



Financial Statements  
December 31, 2017

# Morton Mandan Public Library

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**Board of Trustees**

President	Joanne Beckman	City of Mandan
Vice President	Linda Ehreth	Morton County
Secretary/Treasurer	Ashley Kelsch	City of Mandan
Trustee	David Leingang	Morton County
Trustee	Mary Anderson	City of Mandan
Trustee	Linda Ehreth	Morton County
Trustee	Robin Doll	Morton County
Trustee	Bruce Strinden	Morton County
Trustee	Mike Braun	City of Mandan

**Appointed Officials**

Director	Jackie Hawes
Assistant Director	Sarah Warneke
Outreach Services Coordinator	Mary Henderson



## Independent Auditor's Report

Board of Trustees  
Morton Mandan Public Library  
Mandan, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Morton Mandan Public Library'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 and the major fund of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the City of Mandan that is attributable to the transactions of the Morton Mandan Public Library. They do not purport to, and do not, present fairly the financial position of the City of Mandan, North Dakota as of December 31, 2017, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morton Mandan Public Library's financial statements. The Board of Trustees and Appointed Officials listing are presented for purposes of additional analysis and is not a required part of the financial statements.

The Board of Trustees and Appointed Officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the Morton Mandan Public Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Morton Mandan Public Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morton Mandan Public Library's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota  
October 9, 2018

Morton Mandan Public Library  
Statement of Net Position  
December 31, 2017

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 504,094
Accounts Receivable	2,605
Taxes Receivable	15,447
Prepaid Items	16,332
Capital Assets (Net of Depreciation)	
Buildings and improvement	765,553
Buildings and infrastructure	29,670
Machinery and equipment	16,261
Total assets	1,349,962
<b>Liabilities</b>	
Salaries and Benefits Payable	8,296
Accounts Payable	7,165
Due to City	53,959
Noncurrent Liabilities	
Due within one year	
Compensated absences	15,877
Due after one year	
Compensated absences	25,786
Total Liabilities	111,083
<b>Net Position</b>	
Invested in Capital Assets	811,484
Unrestricted	427,395
Total Net Position	\$ 1,238,879

Morton Mandan Public Library  
Statement of Activities  
For the Year Ended December 31, 2017

<u>Function/Program</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Culture and recreation	\$ 728,750	\$ 42,186	\$ 239,670	\$ 31,124	\$ (415,770)
Total governmental activities	\$ 728,750	\$ 42,186	\$ 239,670	\$ 31,124	(415,770)
		General Revenues			
					442,913
					4,006
					9,744
					240
					2,750
					459,653
					10,650
					470,303
					54,533
					1,184,346
					\$ 1,238,879



Morton Mandan Public Library  
Balance Sheet – Governmental Fund  
December 31, 2017

	General
<b>Assets</b>	
Cash and Cash Equivalents	\$ 504,094
Accounts Receivable	2,605
Taxes Receivable	15,447
Prepaid Items	16,332
Total assets	\$ 538,478
<b>Liabilities</b>	
Salaries and Benefits Payable	\$ 8,296
Accounts Payable	7,165
Due to City	53,959
Total liabilities	69,420
<b>Deferred Inflows of Resources</b>	
Unavailable Revenue-Property Taxes	13,945
Total deferred inflows of resources	13,945
<b>Fund Balances</b>	
Nonspendable	
Prepaid items	16,332
Committed for	
Bookmobile replacement	73,661
Capital reserve	19,215
Unassigned	345,905
Total fund balance	455,113
Total liabilities, deferred inflows of resources and fund balance	\$ 538,478

Morton Mandan Public Library  
 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position  
 December 31, 2017

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Total Fund Balance for Governmental Fund		\$ 455,113
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund		
Buildings and improvements (net of depreciation)	\$ 765,553	
Buildings and infrastructure (net of depreciation)	29,670	
Machinery and equipment (net of depreciation)	16,261	
Total capital assets	811,484	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the fund		
Taxes receivable		13,945
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund		
Compensated absences		(41,663)
Total Net Position of Governmental Activities		\$ 1,238,879

Morton Mandan Public Library  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund  
For the Year Ended December 31, 2017

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	General
Revenues	
Taxes	\$ 438,826
Intergovernmental	277,628
Charges for Services	5,507
Fines and Forfeits	5,084
Interest	240
Rent	31,200
Miscellaneous	10,062
	768,547
Total revenues	768,547
Expenditures	
Current	
Culture and recreation	680,229
Capital Outlay	141,778
	822,007
Total expenditures	822,007
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,460)
Other Financing Sources (Uses)	
Transfers In	10,650
	10,650
Total other financing sources and (uses)	10,650
Net Change in Fund Balance	(42,810)
Fund Balance - January 1	497,923
Fund Balance - December 31	\$ 455,113

Morton Mandan Public Library

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund  
to the Statement of Activities  
For the Year Ended December 31, 2017

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Net Change in Fund Balance-Total Governmental Fund		\$	(42,810)
Amounts reported for governmental activities in the statement of activities are different because			
Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense			
Capital outlay	\$	141,778	
Depreciation		<u>(33,626)</u>	
Total			108,152
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund			
Taxes receivable (net)			4,088
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental fund			
Compensated absences (net)			<u>(14,897)</u>
Change in Net Position of Governmental Activities		\$	<u><u>54,533</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

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

### **A. Reporting Entity**

For financial reporting purposes, the Library has included all funds and activities that make up its legal entity. The Library has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Library to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library.

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

### **B. Government-Wide and Fund Financial Statements**

#### Government-Wide Financial Statements

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

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

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

#### Fund Financial Statements

Separate financial statements are provided for the governmental fund.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Preparation**

#### Measurement Focus and Basis of Accounting

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

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

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

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

#### Financial Statement Presentation

The Library reports the following governmental fund:

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

#### **D. Cash and Cash Equivalents**

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

#### **E. Investments**

State statutes authorize the Library to invest in state and local securities, commercial paper, bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, and obligations of the state.

#### **F. Taxes Receivable**

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5 percent discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5 percent discount on the property taxes.

#### **G. Prepaid Items**

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

#### **H. Capital Assets**

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

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

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

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

Construction work in progress is not depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	50
Buildings and Infrastructure	30
Machinery and Equipment	5

**I. Due to City**

Due to City consists of payables to the City of Mandan at December 31, 2017.

**J. Deferred Inflows of Resources**

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



## **K. Compensated Absences**

### Annual Leave

Eligible Library employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 240 hours at each year end. The amount of annual leave earned ranges between eight and sixteen hours per month.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability.

### Sick Leave

Eligible Library employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. There is no liability for accumulated unused sick leave since the Library's policy is not to pay employees for accumulated unused sick leave upon termination of employment. The governmental fund financial statements recognize sick leave as it is incurred.

## **L. Long-Term Obligations**

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

## **M. Revenues and Expenditures/Expenses**

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

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

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

Capital outlay includes expenditures for capital assets.

## **N. Net Position/Fund Balance**

### Net Position

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

### Fund Balance Classifications

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

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

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

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

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

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

### Minimum Fund Balance

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

The minimum fund balance in the General Fund at December 31, 2017 was \$130,951.

## **O. Change in Accounting Principles**

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2017:

GASB Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14” was issued on January 2016. This statement amends the blending requirement of GASB 14 for certain component units. The additional criterion requires blending of component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 81, “Irrevocable Split-Interest Agreements” was issued on March 2016. This statement requires a government that receives resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Examples of these types of agreements include charitable lead and remainder trusts and life-interests in real estate. This statement enhances the comparability of financial statements and more clearly identifies the resources available to government. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2016.

GASB Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73” was issued on March 2016. This statement addresses issues raised in GASB 67, 68 and 73 regarding payroll related measurements in the required supplementary information, selection of assumptions and treatment of deviations from the guidance Actuarial Standard of Practice for financial reporting and the classification of employment payments. The statement amends GASB 67 and 68 to require the presentation of covered payroll and defines covered payroll and provides the ratios to be used. The statement clarifies the term deviation as used in the Actuarial Standard of Practice is not in conformity with the selection of assumptions requirements of GASB 67, 68 and 73. This statement also clarifies that qualifying employer contributions identified as plan member contribution should be classified as plan member contributions for GASB 67 and as employee contributions for GASB 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016 and June 15, 2017 when the pension liability reporting period used is not the employer’s most recent fiscal year.

## **Note 2 - Stewardship, Compliance, and Accountability**

### **Excess of Expenditures over Appropriations at the Legal Level of Control**

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

The Library had expenditures over appropriations in the general fund of \$38,906 as of December 31, 2017. The Library had existing cash balances available at year-end to offset any excess expenditures over appropriations. Therefore, no remedial action is anticipated by the Library.

**Note 3 - Detailed Notes on Account Balances**

**A. Deposits**

Custodial Credit Risk

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

At December 31, 2017, the carrying amount of the Library's deposits was \$503,894 and the bank balance was \$508,477, all of which was insured and collateralized. The Library also maintains a petty cash balance of \$200.

The deposits presented in the financial statements at December 31, 2017, are as follows:

Primary Government

Cash and cash equivalents	\$ 504,094
Less: petty cash	(200)
	\$ 503,894
Total deposits	\$ 503,894

**B. Investments**

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rates. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

**C. Transfers**

Transfers for the fiscal year ended December 31, 2017 were from the City of Mandan for a portion of state aid distribution received by the City.

**D. Capital Assets**

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

	Balance 1-1-17	Increases	Decreases	Balance 12-31-17
Governmental activities				
Capital assets, being depreciated				
Buildings and improvements	\$ 878,957	\$ 141,778	\$ -	\$ 1,020,735
Buildings and infrastructure	139,339	-	-	139,339
Machinery and equipment	610,304	-	-	610,304
Total capital assets, being depreciated	<u>1,628,600</u>	<u>141,778</u>	<u>-</u>	<u>1,770,378</u>
Less accumulated depreciation for				
Buildings and improvements	234,767	20,415	-	255,182
Buildings and infrastructure	105,024	4,645	-	109,669
Machinery and equipment	585,477	8,566	-	594,043
Total accumulated depreciation	<u>925,268</u>	<u>33,626</u>	<u>-</u>	<u>958,894</u>
Total capital assets, being depreciated, net	<u>703,332</u>	<u>108,152</u>	<u>-</u>	<u>811,484</u>
Governmental activities capital assets, net	<u>\$ 703,332</u>	<u>\$ 108,152</u>	<u>\$ -</u>	<u>\$ 811,484</u>

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

Governmental Activities

Culture and recreation	<u>\$ 33,626</u>
------------------------	------------------

**E. Long-Term Debt**

Changes in Long-term Liabilities for the year ended December 31, 2017, are summarized as follows:

<u>Governmental Activities</u>	<u>Balance 1-1-17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-17</u>	<u>Due Within One Year</u>
Compensated absences	\$ 26,766	\$ 40,549	\$ (25,652)	\$ 41,663	\$ 15,877

**Note 4 - Employee Pension Plan**

**Defined Contribution Plan**

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible Library employees. The Defined Contribution Plan had 8 participants as of December 31, 2017.

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

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

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

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

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. The employer's required contributions for the years ended December 31, 2017, 2016, and 2015, were \$26,427, \$26,194, and \$25,455, respectively.

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

## **Note 5 - Risk Management**

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

### **North Dakota Insurance Reserve Fund**

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

### **Machinery and Equipment**

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

### **State Fire and Tornado Fund**

The Library participates in the State Fire and Tornado Fund. The Library pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund currently provides the Library with an aggregate coverage limit of \$225,000,000 with specific special limits varying from \$500 to \$500,000.

### **State Bonding Fund**

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

### **Workforce Safety & Insurance**

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

### **PERS Uniform Group Insurance Program**

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

## **Note 6 - Recent Pronouncements**

The Library will implement the following pronouncements for fiscal years ending after 2017:

GASB Statement No. 83, “Certain Asset Retirement Obligations” was issued in November 2016. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Asset retirement obligations is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement requires that recognition occur when the liability is both incurred and reasonably estimable. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, “Fiduciary Activities” was issued in January 2017. 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 provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, “Omnibus 2017” was issued in March 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, “Certain Debt Extinguishment Issues” was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, “Leases” was issued in June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.



GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. This statement provides clarity as to which liabilities governments should include when disclosing information related to debt. It also requires additional essential information related to debt be disclosed in the notes to the financial statements such as 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. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as 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. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, “Majority Equity Interests” was issued in August 2018. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

Morton Mandan Public Library  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 547,273	\$ 547,273	\$ 438,826	\$ (108,447)
Intergovernmental	237,314	237,314	277,628	40,314
Charges for Services	5,450	5,450	5,507	57
Fines and Forfeits	5,500	5,500	5,084	(416)
Interest	240	240	240	-
Rent	35,400	35,400	31,200	(4,200)
Miscellaneous	8,950	8,950	10,062	1,112
Total revenues	<u>840,127</u>	<u>840,127</u>	<u>768,547</u>	<u>(71,580)</u>
<b>Expenditures</b>				
<b>Current</b>				
Culture and recreation	778,601	778,601	680,229	98,372
Capital Outlay	<u>4,500</u>	<u>4,500</u>	<u>141,778</u>	<u>(137,278)</u>
Total expenditures	<u>783,101</u>	<u>783,101</u>	<u>822,007</u>	<u>(38,906)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>57,026</u>	<u>57,026</u>	<u>(53,460)</u>	<u>(110,486)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>10,650</u>	<u>10,650</u>	<u>10,650</u>	<u>-</u>
Total other financing sources (uses)	<u>10,650</u>	<u>10,650</u>	<u>10,650</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 67,676</u>	<u>\$ 67,676</u>	<u>(42,810)</u>	<u>\$ (110,486)</u>
Fund Balance - January 1			<u>497,923</u>	
Fund Balance - December 31			<u>\$ 455,113</u>	

**Note 1 – General Budgetary Policies and Procedures**

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

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

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



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Morton Mandan Public Library  
Mandan, North Dakota

We have audited, 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, the financial statements of the governmental activities and the major fund of Morton Mandan Public Library, a governmental fund of the City of Mandan, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Morton Mandan Public Library’s basic financial statements, and have issued our report thereon dated October 9, 2018.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morton Mandan Public Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota  
October 9, 2018