>1,575,401</u>
Total	<u>2,029,865</u>	<u>10,818</u>	<u>(7,240)</u>	<u>2,033,443</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	324,990	39,347	(422)	363,915
Infrastructure	<u>361,167</u>	<u>40,863</u>	<u>-</u>	<u>402,030</u>
Total Accumulated Depreciation	<u>686,157</u>	<u>80,210</u>	<u>(422)</u>	<u>765,945</u>
Total Capital Assets, Depreciable, Net	<u>1,343,708</u>	<u>(69,392)</u>	<u>(6,818)</u>	<u>1,267,498</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,352,208</u>	<u>\$ (69,392)</u>	<u>\$ (6,818)</u>	<u>\$ 1,275,998</u>

Changes in capital assets for the business-type activities for the year ended December 31, 2017 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	124,808	-	-	124,808
Infrastructure	<u>1,613,504</u>	<u>-</u>	<u>-</u>	<u>1,613,504</u>
Total	<u>4,908,230</u>	<u>-</u>	<u>-</u>	<u>4,908,230</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,120,401	94,469	-	2,214,870
Machinery and Equipment	63,316	9,376	-	72,692
Infrastructure	<u>745,014</u>	<u>44,005</u>	<u>-</u>	<u>789,019</u>
Total Accumulated Depreciation	<u>2,928,731</u>	<u>147,850</u>	<u>-</u>	<u>3,076,581</u>
Total Capital Assets, Depreciable, Net	<u>\$ 1,979,499</u>	<u>\$ (147,850)</u>	<u>\$ -</u>	<u>\$ 1,831,649</u>

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Depreciation expenses charged to the various functions in the Statement of Activities for the year ended December 31, 2017 are as follows:

Governmental Activities	
Highways and Streets	\$ <u>80,210</u>
Business-Type Activities	
Water	\$ 99,011
Sewer	<u>48,839</u>
	<u>\$ 147,850</u>

Changes in capital assets for the governmental activities for the year ended December 31, 2016 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	381,531	76,933	(4,000)	454,464
Infrastructure	<u>1,575,401</u>	<u>-</u>	<u>-</u>	<u>1,575,401</u>
Total	<u>1,956,932</u>	<u>76,933</u>	<u>(4,000)</u>	<u>2,029,865</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	282,078	43,672	(760)	324,990
Infrastructure	<u>320,305</u>	<u>40,862</u>	<u>-</u>	<u>361,167</u>
Total Accumulated Depreciation	<u>602,383</u>	<u>84,534</u>	<u>(760)</u>	<u>686,157</u>
Total Capital Assets, Depreciable, Net	<u>1,354,549</u>	<u>(7,601)</u>	<u>(3,240)</u>	<u>1,343,708</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 1,363,049</u>	<u>\$ (7,601)</u>	<u>\$ (3,240)</u>	<u>\$ 1,352,208</u>

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Changes in capital assets for the business-type activities for the year ended December 31, 2016 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	10,894	(19,014)	124,808
Infrastructure	<u>1,613,504</u>	<u>-</u>	<u>-</u>	<u>1,613,504</u>
Total	<u>4,916,350</u>	<u>10,894</u>	<u>(19,014)</u>	<u>4,908,230</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,025,932	94,469	-	2,120,401
Machinery and Equipment	73,399	8,931	(19,014)	63,316
Infrastructure	<u>701,009</u>	<u>44,005</u>	<u>-</u>	<u>745,014</u>
Total Accumulated Depreciation	<u>2,800,340</u>	<u>147,405</u>	<u>(19,014)</u>	<u>2,928,731</u>
Total Capital Assets, Depreciable, Net	<u>\$ 2,116,010</u>	<u>\$ (136,511)</u>	<u>\$ -</u>	<u>\$ 1,979,499</u>

Depreciation expenses charged to the various functions in the Statement of Activities for the year ended December 31, 2016 are as follows:

Governmental Activities	
Highways and Streets	<u>\$ 84,534</u>
Business-Type Activities	
Water	\$ 98,747
Sewer	<u>48,658</u>
	<u>\$ 147,405</u>

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, respectively:

Issue	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
December 31, 2017						
Accrued Vacation		\$ 4,907	\$ -	\$ 2,795	\$ 2,112	\$ -
Bonds Payable						
\$480,000 Refunding Improvement Bonds, Series 2012	1.0-1.7%	235,000	-	65,000	170,000	65,000
\$545,000 Refunding Improvement Bonds, Series 2013	1.25-2.25%	345,000	-	70,000	275,000	70,000
Discount on Bonds		(7,939)		(1,922)	(6,017)	
Notes Payable						
Clean Water State Revolving Fund Program	2.50%	940,000		50,000	890,000	55,000
Capital Lease						
Street Sweeper	3.30%	92,889	-	11,970	80,919	12,379
Road Grader	3.39%	46,243		10,989	35,254	11,362
Net Pension Liability		<u>30,162</u>	<u>34,816</u>	<u>14,458</u>	<u>50,520</u>	<u>-</u>
Total Long-Term Debt-Governmental Activities		<u>\$ 1,686,262</u>	<u>\$ 34,816</u>	<u>\$ 223,290</u>	<u>\$ 1,497,788</u>	<u>\$ 213,741</u>

Issue	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
December 31, 2016						
Accrued Vacation		\$ 6,103	\$ -	\$ 1,196	\$ 4,907	\$ -
Bonds Payable						
\$480,000 Refunding Improvement Bonds, Series 2012	1.0-1.7%	295,000	-	60,000	235,000	65,000
\$545,000 Refunding Improvement Bonds, Series 2013	1.25-2.25%	410,000	-	65,000	345,000	70,000
Discount on bonds		(9,861)		(1,922)	(7,939)	
Notes Payable						
Clean Water State Revolving Fund Program	2.50%	990,000	-	50,000	940,000	50,000
Capital Lease						
Street Sweeper	3.30%	104,463		11,574	92,889	11,970
Road Grader	3.39%		58,800	12,557	46,243	12,557
Net Pension Liability		<u>25,345</u>	<u>10,042</u>	<u>5,225</u>	<u>30,162</u>	<u>-</u>
Total Long Term Debt-Governmental Activities		<u>\$ 1,821,050</u>	<u>\$ 68,842</u>	<u>\$ 203,630</u>	<u>\$ 1,686,262</u>	<u>\$ 209,527</u>

Accrued vacation, capital lease payable, and net pension liability will be liquidated through the general fund.

CITY OF MINTO, NORTH DAKOTA
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The amount of future payments on the above governmental activities long-term debt for the year ended December 31, 2017 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>
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	-	-	-	2021	65,000	731	65,731
	<u>\$ 170,000</u>	<u>\$ 3,910</u>	<u>\$ 173,910</u>		<u>\$ 275,000</u>	<u>\$ 12,206</u>	<u>\$ 287,206</u>

<u>Clean Water State Revolving Program</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 55,000	\$ 22,250	\$ 77,250
2019	55,000	20,875	75,875
2020	55,000	19,500	74,500
2021	55,000	18,125	73,125
2022	60,000	16,750	76,750
2023-2027	325,000	60,500	385,500
2028-2031	285,000	18,000	303,000
	<u>\$ 890,000</u>	<u>\$ 176,000</u>	<u>\$ 1,066,000</u>

<u>Equipment Lease</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 23,741	\$ 3,963	\$ 15,146
2019	24,549	3,153	15,145
2020	25,385	2,318	15,146
2021	13,693	1,453	15,146
2022	14,161	985	15,146
2023-2027	14,644	502	15,146
	<u>\$ 116,173</u>	<u>\$ 12,374</u>	<u>\$ 90,875</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
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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
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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.

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

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.

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

At December 31, 2017, the City reported a liability of \$130,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the City's proportion was 0.008011 percent.

At December 31, 2016, the City reported a liability of \$78,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the City's proportion was 0.008100 percent.

For the year ended December 31, 2017, the City recognized pension expense of \$18,645. The City has elected to pay the employer and employee portion of the retirement contribution. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 774	\$ 634
Changes in assumptions	53,388	2,936
Net difference between projected and actual earnings on pension plan investments	1,751	
Changes in proportion and differences between employer contributions and proportionate share of contributions	488	4,384
Employer contributions subsequent to the measurement date	5,418	-
	<u>\$ 61,819</u>	<u>\$ 7,954</u>

\$5,418 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, 2018.

For the year ended December 31, 2016, the City recognized pension expense of \$9,170. The City has elected to pay the employer and employee portion of the retirement contribution. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,173	\$ 723
Changes in assumptions	7,198	3,879
Net difference between projected and actual earnings on pension plan investments	10,893	
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,576
Employer contributions subsequent to the measurement date	5,798	-
	<u>\$ 25,062</u>	<u>\$ 10,178</u>

\$5,798 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, 2017.

CITY OF MINTO, NORTH DAKOTA
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2017 will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Pension Expense</u> <u>Amount</u>
2018	\$ 10,288
2019	12,690
2020	10,874
2021	9,151
2022	5,444

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2016 will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Pension Expense</u> <u>Amount</u>
2017	\$ 1,450
2018	1,450
2019	3,826
2020	2,029
2021	331

Actuarial Assumptions

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

Inflations		3.50%
Salary Increases	Service: Beginning of Year	
	0	15.00%
	1	10.00%
	2	8.00%
Age*		
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%
Investment Rate of Return	7.75%, Net of Investment expenses	
Cost of Living Adjustments	None	

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

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%.

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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 as of December 31, 2017 allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset as of December 31, 2016 allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.60%
International Equity	21.00%	7.30%
Private Equity	5.00%	10.90%
Domestic Fixed Income	17.00%	1.49%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.24%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

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

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44% as of December 31, 2017.

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2016.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent as of December 31, 2017, 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate :

	<u>1% Decrease in Discount Rate-5.44%</u>	<u>Current Discount Rate 6.44%</u>	<u>1% Increase in Discount Rate-7.44%</u>
Employer's proportionate share of the net pension liability	\$ <u>176,742</u>	\$ <u>130,194</u>	\$ <u>91,467</u>

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent as of December 31, 2016, 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	\$ <u>110,748</u>	\$ <u>78,075</u>	\$ <u>50,546</u>

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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, 2017 and 2016, 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
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NOTE 8 FUND EQUITY

The following table presents the fund balances as of December 31, 2017.

	<u>General</u>	<u>2005 Pavement Improvements OT/GA</u>	<u>Waste Water Improvements Fund</u>	<u>Highway Distribution</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Cemetery	-	-	-	-	282	282
Building	-	-	-	-	16,818	16,818
Emergency	-	-	-	-	4,347	4,347
Airport Authority	-	-	-	-	751	751
Highway Distribution	-	-	-	-	-	-
Community Development	-	-	-	-	84,082	84,082
Debt Service	-	152,897	210,051	-	-	362,948
Total Restricted	-	152,897	210,051	-	106,280	469,228
Unassigned	220,780	-	-	(26,600)	-	194,180
Total Fund Balance	<u>\$ 220,780</u>	<u>\$ 152,897</u>	<u>\$ 210,051</u>	<u>\$ (26,600)</u>	<u>\$ 106,280</u>	<u>\$ 663,408</u>

The following table presents the fund balances as of December 31, 2016.

	<u>General</u>	<u>2005 Pavement Improvements OT/GA</u>	<u>Waste Water Improvements Fund</u>	<u>Highway Distribution</u>	<u>Emergency</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted							
Cemetery	-	-	-	-	-	879	879
Building	-	-	-	-	-	17,625	17,625
Emergency	-	-	-	-	2,262	-	2,262
Airport Authority	-	-	-	-	-	631	631
Highway Distribution	-	-	-	13,803	-	-	13,803
Community Development	-	-	-	-	-	144,840	144,840
Debt Service	-	151,002	203,514	-	-	-	354,516
Total Restricted	-	151,002	203,514	13,803	2,262	163,975	534,556
Unassigned	211,296	-	-	-	-	-	211,296
Total Fund Balance	<u>\$ 211,296</u>	<u>\$ 151,002</u>	<u>\$ 203,514</u>	<u>\$ 13,803</u>	<u>\$ 2,262</u>	<u>\$ 163,975</u>	<u>\$ 745,852</u>

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 9 INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of Interfund balances as of December 31, 2017 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Highway Fund	\$ 18,557

The interfund balance in the Highway Fund is due to deficit cash balances.

There were no interfund balances as of December 31, 2016.

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, 2017 and 2016 are as follows:

		<u>2017</u>	
	General		\$ 18,193
	Highway		15,030
	Water		5,939
	Sewer		<u>23,671</u>
	Transfers In		<u>\$ 62,833</u>
	General		\$ (23,727)
	Community Development		<u>(39,106)</u>
Transfers Out			<u>\$ (62,833)</u>
		<u>2016</u>	
	Social Sec		\$ 3,737
	Advertising		634
	Emergency		70,000
	Building		17,500
	Employee Pension		1,682
	Water		568
	Sewer		<u>421</u>
Transfers In			<u>\$ 94,542</u>
	General		\$ (38,542)
	Cemetery		(1,500)
	Community Development		(44,500)
	Water		<u>(10,000)</u>
Transfers Out			<u>\$ (94,542)</u>

CITY OF MINTO, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 LEGAL COMPLIANCE

Fund Deficits

The following funds were in a deficit position at December 31, 2017:

Highway Distribution	\$ 26,600
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The City will relieve the deficit with future sales tax, special assessment collections, bonds issuances or transfers from other funds.

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. 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

CITY OF MINTO, NORTH DAKOTA
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GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined what 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 August 13, 2018, 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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 73,165	\$ 73,165	\$ 81,006	\$ 7,841
Licenses, permits and fees	87,560	87,560	87,822	262
Intergovernmental revenues	49,683	49,683	46,371	(3,312)
Miscellaneous revenues	<u>26,023</u>	<u>26,023</u>	<u>19,336</u>	<u>(6,687)</u>
Total revenues	<u>236,431</u>	<u>236,431</u>	<u>234,535</u>	<u>(1,896)</u>
Expenditures:				
Current				
General government	193,158	193,158	159,138	34,020
Public safety	13,584	13,584	11,202	2,382
Highways and streets	30,760	30,760	23,328	7,432
Culture and recreation	<u>36,258</u>	<u>36,258</u>	<u>25,849</u>	<u>10,409</u>
Total expenditures	<u>273,760</u>	<u>273,760</u>	<u>219,517</u>	<u>54,243</u>
Excess of Revenues Over (Under) Expenditures	<u>(37,329)</u>	<u>(37,329)</u>	<u>15,018</u>	<u>52,347</u>
Other Financing Sources (Uses):				
Operating transfers in	-	-	18,193	18,193
Operating transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(23,727)</u>	<u>(8,727)</u>
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(5,534)</u>	<u>9,466</u>
Change in Fund Balance	(52,329)	(52,329)	9,484	61,813
Fund Balance, Beginning of Year	<u>211,296</u>	<u>211,296</u>	<u>211,296</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 158,967</u>	<u>\$ 158,967</u>	<u>\$ 220,780</u>	<u>\$ 61,813</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ 65,471	\$ 65,471
Licenses, permits and fees	88,010	88,010	88,794	784
Intergovernmental revenues	70,358	70,358	61,194	(9,164)
Miscellaneous revenues	23,064	23,064	25,056	1,992
Total revenues	<u>181,432</u>	<u>181,432</u>	<u>240,515</u>	<u>59,083</u>
Expenditures:				
Current				
General government	170,576	170,576	126,678	43,898
Public safety	14,584	14,584	11,617	2,967
Highways and streets	30,760	30,760	22,413	8,347
Culture and recreation	34,506	34,506	31,589	2,917
Capital outlay	-	-	5,447	(5,447)
Total expenditures	<u>250,426</u>	<u>250,426</u>	<u>197,744</u>	<u>52,682</u>
Excess of Revenues Over (Under) Expenditures	<u>(68,994)</u>	<u>(68,994)</u>	<u>42,771</u>	<u>111,765</u>
Other Financing Sources (Uses):				
Operating transfers out	<u>(13,375)</u>	<u>(13,375)</u>	<u>(38,542)</u>	<u>(25,167)</u>
Total other financing sources (uses)	<u>(13,375)</u>	<u>(13,375)</u>	<u>(38,542)</u>	<u>(25,167)</u>
Change in Fund Balance	(82,369)	(82,369)	4,229	86,598
Fund Balance, Beginning of Year	<u>207,067</u>	<u>207,067</u>	<u>207,067</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 124,698</u>	<u>\$ 124,698</u>	<u>\$ 211,296</u>	<u>\$ 86,598</u>

See Notes to the Budgetary Comparison Schedules

CITY OF MINTO, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE FOR THE
EMERGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenue:				
Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,929</u>	<u>\$ 1,929</u>
Total revenues	<u>-</u>	<u>-</u>	<u>1,929</u>	<u>1,929</u>
Expenditures:				
Current:				
Public safety	<u>3,000</u>	<u>3,000</u>	<u>73,881</u>	<u>(70,881)</u>
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>73,881</u>	<u>(70,881)</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,000)</u>	<u>(3,000)</u>	<u>(71,952)</u>	<u>72,810</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Change in Fund Balance	(3,000)	(3,000)	(1,952)	142,810
Fund Balance, Beginning of Year	<u>4,214</u>	<u>4,214</u>	<u>4,214</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,214</u>	<u>\$ 1,214</u>	<u>\$ 2,262</u>	<u>\$ 142,810</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, 2017 AND 2016

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, 2017 AND 2016

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Capital outlay	\$ -	\$ 5,447	\$ 5,447
	Emergency Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Public safety	\$ 3,000	\$ 73,881	\$ 70,881

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)

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>
2017	\$ 5,996	\$ 5,996	\$ -	\$ 84,213	7.12%
2016	5,845	5,845	-	82,093	7.12%
2015	5,924	5,924	-	83,202	7.12%

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

See Note to the Required Supplementary Information

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

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>
2017	0.008100%	\$ 130,194	\$ 82,692	157.44%	70.46%
2016	0.008011%	78,075	80,735	96.71%	70.46%
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.

See Note to the Required Supplementary Information

CITY OF MINTO, NORTH DAKOTA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**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 December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 13, 2018.

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 2017-001 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 2017-002 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**

August 13, 2018

CITY OF MINTO, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Control Deficiency 2017-001

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 2017-002

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.