



**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA**

AUDIT REPORT

**EXAMINATION FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2016**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA**

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BOWMAN, NORTH DAKOTA
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BOWMAN, NORTH DAKOTA**

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GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***



Management's Discussion and Analysis December 31, 2016

This discussion and analysis is intended to be an easily readable analysis of the City of Bowman's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Aside from the Management's Discussion and Analysis (MD&A), this report consists of government wide statements, fund financial statements, notes to financial statements and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, city judicial, parks and recreation and general government administration. The business-type activities include water, sewer and refuse. These government-wide statements are intended to be reported in a manner to emulate private business in that all activities are consolidated into a total of the City.

Basic Financial Statements

The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents an overview of the assets the community owns, the amounts restricted for specific purposes and unrestricted amounts. The governmental activities reflect capital assets including infrastructure and long-term liabilities. Also, the governmental activities are reported on an accrual basis for accounting.

The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement focuses separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are reported in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is present for the governmental funds and includes net assets, revenue expenses and changes in net assets and cash flow.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD & A is intended to explain significant changes in financial position and differences in operation between current and prior years.

Budgetary Highlights

The City General Fund received \$193,559 less in revenue than was anticipated and expended \$211,460 less than was appropriated. \$105,500 was appropriated for debt reduction which was paid from the Debt Service Fund.

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position follows:

Statement of Net Position

<u>Assets</u>	<u>2015</u>	<u>2016</u>
Cash	\$11,139,940	\$ 7,701,432
Receivables	5,822	6,827
Other Receivable	83,073	97,732
Due/Other Governments	106,361	85,847
Prepaid Expenses	17,620	25,863
Capital Assets, no depr.	218,020	218,020
Capital Assets, net	<u>3,793,246</u>	<u>3,833,298</u>
Total Assets	\$15,364,082	\$11,969,019
Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 14,023</u>
<u>Liabilities</u>		
Accounts Payable	\$ 589,779	\$ 27,661
Noncurrent liabilities	<u>922,590</u>	<u>876,048</u>
Total Liabilities	\$ 1,512,369	\$903,709
Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 111,948</u>
<u>Net Position</u>		
Net Invested in Capital Assets	\$ 3,154,116	\$3,671,318
Restricted	3,962,983	2,808,717
Unrestricted	<u>\$ 6,734,614</u>	<u>4,487,350</u>
Total Net Position	\$13,851,713	\$10,967,385

A condensed version of the Statement of Activities follows:

Statement of Activities

<u>Revenues</u>	<u>2015</u>	<u>2016</u>
Charges for service	\$ 1,120,983	\$1,092,396
Grants	0	243,912
Property Taxes	334,444	314,159
Licenses & Permits	16,924	35,957
Federal & State Revenues	1,836,976	1,758,864
Surge Fund	6,757,143	0
Investment Earnings	51,927	58,787
Miscellaneous	35,745	55,212
Gain on Sale of Capital	0	0
Transfers	<u>0</u>	<u>0</u>
Total Revenue	\$10,154,142	\$3,559,287
Expenditures		
General Government	\$ 461,992	\$684,736

Public Safety	393,544	607,153
Public Works	326,816	428,681
Public Health	585,671	453,599
Social & Economic	0	0
Cultural & Recreation	256,846	258,487
Housing & Community		
Development	0	0
Interest on Long-term Debt	4,950	3,850
Miscellaneous	87,677	47,343
Capital Outlay	1,572,824	3,037,170
Unallocated Costs	150,427	143,430
Business-type Activities	867,991	779,166
Total Expenditures	\$4,708,738	\$6,443,615

Change in Net Position **\$5,445,404** **(\$2,884,328)**

Rates

The City provides Refuse Service to the Cities of Bowman, Amidon, Marmarth, Rhame and Scranton and has six rural routes which are always increasing with new customers. We provide keyed dumpsters for rural customers that are available in Bowman and Amidon. Money is put aside annually in all the utility funds for future equipment replacement and infrastructure replacement and or repairs.

In 2015 the City increased their bulk water rates from \$12 per 1,000 gallons to \$15 per 1,000 gallons, SUR charge from \$1.00 to \$2.00 a month per user, and the sewer rate increased from \$.50 to \$.60 per 1,000 when using the customer goes over 7,000 gallons. Residential garbage rates went from \$21.50 to \$22.00 a month increasing our revenue. In 2016 we increased the residential water rates from \$5.00 per 1,000 gallons to \$5.50 to increase revenue. Water and garbage rates are reconsidered for an increase every other year.

Capital Assets and Debt Administration

At year end, net capital assets in the Governmental Funds were \$3,007,545 or \$111,007 less than the previous year. The net amount of capital assets in the Proprietary Funds was \$1,043,773 or \$151,028 more than the previous year. Government wide net capital assets, less depreciation were \$4,051,318, up \$40,052 from the previous year.

Government wide debt at year end was \$876,048. This figure was generated by current Revenue Bonds, future interest created by the purchase of the Refuse Service in 2004, the building of the joint city/county shop in 2008 and unused vacation and sick leave from the General and Municipal Highway Funds.

Both the Revenue Bonds and the Refuse Service Bonds were refunded during 2009 and in 2014 the oil and gas revenue bond for the joint shop was refunded. Both bonds will be paid off in May of 2019. When bonds are paid off, it will free up another \$50,000 that is set aside in the bond reserve fund.

Economic Factors

The economic factors in the Bowman area are created mainly by natural resource production, ranching, and agriculture. Due to the drop in oil prices the City had a huge decrease in revenue from the State of North Dakota. This decrease in oil and gas production revenue caused the City to not be able to make all the end of the year savings transfers into most of the equipment savings funds. With the natural

resource production in the county, we have seen an increase in younger people with children. The Bowman County Development Corporation continues to promote the area as a great place to raise a family.

The Census was going to be done in 2014 for Bowman, but due to a lack of workers, it wasn't completed and the increase/decrease in population is unknown. A census has not been completed for our area since 2010 which showed the population to be 1,650 people. The unemployment rate is very low in our area.

In March of 2015, the State of ND gave oil impacted communities surge funds to help with the impact of oil on our community's infrastructure. The City of Bowman received \$6,757,143 in these surge funds which are being utilized for projects that will better the City's infrastructure. These funds were used for a two year period to complete these projects. This is the main reason for the noticeable change of net assets. Surge funded infrastructure projects being completed are: rebuilding of 11th Ave. from Hwy 12 to the railroad tracks, 11th Ave from the railroad tracks to the farm to market road, Sewer Rehab/slip lining on 3rd Street, Water System on 11th Avenue, Water System on 3rd Avenue NE, and Outfall Sewer Rehab project. With this gift of surge funds, these projects were able to be completed without having any special assessments on the residents.

The remaining surge funds were set aside for the water main replacement on Main Street in 2017 and Bowman County and the Bowman County Development Corporation have partnered up to develop an industrial park that would be annexed into the city in 2016. The City of Bowman has also agreed to put infrastructure out to this park after the FAA has decommissioned the airport. The City has pledged a limit of \$1,850,000 to get the infrastructure to the industrial park. Once these lots are sold, it will give the City an increase in property tax value and hope it will cause our Main Street business district to revitalize.

Zoning permits had decreased to 35 permits issued in 2016 with the last two prior years both having 42 permits. The 2016 permits gave the city a property value increase of \$5,454,182, to be added to the city's tax role.

In December of 2014 the City's liquor ordinance went under review and they took effect in 2015. The commission put together a committee to review changes to this ordinance hoping to lead to economic growth. The liquor license limit was taken off and new categories were added with different fees. A new business seeking a liquor license for the first time will pay an initial fee plus a yearly fee. The substantial fee will be used for Alcohol Training and Awareness through our Police Department. This change added two businesses to Bowman: Lucky's Liquor Store and Bronson's Marketplace. The creation of Bronson's Marketplace has had a huge impact on people coming to our community to shop.

The City was awarded a grant for a Safe Routes to School project in 2015 which would create a ribbon of sidewalk from 3rd Avenue SE to the Roosevelt Elementary School to be completed in 2016. This project would include the removal of several dead trees and be a huge benefit to the children in our community. The City's investment in this project matched by Bowman County BLM funds and the rest of the funds come from ND DOT.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors,) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, please contact the Auditor's Office at 101 1st St NE, Bowman, ND 58623.

**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA**

CITY OFFICIALS

Lyn James	President
Darren Limesand	Vice President
Ryan Shear	Board
Myron Vail	Board
Darrell West	Board
Peggy Allen	Financial Auditor
Stacy McGee	Utility Auditor
Steve Wild	City Attorney
Drew Henderson	Judge



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INDEPENDENT AUDITOR'S REPORT

City Commissioners
Bowman, North Dakota 58623

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of and for the year ended December 31, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of December 31, 2016, and the respective changes in 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 required supplementary information such as Management's Discussion and Analysis, the Budgetary Comparison information, and the schedules relating to pensions on pages i - iv and pages 32 - 37 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bowman's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements on pages 38 - 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information 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 July 21, 2017, on our consideration of the City of Bowman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bowman's internal control over financial reporting and compliance.

James J. Wosepka, PC

A handwritten signature in black ink that reads "By James J. Wosepka CPA". The signature is written in a cursive style.

Beach, North Dakota
July 21, 2017

CITY OF BOWMAN
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,688,580	\$ 2,012,852	\$ 7,701,432
Taxes/assessments receivable	6,827	-	6,827
Accounts/other receivables	501	97,231	97,732
Due from other governments	85,847	-	85,847
Prepaid expense	23,921	1,942	25,863
Capital assets not being depreciated			
Land	192,840	25,180	218,020
Capital assets being depreciated (net of accumulated depreciation)	2,814,705	1,018,593	3,833,298
Total Assets	8,813,221	3,155,798	11,969,019
DEFERRED OUTFLOWS OF RESOURCES			
	14,023	-	14,023
LIABILITIES			
Accounts payable and other current liabilities	14,248	13,413	27,661
Noncurrent liabilities:			
Due within one year	100,000	25,000	125,000
Due in more than one year	666,801	84,247	751,048
Total Liabilities	781,049	122,660	903,709
DEFERRED INFLOWS OF RESOURCES			
	111,948	-	111,948
NET POSITION			
Net investment in capital assets	2,707,545	963,773	3,671,318
Restricted for:			
Bond Indenture Requirements	156,346	-	156,346
Capital Projects	2,626,508	-	2,626,508
Prepaid Expenditures	23,921	1,942	25,863
Unrestricted	2,419,927	2,067,423	4,487,350
Total Net Position	\$ 7,934,247	\$ 3,033,138	\$ 10,967,385

See accompanying notes to the financial statements.

**CITY OF BOWMAN
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for		Primary Government		
		Services, Fines, Forfeitures, etc.	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 684,736	\$ -	-	\$ (684,736)	\$ -	\$ (684,736)
Public safety	607,153	665	243,912	(362,576)	-	(362,576)
Public works	428,681	8,594	-	(420,087)	-	(420,087)
Public health	453,599	-	-	(453,599)	-	(453,599)
Culture and recreation	258,487	-	-	(258,487)	-	(258,487)
Interest on long-term debt	3,850	-	-	(3,850)	-	(3,850)
Capital outlay	3,037,170	-	-	(3,037,170)	-	(3,037,170)
Miscellaneous	47,343	-	-	(47,343)	-	(47,343)
Unallocated costs	143,430	-	-	(143,430)	-	(143,430)
Total governmental activities	5,664,449	9,259	243,912	(5,411,278)	-	(5,411,278)
Business-type activities:						
Water	258,983	5,012	-	-	(253,971)	(253,971)
Sewer	70,975	402,601	-	-	331,626	331,626
Vector Control	1,250	104,360	-	-	103,110	103,110
Garbage	447,958	571,164	-	-	123,206	123,206
Total business-type activities	779,166	1,083,137	-	-	303,971	303,971
Total primary government	\$ 6,443,615	\$ 1,092,396	\$ 243,912	(5,411,278)	303,971	(5,107,307)
General revenues:						
Property taxes				314,159	-	314,159
Licenses and permits				35,957	-	35,957
Unrestricted Federal/State shared revenues				1,758,864	-	1,758,864
Unrestricted investment earnings				58,787	-	58,787
Miscellaneous				54,709	503	55,212
Transfers				(115,000)	115,000	-
Total general revenues and transfers				2,107,476	115,503	2,222,979
Change in net assets				(3,303,802)	419,474	(2,884,328)
Total net position - January 1, 2016				11,238,049	2,613,664	13,851,713
Total net position - December 31, 2016				\$ 7,934,247	\$ 3,033,138	\$ 10,967,385

See accompanying notes to the financial statements.

**CITY OF BOWMAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

Description	General	Major Funds		Other Governmental Funds	Total Governmental Funds
		City Sales Tax	11th Ave Project		
ASSETS					
Cash and cash equivalents	\$ 4,351,839	\$ 206,247	\$ -	\$ 1,130,494	\$ 5,688,580
Tax/assessment receivable	6,827	-	-	-	6,827
Accounts/other receivables	501	-	-	-	501
Due from other governments	85,847	-	-	-	85,847
Prepaid expense	23,921	-	-	-	23,921
Total Assets	4,468,935	206,247	-	1,130,494	5,805,676
LIABILITIES					
Accounts payable	11,687	-	-	2,561	14,248
Total Liabilities	11,687	-	-	2,561	14,248
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	6,827	-	-	-	6,827
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	2,626,508	-	-	131,533	2,758,041
Committed	-	206,247	-	143,458	349,705
Assigned	23,921	-	-	852,942	876,863
Unassigned	1,799,992	-	-	-	1,799,992
Total fund balances	4,450,421	206,247	-	1,127,933	5,784,601
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,468,935	\$ 206,247	\$ -	\$ 1,130,494	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>3,007,545</u>
Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>(105,121)</u>
Long-term liabilities, including bonds payable and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(752,778)</u>
Net position of governmental funds	<u><u>\$ 7,934,247</u></u>

See accompanying notes to the financial statements.

CITY OF BOWMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016

Description	General	Major Funds		Other Governmental Funds	Total Governmental Funds
		City Sales Tax	11th Ave Project		
REVENUES					
Taxes/assessments	\$ 313,154	\$ -	\$ -	\$ -	\$ 313,154
Licenses and permits	10,457	-	-	25,500	35,957
Intergovernmental revenues	1,097,134	359,731	-	545,911	2,002,776
Charges for services	8,594	-	-	-	8,594
Fines and forfeitures	665	-	-	-	665
Miscellaneous	47,535	-	-	7,174	54,709
Investment and royalty earnings	58,787	-	-	-	58,787
Total Revenues	1,536,326	359,731	-	578,585	2,474,642
EXPENDITURES					
Current:					
General government	494,396	-	-	21,322	515,718
Public safety	382,153	-	-	225,000	607,153
Public works	143,795	-	-	308,886	452,681
Public health	-	453,599	-	-	453,599
Culture and recreation	199,197	-	-	59,290	258,487
Debt service:					
Principal	-	-	-	100,000	100,000
Interest	-	-	-	3,850	3,850
Capital outlay	-	-	1,738,420	1,298,750	3,037,170
Miscellaneous	19,882	-	-	27,461	47,343
Total Expenditures	1,239,423	453,599	1,738,420	2,044,559	5,476,001
Excess of revenues (under) expenditures	296,903	(93,868)	(1,738,420)	(1,465,974)	(3,001,359)
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	267,627	-	340,062	1,003,692	1,611,381
Transfers out	(1,402,030)	-	-	(324,351)	(1,726,381)
Total other financing sources (uses)	(1,134,403)	-	340,062	679,341	(115,000)
Net change in fund balances	(837,500)	(93,868)	(1,398,358)	(786,633)	(3,116,359)
Fund balances - January 1, 2016	5,287,921	300,115	1,398,358	1,914,566	8,900,960
Fund balances - December 31, 2016	\$ 4,450,421	\$ 206,247	\$ -	\$ 1,127,933	\$ 5,784,601

See accompanying notes to the financial statements.

**CITY OF BOWMAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds (page 7)	<u>\$ (3,116,359)</u>
Amounts reported for governmental activities in the statement of activities (page 5) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	32,453
Depreciation expense	<u>(143,430)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	<u>-</u>
Proceeds from the sale of capital assets	<u>-</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable tax revenue	<u>1,005</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:	
Long-term bond principal payments	<u>100,000</u>
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 funds	
Accrued compensated absences	324
Change in pension liability	<u>(177,795)</u>
Change in Net Position in Governmental Activities	<u><u>\$ (3,303,802)</u></u>

See accompanying notes to the financial statements.

**CITY OF BOWMAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016**

Description	Business-type Activities				Totals
	Major Enterprise Funds			Nonmajor Enterprise Funds	
	Water	Water Building	Garbage		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 524,047	\$ 547,627	\$ 233,066	\$ 708,112	\$ 2,012,852
Accounts/other receivables	25,012	-	59,003	13,216	97,231
Prepaid expenses	-	-	1,942	-	1,942
Total Current Assets	549,059	547,627	294,011	721,328	2,112,025
Noncurrent Assets					
Capital assets:					
Land	15,180	-	10,000	-	25,180
Buildings	7,980	-	82,228	-	90,208
Improvements other than buildings	396,000	-	-	135,700	531,700
Machinery and equipment	56,294	-	304,304	494,939	855,537
Infrastructure (utility systems) and intangibles	342,773	-	127,383	-	470,156
Less: accumulated depreciation	(283,071)	-	(428,580)	(217,357)	(929,008)
Capital assets - net of accumulated depreciation	535,156	-	95,335	413,282	1,043,773
Total Noncurrent Assets	535,156	-	95,335	413,282	1,043,773
Total Assets	1,084,215	547,627	389,346	1,134,610	3,155,798
LIABILITIES					
Current Liabilities					
Accounts payable	5,018	-	8,043	352	13,413
Total Current Liabilities	5,018	-	8,043	352	13,413
Noncurrent Liabilities					
Bonds/Loans payable	-	-	80,000	-	80,000
Compensated absences	10,078	-	14,361	4,808	29,247
Total Noncurrent Liabilities	10,078	-	94,361	4,808	109,247
Total Liabilities	15,096	-	102,404	5,160	122,660
NET POSITION					
Net investment in capital assets	535,156	-	15,335	413,282	963,773
Unrestricted	533,963	547,627	271,607	716,168	2,069,365
Total Net Position	\$ 1,069,119	\$ 547,627	\$ 286,942	\$ 1,129,450	\$ 3,033,138

See accompanying notes to the financial statements.

CITY OF BOWMAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016

Description	Business-type Activities				Totals
	Major Enterprise Funds			Nonmajor Enterprise Funds	
	Water	Water Building	Garbage		
OPERATING REVENUES					
Charges for services	\$ 382,315	\$ -	\$ 571,164	\$ 129,658	\$ 1,083,137
Miscellaneous revenues	503	-	-	-	503
Total Operating Revenues	382,818	-	571,164	129,658	1,083,640
OPERATING EXPENSES					
Personal services	130,676	-	290,771	54,250	475,697
Supplies	39,065	12,232	47,157	4,621	103,075
Building materials	4,103	-	61,386	16,380	81,869
Purchased services	46,211	-	15,262	6,297	67,770
Depreciation	7,625	-	1,645	36,591	45,861
Total Operating Expenses	227,680	12,232	416,221	118,139	774,272
Operating Income (Loss)	155,138	(12,232)	154,943	11,519	309,368
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	-	-	-	-	-
Debt service interest expense	-	-	(4,894)	-	(4,894)
Total Non-Operating Revenues (Expenses)	-	-	(4,894)	-	(4,894)
Income (Loss) before contributions and transfers	155,138	(12,232)	150,049	11,519	304,474
Transfers in (out)	(110,000)	110,000	(71,522)	186,522	115,000
Change in net assets	45,138	97,768	78,527	198,041	419,474
Total net position - January 1, 2016	1,023,981	449,859	208,415	931,409	2,613,664
Total net position - December 31, 2016	\$ 1,069,119	\$ 547,627	\$ 286,942	\$ 1,129,450	\$ 3,033,138

See accompanying notes to the financial statements.

**CITY OF BOWMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016**

Description	Business-type Activities				
	Major Enterprise Funds			Nonmajor Enterprise Funds	Totals
	Water	Water Building	Garbage		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 378,172	\$ -	\$ 561,297	\$ 129,908	\$ 1,069,377
Cash paid to suppliers	(88,107)	(12,232)	(128,589)	(27,333)	(256,261)
Cash paid to employees	(130,228)	-	(293,409)	(53,148)	(476,785)
Net cash provided (used) by operating activities	159,837	(12,232)	139,299	49,427	336,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(110,000)	110,000	(71,522)	186,522	115,000
Net cash provided (used) by noncapital financing activities	(110,000)	110,000	(71,522)	186,522	115,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	-	(196,890)	(196,890)
Principal paid on debt	-	-	(25,000)	-	(25,000)
Interest paid on debt	-	-	(4,894)	-	(4,894)
Net cash provided (used) by capital and related financing activities	-	-	(29,894)	(196,890)	(226,784)
Net increase (decrease) in cash and cash equivalents	49,837	97,768	37,883	39,059	224,547
Cash and cash equivalents - January 1, 2016	474,210	449,859	195,183	669,053	1,788,305
Cash and cash equivalents - December 31, 2016	\$ 524,047	\$ 547,627	\$ 233,066	\$ 708,112	\$ 2,012,852
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 155,138	\$ (12,232)	\$ 154,943	\$ 11,519	\$ 309,368
Depreciation expense	7,625	-	1,645	36,591	45,861
(Increase) decrease in accounts receivable	(4,541)	-	(9,867)	250	(14,158)
(Increase) decrease in prepaid items	-	-	(1,942)	-	(1,942)
Increase (decrease) in customer deposits	(105)	-	-	-	(105)
Increase (decrease) in accounts payable	1,272	-	(2,842)	(35)	(1,605)
Increase (decrease) in compensated absences payable	448	-	(2,638)	1,102	(1,088)
Total adjustments	4,699	-	(15,644)	37,908	26,963
Net cash provided (used) by operating activities	\$ 159,837	\$ (12,232)	\$ 139,299	\$ 49,427	\$ 336,331

See accompanying notes to financial statements.

**CITY OF BOWMAN
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2016**

Description	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 43,338
Total Assets	\$ 43,338
 LIABILITIES	
Warrants payable	\$ 41,265
Due to other governments	2,073
Total Liabilities	\$ 43,338

See accompanying notes to the financial statements.

**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

The financial statements of the City of Bowman, North Dakota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City is governed by an elected Mayor and City Commission. The City's basic financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the City as reporting entities.

Basic Financial Statements

In accordance with GASB Statement No. 34 (*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*), the basic financial statements include both government-wide and fund financial statements.

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service fund activity

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

has been eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

The Government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use by either; 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

The City reports the following major governmental funds:

General Fund – This fund reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

City Sales Tax Fund - This fund is used for health care within the City. The City has a 1% sales tax that provides the revenue. Funds are disbursed upon request from a health care facility.

11th Avenue Project Fund – This fund was used to track the 11th Avenue Project.

The Government reports the following major proprietary funds:

Water Utility Fund - This fund is used to account for the operating and non-operating revenues and expenses of the public water utility system. The fund is maintained on the full accrual basis of accounting.

Water Building Fund – This fund is used for water related capital projects.

Garbage Fund - This fund accounts for the operating of refuse pickup and disposal.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net costs of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore, are not available to support City programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the City available to support City programs.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Land improvements	40
Public domain infrastructure	40
System infrastructure	40-100
Vehicles	5-20
Equipment other than vehicles	8-20
Office equipment	5
Computer equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

Taxes and Assessments

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Enterprise Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained. Accounts receivable are reported as net of revenues collected in advance.

1. **Summary of Significant Accounting Policies – cont.**

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Net Position

In the government-wide and proprietary fund statements, net position is reported in three components - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct, or improve those assets. Restricted net position is reported when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position is net position that does not meet the definition of either of the first two categories of net position.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Encumbrances

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Fund Balances – Governmental Funds

As of December 31, 2016, fund balances of the governmental funds are classified follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

1. **Summary of Significant Accounting Policies – cont.**
Fund Balances – Governmental Funds – cont.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of December 31, 2016, fund balances are composed of the following:

	General Fund	City Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:	\$ -	\$ -	\$ -	\$ -
Restricted:				
Infrastructure	2,626,508	-	-	2,626,508
Muni Hwy	-	-	12,748	12,748
Road & Bridge	-	-	68,785	68,785
Bond Issue	-	-	50,000	50,000
Committed:				
Rest and Lodging	-	-	87,217	87,217
City Sales Tax	-	206,247	-	206,247
Occupancy Tax	-	-	56,241	56,241
Assigned:				
General Government	23,921	-	273	24,194
Future Capital Projects	-	-	746,323	746,323
Bond Payment	-	-	106,346	106,346
Unassigned Funds	<u>1,799,992</u>	<u>-</u>	<u>-</u>	<u>1,799,992</u>
Total fund balances	<u>\$ 4,450,421</u>	<u>\$ 206,247</u>	<u>\$ 1,127,933</u>	<u>\$ 5,784,601</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

1. **Summary of Significant Accounting Policies – cont.**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 resources (expense/expenditure) until then.

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.

New GASB Pronouncements

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

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the

1. **Summary of Significant Accounting Policies – cont.**
New GASB Pronouncements – cont.

sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

2. **Cash and Cash Equivalents**

The City maintains a cash pool for all funds under the control of the City Auditor. Cash includes cash and cash equivalents of checking and savings deposits which are highly liquid or have maturity dates of three months or less when purchased. The composition of cash on December 31, 2016 was as follows:

Cash in Banks	
Demand and Savings Deposits	\$ 7,701,432
Total	<u>\$ 7,701,432</u>

Deposits - At year-end, the carrying amount of the City's deposits was \$7,701,432 and the bank balance was \$7,744,766. These deposits include demand and savings deposits. Of the bank balance, \$276,136 was covered by Federal Depository Insurance, the balance \$7,468,630 was covered by pledged securities.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

North Dakota statutes require that the City obtain pledged securities for the uninsured portion of the deposits equal to 110% of such deposits. The amount of collateral held for City deposits at December 31, 2016 exceeded the amount required by state statutes.

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.

3. **Accounts Receivable**

Accounts receivable consist of billings for December and accounts delinquent at December 31.

4. **Taxes Receivable**

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with the National Council on Government Accounting (NCGA) Interpretation 3, Revenue Recognition-Property Taxes. This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as unavailable revenue.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the County and usually remitted monthly to the City.

5. **Due From County Treasurer**

The amount due from the County Treasurer consists of the cash on hand for taxes and special assessments collected but not remitted to the City of Bowman at December 31.

6. **Risk Management**

The City of Bowman participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

7. **Interfund Transfers**

Individual fund operating transfers for 2016 were as follows:

	<u>IN</u>		<u>OUT</u>
Enterprise Fund	\$ 296,522	\$	(181,522)
General Fund	267,627		(1,402,030)
Special Revenue	25,252		(88,207)
Capital Project	1,214,502		(236,144)
Debt Service	104,000		-
	<u>\$ 1,907,903</u>	\$	<u>(1,907,903)</u>

All transfers are normal operating transfers.

8. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2016.

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 192,840	\$ -	\$ -	\$ 192,840
Total capital assets not being depreciated	<u>192,840</u>	<u>-</u>	<u>-</u>	<u>192,840</u>
Capital assets being depreciated				
Buildings	1,910,669	-	-	1,910,669
Improvements other than buildings	906,852	-	-	906,852
Machinery and equipment	1,004,999	32,453	25,164	1,012,288
Infrastructure	577,751	-	-	577,751
Total capital assets being depreciated	<u>4,400,271</u>	<u>32,453</u>	<u>25,164</u>	<u>4,407,560</u>
Less accumulated depreciation for:				
Buildings	(485,829)	(38,902)	-	(524,731)
Improvements other than buildings	(274,642)	(33,636)	-	(308,278)
Machinery and equipment	(714,118)	(70,892)	25,164	(759,846)
Total accumulated depreciation	<u>(1,474,589)</u>	<u>\$ (143,430)</u>	<u>\$ 25,164</u>	<u>(1,592,855)</u>
Net capital assets being depreciated	<u>2,925,682</u>			<u>2,814,705</u>
Governmental activities capital assets net	<u>\$ 3,118,522</u>			<u>\$ 3,007,545</u>

All depreciation expense is unallocated.

Business-type activities:

Capital assets not being depreciated				
Land	\$ 25,180	\$ -	\$ -	\$ 25,180
Total capital assets not being depreciated	<u>25,180</u>	<u>-</u>	<u>-</u>	<u>25,180</u>
Capital assets being depreciated (amortized)				
Buildings	90,209	-	-	90,209
Machinery and equipment	658,647	196,890	-	855,537
Utility plant	531,700	-	-	531,700
Intangibles	105,000	-	-	105,000
Infrastructure	365,156	-	-	365,156
Total capital assets being depreciated	<u>1,750,712</u>	<u>196,890</u>	<u>-</u>	<u>1,947,602</u>
Less accumulated depreciation and amortization for:				
Buildings	(18,828)	(1,805)	-	(20,633)
Machinery and equipment	(482,776)	(37,417)	-	(520,193)
Utility plant	(276,543)	(6,639)	-	(283,182)
Intangibles	(105,000)	-	-	(105,000)
Total accumulated depreciation	<u>(883,147)</u>	<u>(45,861)</u>	<u>-</u>	<u>(929,008)</u>
Net capital assets being depreciated	<u>867,565</u>			<u>1,018,594</u>
Business-type activities capital assets net	<u>\$ 892,745</u>			<u>\$ 1,043,774</u>

Depreciation and amortization expense is allocated to:

Water	\$ 10,482
Garbage	28,489
Sewer	6,890
	<u>\$ 45,861</u>

9. **Pension Plan**
Notes to the Financial Statements for the Year Ended December 31, 2016

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

9. **Pension Plan – cont.**

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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

9. **Pension Plan – cont.**

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 1% of monthly salary or \$25
- 13 to 24 months of service – Greater of 2% of monthly salary or \$25
- 25 to 36 months of service – Greater of 3% of monthly salary or \$25
- Longer than 36 months of service – Greater of 4% of monthly salary or \$25

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

At December 31, 2016, the Employer reported a liability of \$432,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was 0.063534 percent, which was an increase of 0.008053 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$50,672. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,533
Changes of assumptions	(38,491)	-
Net difference between projected and actual earnings on pension plan investments	(59,039)	49,919
Changes in proportion and differences between employer contributions and proportionate share of contributions	(2,243)	49,496
Employer contributions subsequent to the measurement date	113,796	-
Total	\$ 14,023	\$ 111,948

\$14,023 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended December 31, 2017.

9. **Pension Plan – cont.**

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

Year ended June 30:

2017	\$ (2,208)
2018	(2,208)
2019	(2,208)
2020	16,637
2021	2,156
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

9. **Pension Plan – cont.**

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

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 662,482	\$ 432,020	\$ 243,461

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

10. Long-term Debt

	<u>12-31-15</u>	<u>Issued (Retired)</u>	<u>12-31-16</u>
Refuse Disposal Revenue Refunding Bond of 2009, due in annual principal payments of \$20,000 to \$30,000, and semi-annual interest payments at a rate of 2.15% to 4%. Final payment due May 2019.	\$ 105,000	\$ (25,000)	\$ 80,000
Oil and Gas Tax Revenue Refunding Bond of 2014, due in annual principal payments of \$100,000 with interest at 1.10% due semiannually. Final payment due May 2019.	<u>400,000</u> \$ <u>505,000</u>	<u>(100,000)</u> \$ <u>(125,000)</u>	<u>300,000</u> <u>380,000</u>
Due in current year			<u>125,000</u>
Long-term			\$ <u>255,000</u>

ANNUAL REQUIREMENT TO REDUCE GENERAL OBLIGATION BONDS DEBT

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	\$ 2,750	\$ 102,750
2018	100,000	1,650	101,650
2019	<u>100,000</u>	<u>550</u>	<u>100,550</u>
Total	\$ <u>300,000</u>	\$ <u>4,950</u>	\$ <u>304,950</u>

The principal and interest of the Oil and Gas Tax Bond is being paid by the Bond Payment Fund.

ANNUAL REQUIREMENT TO REDUCE DEBT IN GARBAGE FUND

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 25,000	\$ 2,700	\$ 27,700
2018	25,000	1,700	26,700
2019	<u>30,000</u>	<u>600</u>	<u>30,600</u>
Total	\$ <u>80,000</u>	\$ <u>5,000</u>	\$ <u>85,000</u>

All principal and interest for the Refuse Bond and Capital Lease is being paid by the Garbage Fund.

11. Compensated Absences

The City's policy on vacation days is that an employee earns vacation days during each 12 month period beginning with the anniversary date of employment. A maximum of 10 vacation days may be carried from one year to the next.

Sick leave is also accrued with a maximum of 60 days for full time employees and 42 days for part time employees to be carried forward. Sick leave is not paid upon termination of employment and therefore, not recorded as a liability.

11. Compensated Absences – cont.

Current year activity with compensated absences is as follows:

Prior Year Balance	Earned	Used	Current Year Balance
\$ <u>65,439</u>	\$ <u>-</u>	\$ <u>1,411</u>	\$ <u>64,028</u>

Of the \$64,028, \$34,781 is Governmental and \$29,247 is Business-type Activities.

12. Amounts Due To and From Other Funds and Governments, Interfund Loans, and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund loans receivable/payable” or “advances to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

13. Commitments

The City also has committed up to \$1,850,000 to an industrial park project. During 2016, \$63,540 had been paid on this project. An additional \$11,673 has been paid to date in 2017.

14. Subsequent Events

The City has awarded a contract totaling \$907,789 in 2017. \$716,587 has been paid in 2017, with a balance of \$191,202. Subsequent events have been evaluated through the date of these financial statements.

REQUIRED

SUPPLEMENTARY INFORMATION

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 381,370	\$ 381,370	\$ 313,154	\$ (68,216)
Licenses and Permits	9,975	9,975	10,457	482
Intergovernmental Revenue	1,302,500	1,302,500	1,097,134	(205,366)
Charges for Service	9,000	9,000	8,594	(406)
Fines and Forfeitures	2,000	2,000	665	(1,335)
Miscellaneous Revenues	51,700	51,700	47,535	(4,165)
Investment and Royalty Earnings	25,325	25,325	58,787	33,462
Total Revenues	<u>1,781,870</u>	<u>1,781,870</u>	<u>1,536,326</u>	<u>(245,544)</u>
Expenditures:				
Current:				
General Government	408,510	560,148	494,396	65,752
Public Safety	420,045	420,045	382,153	37,892
Public Works	233,860	233,860	143,795	90,065
Public Health	-	-	-	-
Social and Economic	-	-	-	-
Culture and Recreation	207,535	207,535	199,197	8,338
Housing and Community Development	-	-	-	-
Miscellaneous	21,000	21,000	19,882	1,118
Total Expenditures	<u>1,290,950</u>	<u>1,442,588</u>	<u>1,239,423</u>	<u>203,165</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>490,920</u>	<u>339,282</u>	<u>296,903</u>	<u>(42,379)</u>
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Operating Transfers In	-	-	267,627	267,627
Operating Transfers (Out)	(3,060,500)	(3,066,500)	(1,402,030)	1,664,470
Total Other Financing Sources (Uses)	<u>(3,060,500)</u>	<u>(3,066,500)</u>	<u>(1,134,403)</u>	<u>1,932,097</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (2,569,580)</u>	<u>\$ (2,727,218)</u>	<u>(837,500)</u>	<u>\$ 1,889,718</u>
Fund Balances - January 1, 2016			<u>5,287,921</u>	
Fund Balances - December 31, 2016			<u>\$ 4,450,421</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
City Sales Tax
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	340,000	340,000	359,731	19,731
Charges for Service	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>340,000</u>	<u>340,000</u>	<u>359,731</u>	<u>19,731</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Health	340,000	453,599	453,599	-
Public Works	-	-	-	-
Social and Economic	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>340,000</u>	<u>453,599</u>	<u>453,599</u>	<u>-</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>-</u>	<u>(113,599)</u>	<u>(93,868)</u>	<u>19,731</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (113,599)</u>	<u>(93,868)</u>	<u>\$ 19,731</u>
Fund Balances - January 1, 2016			<u>300,115</u>	
Fund Balances - December 31, 2016			<u>\$ 206,247</u>	

**CITY OF BOWMAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

Budgets

The governing body must give notice on or before September 10 that a preliminary budget is on file and the time and place of the meeting to adopt the final budget, but no later than October 7. The final budget and levy shall be submitted to the County Auditor no later than October 10.

Budgets are prepared for the General Fund, Special Revenue Funds, and the Debt Service Funds on a cash basis which is not materially different from the modified accrual basis. Annual appropriations lapse at year end.

Budget Amendment

By an approved motion of the City Commission, the expense budgets for the following funds were amended:

	<u>Original</u>	<u>Final</u>	<u>Change</u>
Governmental Funds			
General	\$ 1,611,450	\$ 1,769,888	\$ 158,438
Social Security	70,500	83,483	12,983
Energy Impact Grants	30,000	235,000	205,000
Advertising	2,000	9,495	7,495
Retirement	69,000	97,645	28,645
City Sales Tax	340,000	453,599	113,599
Road & Bridge	57,000	95,392	38,392
Rest & Lodging	55,000	64,790	9,790
Future Capitol Projects/Rest & Lodging	17,500	35,000	17,500
Police Dept. Grants	-	2,500	2,500
Police Capitol	-	13,754	13,754
Auditor Replacement	-	10,207	10,207
City Improvement Fund	6,000	11,000	5,000
Hwy 12 & 85	-	9,180	9,180
11th Ave NW	-	73,946	73,946
HWY 12 Slurry Seal	658	901	243
Hail Storm Insurance Collected	-	11,902	11,902
Sewer Rehab. - 3rd Street	313,943	348,926	34,983
Northside Addition Drainage	90,108	92,860	2,752
West Divide Watermain Replacement	800,000	805,881	5,881
3rd Ave. NE Waterline	-	185,717	185,717
Bond Payment Fund	103,850	105,500	1,650

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – cont.

Surge Funds

The City created a separate fund for the surge monies; in these financials, this fund is combined with the General Fund. Below is a summary of just the Surge Fund activity:

	<u>Budget</u>	<u>Actual</u>
Cash, January 1, 2016	\$	\$ 3,493,892
Revenue/Transfers	-	215,641
Expenses/Transfers	2,740,000	1,083,025
Cash, December 31, 2016		<u>\$ 2,626,508</u>

ND Public Employees Retirement System

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

	2015	2016
Employer's proportion of the net pension liability (asset)	0.055481%	0.063534%
Employer's proportionate share of the net pension liability (asset)	\$352,150	\$432,020
Employer's covered-employee payroll	\$467,360	\$566,010
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

**Schedule of Employer Contributions
Last 10 Fiscal Years***

	2015	2016
Statutorily required contribution	\$33,276	\$42,993
Contributions in relation to the statutorily required contribution	(\$33,276)	(\$40,300)
Contribution deficiency (excess)	-	2,693
Employer's covered-employee payroll	\$467,360	\$566,010
Contributions as a percentage of covered-employee payroll	7.12%	7.60%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – cont.
ND Public Employees Retirement System – cont.

Changes of assumptions

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

SUPPLEMENTARY INFORMATION

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-Major Special Revenue Funds
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 125,632	\$ 125,632	\$ -	\$ (125,632)
Licenses and Permits	500	500	25,500	25,000
Intergovernmental Revenue	542,000	542,000	526,999	(15,001)
Charges for Services	-	-	-	-
Miscellaneous Revenues	-	-	273	273
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>668,132</u>	<u>668,132</u>	<u>552,772</u>	<u>(115,360)</u>
Expenditures:				
Current:				
General Government	166,500	166,500	21,322	145,178
Public Safety	20,000	225,000	225,000	-
Public Works	500,880	500,880	308,886	191,994
Public Health	10,500	10,500	-	10,500
Culture and Recreation	77,500	82,290	59,290	23,000
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>775,380</u>	<u>985,170</u>	<u>614,498</u>	<u>370,672</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(107,248)</u>	<u>(317,038)</u>	<u>(61,726)</u>	<u>255,312</u>
Other Financing Sources (Uses):				
Operating Transfers In	40,500	40,500	25,252	(15,248)
Operating Transfers (Out)	-	(54,123)	(88,207)	(34,084)
Total Other Financing Sources	<u>40,500</u>	<u>(13,623)</u>	<u>(62,955)</u>	<u>(49,332)</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (66,748)</u>	<u>\$ (330,661)</u>	<u>(124,681)</u>	<u>\$ 205,980</u>
Fund Balances - January 1, 2016			<u>383,601</u>	
Fund Balances - December 31, 2016			<u>\$ 258,920</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Capital Project Funds
Year Ended December 31, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	18,912	18,912
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	3,000	3,000	6,901	3,901
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>25,813</u>	<u>22,813</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	6,658	29,298	26,148	3,150
Capital Outlay	6,192,801	6,496,208	3,037,170	3,459,038
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>6,199,459</u>	<u>6,525,506</u>	<u>3,063,318</u>	<u>3,462,188</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(6,196,459)</u>	<u>(6,522,506)</u>	<u>(3,037,505)</u>	<u>3,485,001</u>
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Operating Transfers In	1,566,000	1,566,000	1,214,502	351,498
Operating Transfers (Out)	-	(30,108)	(236,144)	(206,036)
Total Other Financing Sources (Uses)	<u>1,566,000</u>	<u>1,535,892</u>	<u>978,358</u>	<u>145,462</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (4,630,459)</u>	<u>\$ (4,986,614)</u>	<u>(2,059,147)</u>	<u>\$ 3,630,463</u>
Fund Balances - January 1, 2016			<u>2,771,814</u>	
Fund Balances - December 31, 2016			<u>\$ 712,667</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Debt Service Funds
Year Ended December 31, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	1,650	1,650	1,313	337
Capital Outlay	-	-	-	-
Debt Service:				
Principal	100,000	100,000	100,000	-
Interest	2,200	3,850	3,850	-
Total Expenditures	<u>103,850</u>	<u>105,500</u>	<u>105,163</u>	<u>337</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(103,850)</u>	<u>(105,500)</u>	<u>(105,163)</u>	<u>337</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Operating Transfers In	50,000	50,000	104,000	54,000
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>104,000</u>	<u>54,000</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (53,850)</u>	<u>\$ (55,500)</u>	<u>(1,163)</u>	<u>\$ 54,337</u>
Fund Balances - January 1, 2016			<u>157,509</u>	
Fund Balances - December 31, 2016			<u>\$ 156,346</u>	



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Licensed in North Dakota and Montana

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

To the City Commission
Bowman, North Dakota 58623

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Bowman's basic financial statements, and have issued our report thereon dated July 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bowman'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 of Bowman's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bowman'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Comments to Commissioners, we identified certain deficiencies in internal control that we consider not to be material weaknesses, but are significant deficiencies.

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.

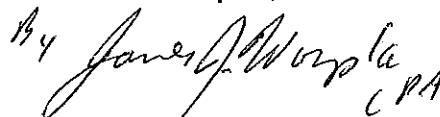
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bowman'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 did not disclose any 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 result 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.

James J. Wosepka, PC

By  CPA

Beach, North Dakota
July 21, 2017