

AUDIT REPORT

CITY OF BURLINGTON
Burlington, North Dakota

For the Years Ended December 31, 2016 and 2015

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BURLINGTON
Burlington, North Dakota

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CITY OF BURLINGTON
Burlington, North Dakota

CITY OFFICIALS

Jeanine Kabanuk	Mayor
Rod Kremer	Council President
Daryn Hoover	Council Vice President
Justing Anderson	Council Member
Jesse Cannon	Council Member
Diane Fugere	Auditor

Rath & Mehler, P.C.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Burlington
Burlington, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Burlington, Burlington, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Burlington, Burlington, North Dakota, as of December 31, 2016 and 2015, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2017 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 11, 2017

CITY OF BURLINGTON

Management's Discussion and Analysis

December 31, 2016 and 2015

The Management's Discussion and Analysis (MD&A) of the City of Burlington's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2016 and 2015. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

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

FINANCIAL HIGHLIGHTS

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

- * Total net position of the city decreased \$136,952 as a result of the current year's operations. Net position of the governmental activities decreased \$221,990 and net position of the business-type activities increased \$85,038.
- * Governmental net position totaled \$6,697,857 and business-type net position totaled \$2,223,410.
- * Total revenues from all sources were \$840,742 for governmental activities and \$632,886 for business-type activities.
- * Total expenses were \$1,066,731 for governmental activities and \$543,849 for business-type activities.
- * The city's general fund had \$371,085 in total revenues and \$396,151 in total expenditures. There was a total of \$17,551 from other financing sources. Overall, the general fund balance decreased by \$7,515 for the year ended December 31, 2016.

Key financial highlights for the year ended December 31, 2015 are as follows:

- * Total net position of the city increased \$534,513 as a result of the current year's operations. Net position of the governmental activities increased \$307,303 and net position of the business-type activities increased \$227,209.
- * Governmental net position totaled \$6,919,848 and business-type net position totaled \$2,138,372.
- * Total revenues from all sources were \$1,519,179 for governmental activities and \$542,621 for business-type activities.
- * Total expenses were \$911,876 for governmental activities and \$615,412 for business-type activities.
- * The city's general fund had \$310,261 in total revenues and \$255,245 in total expenditures. There was a total of \$200,000 paid from other financing uses. Overall, the general fund balance decreased by \$144,985 for the year ended December 31, 2015.

USING THIS ANNUAL REPORT

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

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2016 and 2015?"

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

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

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

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

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, surge funding fund, Jost lot acquisition fund, water tank project fund, flood protection district 2011-1 fund, Highlands Ranch improvement district and SID 2016 - Stemen drive fund are considered "major governmental funds". The city's enterprise fund is considered a "major enterprise fund".

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2016 and 2015. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position decreased by \$136,952 and increased by \$534,513 for the years ended December 31, 2016 and 2015, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2016 the city's net position of \$8,921,268 is segregated into three separate categories. Net investment in capital assets totals \$6,920,810. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,962,246 of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$38,212 which includes (\$54,749) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$92,961 is available to meet the city's ongoing obligations.

Table I
Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	2,602,278	229,364
Capital Assets (net of accumulated depreciation)	8,835,328	2,015,858
Total Assets	<u>11,437,606</u>	<u>2,245,222</u>
Deferred Outflows of Resources	<u>64,404</u>	<u>0</u>
<u>Liabilities</u>		
Current Liabilities	395,000	21,812
Long-Term Liabilities	4,290,000	
Net Pension Liability	97,088	
Total Liabilities	<u>4,782,088</u>	<u>21,812</u>
Deferred Inflows of Resources	<u>22,065</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	4,904,952	2,015,858
Restricted	1,899,822	62,424
Unrestricted	(106,917)	145,129
Total Net Position	<u>6,697,857</u> =====	<u>2,223,410</u> =====

As of December 31, 2015 the city's net position of \$9,058,219 is segregated into three separate categories. Net investment in capital assets totals \$6,934,453. It should be noted that these assets are not available for future spending. The restricted component of net position is \$2,110,537 of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$13,229 which includes (\$48,756) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$61,985 is available to meet the city's ongoing obligations.

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	2,813,493	71,390
Capital Assets (net of accumulated depreciation)	9,015,761	2,086,469
Total Assets	<u>11,829,254</u>	<u>2,157,859</u>
Deferred Outflows of Resources	<u>13,702</u>	<u>0</u>
<u>Liabilities</u>		
Current Liabilities	438,473	19,487
Long-Term Liabilities	4,422,177	
Net Pension Liability	52,257	
Total Liabilities	<u>4,912,907</u>	<u>19,487</u>
Deferred Inflows of Resources	<u>10,201</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	4,847,984	2,086,469
Restricted	2,073,047	37,491
Unrestricted	(1,184)	14,412
Total Net Position	<u>6,919,848</u> =====	<u>2,138,372</u> =====

Net Position
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	1,813,998	1,066,249
Capital Assets (net of accumulated depreciation)	7,185,433	863,450
Total Assets	<u>8,999,431</u>	<u>1,929,699</u>
Deferred Outflows of Resources	<u>7,577</u>	<u>0</u>
Liabilities		
Current Liabilities	328,373	18,537
Long-Term Liabilities	2,005,650	
Net Pension Liability	60,440	
Total Liabilities	<u>2,394,464</u>	<u>18,537</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	6,441,409	863,450
Restricted	443,236	1,208,140
Unrestricted	(272,101)	(160,428)
Total Net Position	<u>6,612,544</u> =====	<u>1,911,162</u> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2016 and 2015. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
Program Revenues:		
Charges for Services	99,472	426,315
Operating Grants and Contributions	422,763	198,966
General Revenues:		
Property Taxes	226,705	
Other Taxes	7,529	
Intergovernmental - Unrestricted	82,093	
Interest Earnings and Other Revenue	2,179	7,605
Total Revenues	<u>840,742</u>	<u>632,886</u>
Expenses		
General Government	200,388	
Public Safety	239,963	
Streets and Public Works	459,636	
Other	4,680	
Interest on Long-Term Debt	162,063	
Enterprise		543,849
Total Expenses	<u>1,066,731</u>	<u>543,849</u>
Net Change in Position Before Transfers	<u>(225,989)</u>	<u>89,037</u>
Transfers	<u>3,999</u>	<u>(3,999)</u>
Net Change in Position	<u>(221,990)</u> =====	<u>85,038</u> =====

Property taxes constituted 15%, other taxes 1%, unrestricted intergovernmental 6%, operating grants and contributions 42%, and charges for services made up 36% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 12%, public safety 15%, streets and public works 29%, and enterprise 34% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	102,343	376,422
Operating Grants and Contributions	1,073,451	161,137
<u>General Revenues:</u>		
Property Taxes	211,797	
Other Taxes	8,500	
Intergovernmental - Unrestricted	120,756	
Interest Earnings and Other Revenue	2,332	5,062
Total Revenues	<u>1,519,179</u>	<u>542,621</u>
Expenses		
General Government	158,635	
Public Safety	202,670	
Streets and Public Works	450,355	
Culture and Recreation	7,696	
Other	6,708	
Interest on Long-Term Debt	57,168	
Discount on Bonds Issued	28,645	
Enterprise		615,412
Total Expenses	<u>911,876</u>	<u>615,412</u>
Net Change in Position Before Transfers	<u>607,303</u>	<u>(72,791)</u>
Transfers	<u>(300,000)</u>	<u>300,000</u>
Net Change in Position	<u>307,303</u> =====	<u>227,209</u> =====

Property taxes constituted 10%, other taxes less than 1%, unrestricted intergovernmental 6%, operating grants and contributions 60%, and charges for services made up 23% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 10%, public safety 13%, streets and public works 29%, and enterprise 40% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	83,701	404,074
Operating Grants and Contributions	689,349	102,529
Capital Grants and Contributions	2,199,107	1,341,009
<u>General Revenues:</u>		
Property Taxes	186,945	
Other Taxes	12,296	
Intergovernmental - Unrestricted	117,802	
Interest Earnings and Other Revenue	18,495	2,068
Total Revenues	<u>3,307,695</u>	<u>1,849,681</u>
Expenses		
General Government	148,066	
Public Safety	227,577	
Streets and Public Works	436,621	
Culture and Recreation	5,201	
Other	23,155	
Interest on Long-Term Debt	79,104	
Enterprise		724,554
Total Expenses	<u>919,724</u>	<u>724,554</u>
Net Change in Position Before Transfers	<u>2,387,971</u>	<u>1,125,127</u>
Transfers	<u>23,570</u>	<u>(23,570)</u>
Net Change in Position	<u>2,411,541</u> =====	<u>1,101,557</u> =====

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

Table III

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

	<u>Total Cost Year Ended Dec. 31, 2016</u>	<u>Net Cost Year Ended Dec. 31, 2016</u>
General Government	200,388	176,499
Public Safety	239,963	177,565
Streets and Public Works	459,636	376,465
Culture and Recreation	4,680	4,680
Interest on Long-Term Debt	162,063	(190,714)
Total Expenses	<u>1,066,731</u> =====	<u>544,496</u> =====

Total and Net Cost of Services
As of December 31, 2015

	Total Cost Year Ended <u>Dec. 31, 2015</u>	Net Cost Year Ended <u>Dec. 31, 2015</u>
General Government	158,635	136,280
Public Safety	202,670	151,316
Streets and Public Works	450,355	(172,336)
Culture and Recreation	7,696	7,696
Other	6,708	6,708
Interest on Long-Term Debt	57,168	(422,226)
Discount on Bonds Issued	28,645	28,645
Total Expenses	<u>911,876</u> =====	<u>(263,918)</u> =====

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$840,742 and expenditures of \$1,325,955 for the year ended December 31, 2016. For the year ended December 31, 2015, the city's governmental funds had total revenue of \$1,519,179 and expenditures of \$3,046,040. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$46,893 and total unassigned fund balances for all of the city's governmental funds was (\$89,073). As of December 31, 2015, the unassigned fund balance of the city's general fund was \$44,562 and total unassigned fund balances for all of the city's governmental funds was (\$12,294).

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2016 and 2015, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2016 was \$28,915 less than budgeted. Actual expenditures for the year ended December 31, 2016 were over budget by \$7,621.

Actual revenue for the year ended December 31, 2015 was \$16,769 more than budgeted. Actual expenditures for the year ended December 31, 2015 were under budget by \$40,912. This variance was due mainly to the city overestimating appropriations for engineering fees included as part of streets and public works.

CAPITAL ASSETS

As of December 31, 2016 and 2015, the city had \$10,851,186 and \$11,102,230, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2016, 2015 and 2014.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	115,700	40,000
Construction in Progress	41,250	
Buildings and Infrastructure	8,575,087	1,962,385
Machinery and Vehicles	103,291	13,473
Total (net of depreciation)	<u>8,835,328</u>	<u>2,015,858</u>
	=====	=====

This total represents a decrease of \$251,044 in capital assets from January 1, 2016. The change in construction in progress and buildings and infrastructure was the result of the city completing the infrastructure improvement for the new subdivision.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	57,000	40,000
Construction in Progress	2,133,086	
Buildings and Infrastructure	6,691,036	2,031,960
Machinery and Vehicles	134,639	14,509
Total (net of depreciation)	<u>9,015,761</u>	<u>2,086,469</u>
	=====	=====

This total represents an increase of \$3,053,347 in capital assets from January 1, 2015. The change in construction in progress and buildings and infrastructure was the result of an ongoing infrastructure project for a new subdivision and the completion of a water project.

Capital Assets (Net of Accumulated Depreciation) As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Land	57,000	40,000
Construction in Progress	5,327,000	205,995
Buildings and Infrastructure	1,635,446	601,910
Machinery and Vehicles	165,987	15,545
Total (net of depreciation)	<u>7,185,433</u>	<u>863,450</u>
	=====	=====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2016, the city had \$4,685,000 in outstanding debt of which \$395,000 was due within one year. As of December 31, 2015, the city had \$4,860,650 in outstanding debt of which \$438,473 was due within one year.

During fiscal years 2016 and 2015, the city issued two new long-term debt obligations:

Special Assessment Bonds in the amount of \$270,000. The city issued the Refunding Improvement Bonds, Series 2016 to fund the completion of a road to the city's sports complex. These bonds will have a final payment on May 1, 2026.

Special Assessment Bonds in the amount of \$2,855,000. The city issued the Refunding Improvement Bonds, Series 2015 to fund the infrastructure improvements for the Highlands Ranch Improvement District. These bonds will have a final payment on May 1, 2035.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF BURLINGTON
Burlington, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	2,601,269.37	193,581.82	2,794,851.19
Accounts Receivable	1,008.90	35,782.33	36,791.23
Capital Assets (net of accumulated depreciation):			
Land	115,700.00	40,000.00	155,700.00
Construction in Progress	41,250.00		41,250.00
Buildings and Infrastructure	8,575,087.00	1,962,385.00	10,537,472.00
Machinery and Vehicles	103,291.00	13,473.00	116,764.00
Total Capital Assets	8,835,328.00	2,015,858.00	10,851,186.00
Total Assets	11,437,606.27	2,245,222.15	13,682,828.42
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	64,404.00		64,404.00
LIABILITIES:			
Water Meter Deposits		21,811.90	21,811.90
Long-Term Liabilities:			
Due Within One Year:			
Special Assessments Bonds Payable	395,000.00		395,000.00
Due After One Year:			
Special Assessments Bonds Payable	4,290,000.00		4,290,000.00
Net Pension Liability	97,088.00		97,088.00
Total Liabilities	4,782,088.00	21,811.90	4,803,899.90
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	22,065.00		22,065.00
NET POSITION:			
Net Investment in Capital Assets	4,904,951.90	2,015,858.00	6,920,809.90
Restricted for:			
Debt Service	262,817.38		262,817.38
Maintenance		59,380.84	59,380.84
Meters		3,042.66	3,042.66
Special Purposes	1,637,004.97		1,637,004.97
Unrestricted	(106,916.98)	145,128.75	38,211.77
Total Net Position	6,697,857.27	2,223,410.25	8,921,267.52

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

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	2,812,806.95	43,506.20	2,856,313.15
Accounts Receivable	685.78	27,883.56	28,569.34
Capital Assets (net of accumulated depreciation):			
Land	57,000.00	40,000.00	97,000.00
Construction in Progress	2,133,086.00		2,133,086.00
Buildings and Infrastructure	6,691,036.00	2,031,960.00	8,722,996.00
Machinery and Vehicles	134,639.00	14,509.00	149,148.00
Total Capital Assets	9,015,761.00	2,086,469.00	11,102,230.00
Total Assets	11,829,253.73	2,157,858.76	13,987,112.49
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	13,702.00		13,702.00
LIABILITIES:			
Water Meter Deposits		19,486.90	19,486.90
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	3,473.40		3,473.40
Special Assessments Bonds Payable	435,000.00		435,000.00
Due After One Year:			
Bank Loan Payable	7,176.79		7,176.79
Special Assessments Bonds Payable	4,415,000.00		4,415,000.00
Net Pension Liability	52,257.00		52,257.00
Total Liabilities	4,912,907.19	19,486.90	4,932,394.09
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	10,201.00		10,201.00
NET POSITION:			
Net Investment in Capital Assets	4,847,984.48	2,086,469.00	6,934,453.48
Restricted for:			
Debt Service	418,323.47		418,323.47
Maintenance		37,490.56	37,490.56
Special Purposes	1,654,723.17		1,654,723.17
Unrestricted	(1,183.58)	14,412.30	13,228.72
Total Net Position	6,919,847.54	2,138,371.86	9,058,219.40
=====			

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

CITY OF BURLINGTON
Burlington, North Dakota

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	200,387.77	23,888.52		(176,499.25)		(176,499.25)
Public Safety	239,963.39	49,016.35	13,381.57	(177,565.47)		(177,565.47)
Streets and Public Works	459,636.37	18,692.00	64,479.87	(376,464.50)		(376,464.50)
Other	4,680.33			(4,680.33)		(4,680.33)
Interest on Long-Term Debt	162,062.99	7,875.51	344,901.14	190,713.66		190,713.66
Total Governmental Activities	1,066,730.85	99,472.38	422,762.58	(544,495.89)		(544,495.89)
<u>Business-Type Activities:</u>						
Enterprise	543,848.70	426,315.17	198,965.65		81,432.12	81,432.12
Total Primary Government	1,610,579.55	525,787.55	621,728.23	(544,495.89)	81,432.12	(463,063.77)
=====						
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				208,688.67		208,688.67
Property taxes; levied for special purposes				18,016.18		18,016.18
Cigarette taxes				3,208.23		3,208.23
Oil and gas production taxes				1,510.78		1,510.78
Telecommunications taxes				2,810.09		2,810.09
Intergovernmental revenue not restricted to specific programs				82,093.23		82,093.23
Earnings on investments and other revenue				2,179.44	7,605.27	9,784.71
Transfers				3,999.00	(3,999.00)	
Total General Revenues and Transfers				322,505.62	3,606.27	326,111.89
Change in Net Position				(221,990.27)	85,038.39	(136,951.88)
Net Position - January 1				6,919,847.54	2,138,371.86	9,058,219.40
Net Position - December 31				6,697,857.27	2,223,410.25	8,921,267.52
=====						

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

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2015

				Net (Expense) Revenue and Changes in Net Position		
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
Primary Government:						
<u>Governmental Activities:</u>						
General Government	158,634.76	22,355.10		(136,279.66)		(136,279.66)
Public Safety	202,669.62	50,274.00	1,079.98	(151,315.64)		(151,315.64)
Streets and Public Works	450,354.60	23,272.00	599,418.67	172,336.07		172,336.07
Culture and Recreation	7,696.43			(7,696.43)		(7,696.43)
Other	6,707.67			(6,707.67)		(6,707.67)
Interest on Long-Term Debt	57,168.17	6,442.33	472,952.32	422,226.48		422,226.48
Discount on Bonds Issued	28,644.71			(28,644.71)		(28,644.71)
Total Governmental Activities	911,875.96	102,343.43	1,073,450.97	263,918.44		263,918.44
<u>Business-Type Activities:</u>						
Enterprise	615,411.87	376,422.30	161,137.34		(77,852.23)	(77,852.23)
Total Primary Government	1,527,287.83	478,765.73	1,234,588.31	263,918.44	(77,852.23)	186,066.21
=====						
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				106,803.89		106,803.89
Property taxes; levied for special purposes				104,992.71		104,992.71
Cigarette taxes				3,440.46		3,440.46
Oil and gas production taxes				2,249.91		2,249.91
Telecommunications taxes				2,810.09		2,810.09
Intergovernmental revenue not restricted to specific programs				120,756.25		120,756.25
Earnings on investments and other revenue				2,331.73	5,061.62	7,393.35
Transfers				(300,000.00)	300,000.00	
Total General Revenues and Transfers				43,385.04	305,061.62	348,446.66
Change in Net Position				307,303.48	227,209.39	534,512.87
Net Position - January 1				6,665,407.06	1,911,162.47	8,576,569.53
Prior Period Adjustment, See Note 13				(52,863.00)		(52,863.00)
Net Position - January 1, as Restated				6,612,544.06		8,523,706.53
Net Position - December 31				6,919,847.54	2,138,371.86	9,058,219.40
=====						

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

CITY OF BURLINGTON
Burlington, North Dakota

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

Major Funds

	General	Surge Funding	Jost Lot Acquisition	Water Tank Project	Flood Protection Dist. 2011-1	Highlands Ranch Improvement District	SID 2016 - Stenen Drive	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Cash, Cash Equivalents and Investments	57,435.42	206,236.87			1,289,864.52	525,880.51	228,743.39	293,108.66	2,601,269.37
Accounts Receivable				627.90				381.00	1,008.90
Interfund Receivable					136,592.98				136,592.98
Total Assets	57,435.42	206,236.87	-0-	627.90	1,426,457.50	525,880.51	228,743.39	293,489.66	2,738,871.25
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Interfund Payable			60,714.81	67,191.01				8,687.16	136,592.98
Fund Balances:									
Restricted for:									
General Government		206,236.87						5,053.05	5,053.05
Streets and Public Works								33,693.55	239,930.42
Emergency Purposes								25,092.67	25,092.67
Technology/Computer								7,801.50	7,801.50
Other Purposes								18,560.92	18,560.92
Aid to New Construction								58,904.00	58,904.00
Debt Service					144,795.09			118,022.29	262,817.38
Flood Protection					1,281,662.41				1,281,662.41
Improvement Districts						525,880.51	228,743.39		754,623.90
Assigned to:									
Public Safety	10,542.86							26,361.68	10,542.86
Streets and Public Works								(8,687.16)	26,361.68
Unassigned	46,892.56		(60,714.81)	(66,563.11)					(89,072.52)
Total Fund Balances	57,435.42	206,236.87	(60,714.81)	(66,563.11)	1,426,457.50	525,880.51	228,743.39	284,802.50	2,602,278.27
Total Liabilities and Fund Balances	57,435.42	206,236.87	-0-	627.90	1,426,457.50	525,880.51	228,743.39	293,489.66	2,738,871.25

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

CITY OF BURLINGTON
Burlington, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2015

	Major Funds						Total
	General	Surge Funding	Water Tank Project	Flood Protection Dist. 2011-1	Highlands Ranch Improvement District	Other Governmental Funds	Governmental Funds
ASSETS:							
Cash, Cash Equivalents and Investments	7,625.73	206,236.87		1,393,697.61	822,648.67	382,598.07	2,812,806.95
Accounts Receivable			468.46			217.32	685.78
Interfund Receivable	57,324.72						57,324.72
Total Assets	64,950.45	206,236.87	468.46	1,393,697.61	822,648.67	382,815.39	2,870,817.45
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Interfund Payable			43,230.20			14,094.52	57,324.72
Fund Balances:							
Restricted for:							
General Government		206,236.87				36,026.90	36,026.90
Streets and Public Works						42,166.60	248,403.47
Culture and Recreation						522.13	522.13
Conserv. of Natural Resources						11,189.97	11,189.97
Emergency Purposes						20,633.02	20,633.02
Other Purposes						16,073.27	16,073.27
Aid to New Construction						40,212.00	40,212.00
Debt Service				112,035.20	130,185.00	176,103.27	418,323.47
Flood Protection				1,281,662.41	692,463.67	410.00	1,281,662.41
Improvement Districts							692,873.67
Assigned to:							
Public Safety	20,388.32						20,388.32
Streets and Public Works						32,064.77	32,064.77
Technology/Computer						7,413.46	7,413.46
Unassigned	44,562.13		(42,761.74)			(14,094.52)	(12,294.13)
Total Fund Balances	64,950.45	206,236.87	(42,761.74)	1,393,697.61	822,648.67	388,720.87	2,813,492.73
Total Liabilities and Fund Balances	64,950.45	206,236.87	-0-	1,393,697.61	822,648.67	382,815.39	2,870,817.45

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

CITY OF BURLINGTON
Burlington, North Dakota

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

Total Fund Balances for Governmental Funds		2,602,278.27
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	10,163,799.00	
Less Accumulated Depreciation	(1,328,471.00)	
Net Capital Assets		8,835,328.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	64,404.00	
Total Deferred Inflows of Resources	(22,065.00)	
Net Deferred Outflows/Inflows of Resources		42,339.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:		
Special Assessments Bonds Payable	(4,685,000.00)	
Net Pension Liability	(97,088.00)	
Total Long-Term Liabilities		(4,782,088.00)
Total Net Position of Governmental Activities		6,697,857.27
		=====

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

CITY OF BURLINGTON
Burlington, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2015

Total Fund Balances for Governmental Funds		2,813,492.73
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,951,663.00	
Less Accumulated Depreciation	(935,902.00)	
Net Capital Assets		9,015,761.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	13,702.00	
Total Deferred Inflows of Resources	(10,201.00)	
Net Deferred Outflows/Inflows of Resources		3,501.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:		
Bank Loan Payable	(10,650.19)	
Special Assessments Bonds Payable	(4,850,000.00)	
Net Pension Liability	(52,257.00)	
Total Long-Term Liabilities		(4,912,907.19)
Total Net Position of Governmental Activities		6,919,847.54
		=====

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

CITY OF BURLINGTON
Burlington, North Dakota

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

Major Funds

	General	Surge Funding	Jost Lot Acquisition	Water Tank Project	Flood Protection Dist. 2011-1	Highlands Ranch Improvement District	SID 2016 - Stenen Drive	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>									
Taxes	209,145.95			8,517.98				11,851.01	229,514.94
Special Assessments				64,821.29	154,023.64	23,894.52		102,161.69	344,901.14
Licenses, Permits and Fees	23,888.52							15,000.00	38,888.52
Intergovernmental	88,562.24							76,111.44	164,673.68
Charges for Services				7,875.51				3,692.00	11,567.51
Fines and Forfeitures	49,016.35								49,016.35
Miscellaneous	472.06							1,707.38	2,179.44
Total Revenues	371,085.12			81,214.78	154,023.64	23,894.52		210,523.52	840,741.58
<u>Expenditures:</u>									
Current:									
General Government	186,790.79							6,670.98	193,461.77
Public Safety	197,070.12							26,224.27	223,294.39
Streets and Public Works	1,300.00		2,014.81				6.61	81,347.95	84,669.37
Other			58,700.00					4,680.33	4,680.33
Capital Outlay						112,186.00	41,250.00		212,136.00
Debt Service:									
Principal	10,650.19			102,036.15	75,000.00	100,000.00		157,963.85	445,650.19
Interest and Service Charges	340.36			2,980.00	46,263.75	108,476.88		4,002.20	162,062.99
Total Expenditures	396,151.46		60,714.81	105,016.15	121,263.75	320,662.68	41,256.61	280,889.58	1,325,955.04
Excess (Deficiency) of Revenues Over Expenditures	(25,066.34)		(60,714.81)	(23,801.37)	32,759.89	(296,768.16)	(41,256.61)	(70,366.06)	(485,213.46)

<u>Other Financing Sources (Uses):</u>					
Transfers In	45,264.53			28,712.22	73,976.75
Transfers Out	(27,713.22)			(42,264.53)	(69,977.75)
Special Assessment Bonds Issued			270,000.00		270,000.00
<hr/>					
Total Other Financing Sources (Uses)	17,551.31		270,000.00	(13,552.31)	273,999.00
<hr/>					
Net Change in Fund Balances	(7,515.03)	(60,714.81)	32,759.89	(296,768.16)	(83,918.37)
<hr/>					
Fund Balance - January 1	64,950.45	206,236.87	-0-	822,648.67	2,813,492.73
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Fund Balance - December 31	57,435.42	206,236.87	(60,714.81)	1,426,457.50	2,602,278.27
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The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

Major Funds

	General	Surge Funding	Water Tank Project	Flood Protection Dist. 2011-1	Highlands Ranch Improvement District	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	109,613.98					104,992.71	214,606.69
Special Assessments			73,743.86	145,560.64	130,185.00	123,462.82	472,952.32
Licenses, Permits and Fees	22,355.10					22,500.00	44,855.10
Intergovernmental	127,526.60	476,211.87				123,206.80	726,945.27
Charges for Services			6,442.33			772.00	7,214.33
Fines and Forfeitures	50,274.00						50,274.00
Miscellaneous	491.13					1,840.60	2,331.73
Total Revenues	310,260.81	476,211.87	80,186.19	145,560.64	130,185.00	376,774.93	1,519,179.44
Expenditures:							
Current:							
General Government	77,419.15					84,389.61	161,808.76
Public Safety	171,606.16					14,394.46	186,000.62
Streets and Public Works	2,420.00	70,186.34			805.62	91,786.64	165,198.60
Culture and Recreation						7,696.43	7,696.43
Other						6,707.67	6,707.67
Capital Outlay					2,133,086.00		2,133,086.00
Debt Service:							
Principal	3,373.44		121,000.00	75,000.00		129,000.00	328,373.44
Interest and Service Charges	426.56		2,696.28	46,589.83		7,455.50	57,168.17
Total Expenditures	255,245.31	70,186.34	123,696.28	121,589.83	2,133,891.62	341,430.31	3,046,039.69
Excess (Deficiency) of Revenues Over Expenditures	55,015.50	406,025.53	(43,510.09)	23,970.81	(2,003,706.62)	35,344.62	(1,526,860.25)

<u>Other Financing Sources (Uses):</u>					
Transfers In	3,500.00			105,788.66	109,288.66
Transfers Out	(203,500.00)	(199,788.66)		(6,000.00)	(409,288.66)
Special Assessment Bonds Issued					2,855,000.00
Discount on Bonds				2,855,000.00	(28,644.71)
				(28,644.71)	
Total Other Financing Sources (Uses)	(200,000.00)	(199,788.66)		99,788.66	2,526,355.29
Net Change in Fund Balances	(144,984.50)	206,236.87	(43,510.09)	23,970.81	822,648.67
Fund Balance - January 1	209,934.95	-0-	748.35	1,369,726.80	-0-
Fund Balance - December 31	64,950.45	206,236.87	(42,761.74)	1,393,697.61	822,648.67
				368,720.87	2,813,492.73

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

CITY OF BURLINGTON
Burlington, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	(211,214.46)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	212,136.00	
Current Year Depreciation Expense	(392,569.00)	(180,433.00)

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

Debt Proceeds	(270,000.00)	
Repayment of Debt	445,650.19	175,650.19

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

Net Increase to Pension Expense	(5,993.00)
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Change in Net Position of Governmental Activities	(221,990.27)
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The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON
Burlington, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	999,495.04
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	2,133,086.00	
Current Year Depreciation Expense	(302,758.00)	1,830,328.00

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

Debt Proceeds	(2,855,000.00)	
Repayment of Debt	328,373.44	(2,526,626.56)

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

Net Decrease to Pension Expense	4,107.00

Change in Net Position of Governmental Activities	307,303.48

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

CITY OF BURLINGTON
Burlington, North Dakota

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

	Major Enterprise Fund
	<hr/>
	Enterprise
	<hr/>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	193,581.82
Accounts Receivable	35,782.33
	<hr/>
Total Current Assets	229,364.15
	<hr/>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Land	40,000.00
Buildings and Infrastructure	1,962,385.00
Machinery and Vehicles	13,473.00
	<hr/>
Total Noncurrent Assets	2,015,858.00
	<hr/>
Total Assets	2,245,222.15
	=====
 <u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Water Meter Deposits	21,811.90
	<hr/>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	2,015,858.00
Restricted for Maintenance	59,380.84
Restricted for Meters	3,042.66
Unrestricted	145,128.75
	<hr/>
Total Net Position	2,223,410.25
	=====

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

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2015

	Major Enterprise Fund
	<hr/>
	Enterprise
	<hr/>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	43,506.20
Accounts Receivable	27,883.56
	<hr/>
Total Current Assets	71,389.76
	<hr/>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Land	40,000.00
Buildings and Infrastructure	2,031,960.00
Machinery and Vehicles	14,509.00
	<hr/>
Total Noncurrent Assets	2,086,469.00
	<hr/>
Total Assets	2,157,858.76
	=====
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Water Meter Deposits	19,486.90
	<hr/>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	2,086,469.00
Restricted for Maintenance	37,490.56
Unrestricted	14,412.30
	<hr/>
Total Net Position	2,138,371.86
	=====

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

CITY OF BURLINGTON
Burlington, North Dakota

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

	Major Enterprise Fund
	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	170,578.29
Bulk Water Sales	27,980.09
Sewer Charges	95,000.06
Garbage Charges	81,242.00
Finance Charges	581.79
Maintenance Fee Charges	21,890.28
Other Charges	29,042.66
Total Operating Revenues	<u>426,315.17</u>
<u>Operating Expenses:</u>	
Salaries	132,314.10
Health Insurance	17,295.60
Engineering	11,162.50
Insurance	8,855.38
Auto Expense	1,697.77
Life Insurance	791.40
Schools/Dues/Meetings	4,769.83
Utilities	19,864.43
Chemicals	3,306.88
Improvements and Maintenance	110,841.87
Purchased Water	86,882.75
Meter Reader	1,200.00
Garbage Contract	61,268.80
Supplies	5,404.25
Equipment Expense	2,521.01
Depreciation	70,611.00
Total Operating Expenses	<u>538,787.57</u>
Operating Income (Loss)	<u>(112,472.40)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	4,687.76
Special Assessments	582.98
FEMA	198,382.67
Miscellaneous Revenue	2,917.51
Flood Related Repairs and Improvements	(5,061.13)
Total Non-Operating Revenues (Expenses)	<u>201,509.79</u>
Income (Loss) Before Transfers	<u>89,037.39</u>
Transfers In	1.00
Transfers Out	(4,000.00)
Change in Net Position	<u>85,038.39</u>
Net Position - January 1	<u>2,138,371.86</u>
Net Position - December 31	<u>2,223,410.25</u> =====

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

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015

	Major Enterprise Fund
	<hr/>
	Enterprise
	<hr/>
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	146,044.11
Bulk Water Sales	55,900.04
Sewer Charges	84,330.80
Garbage Charges	68,001.05
Finance Charges	862.03
Maintenance Fee Charges	20,284.27
Other Charges	1,000.00
Total Operating Revenues	<hr/> 376,422.30 <hr/>
<u>Operating Expenses:</u>	
Salaries	129,611.13
Health Insurance	16,325.60
Engineering	23,766.04
Insurance	7,051.29
Auto Expense	2,774.98
Life Insurance	713.68
Schools/Dues/Meetings	3,103.95
Utilities	23,379.91
Chemicals	8,277.22
Improvements and Maintenance	152,681.72
Purchased Water	71,391.76
Meter Reader	1,200.00
Garbage Contract	50,776.67
Supplies	5,560.04
Equipment Expense	6,378.04
Mosquito/Weed Control	6,213.06
Reimbursements	35,595.78
Depreciation	70,611.00
Total Operating Expenses	<hr/> 615,411.87 <hr/>
Operating Income (Loss)	<hr/> (238,989.57) <hr/>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	2,102.07
Special Assessments	518.42
Energy Impact Grant	160,618.92
Burlington Recreation Commission	641.25
Miscellaneous Revenue	2,318.30
Total Non-Operating Revenues (Expenses)	<hr/> 166,198.96 <hr/>
Income (Loss) Before Transfers	<hr/> (72,790.61) <hr/>
Transfers In	<hr/> 300,000.00 <hr/>
Change in Net Position	<hr/> 227,209.39 <hr/>
Net Position - January 1	<hr/> 1,911,162.47 <hr/>
Net Position - December 31	<hr/> 2,138,371.86 <hr/> <hr/>

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

CITY OF BURLINGTON
Burlington, North Dakota

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

	Major Enterprise Fund
	Enterprise
<u>Cash flows from operating activities:</u>	
Receipts from customers	418,416.40
Meter deposits	4,800.00
Payments to suppliers	(317,775.47)
Payments to/on behalf of employees	(150,401.10)
Refund of meter deposits	(2,475.00)
Net cash provided (used) by operating activities	(47,435.17)
<u>Cash flows from noncapital financing activities:</u>	
Special assessments	582.98
FEMA	198,382.67
Miscellaneous receipts	2,917.51
Flood related repairs and improvements	(5,061.13)
Transfers in	1.00
Transfers out	(4,000.00)
Net cash provided (used) by noncapital financing activities	192,823.03
<u>Cash flows from investing activities:</u>	
Interest income	4,687.76
Net increase in cash and cash equivalents	150,075.62
Cash and cash equivalents, January 1	43,506.20
Cash and cash equivalents, December 31	193,581.82
	=====

(continued)

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

	Major Enterprise Fund
	Enterprise
<hr/>	
Reconciliation of Operating Income to Net <u>Cash Provided (Used) by Operating Activities</u>	
Operating income (loss)	(112,472.40)
Adjustments to reconcile operating income to net <u>cash provided (used) by operating activities:</u>	
(Increase) in accounts receivable	(7,898.77)
Increase in deposits payable	2,325.00
Depreciation expense	70,611.00
<hr/>	
Net cash provided (used) by operating activities	(47,435.17)

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

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015

	Major Enterprise Fund
	<hr/>
	Enterprise
	<hr/>
<u>Cash flows from operating activities:</u>	
Receipts from customers	382,355.97
Meter deposits	3,075.00
Payments to suppliers	(398,150.46)
Payments to/on behalf of employees	(146,650.41)
Refund of meter deposits	(2,125.00)
	<hr/>
Net cash provided (used) by operating activities	(161,494.90)
	<hr/>
<u>Cash flows from noncapital financing activities:</u>	
Special assessments	518.42
Miscellaneous receipts	2,959.55
Transfers in	300,000.00
	<hr/>
Net cash provided (used) by noncapital financing activities	303,477.97
	<hr/>
<u>Cash flows from capital and related financing activities:</u>	
Energy impact grants	160,618.92
Force main project	(1,293,630.00)
	<hr/>
Net cash provided (used) by capital and related financing activities	(1,133,011.08)
	<hr/>
<u>Cash flows from investing activities:</u>	
Interest income	2,102.07
	<hr/>
Net increase in cash and cash equivalents	(988,925.94)
	<hr/>
Cash and cash equivalents, January 1	1,032,432.14
	<hr/>
Cash and cash equivalents, December 31	43,506.20
	=====

(continued)

CITY OF BURLINGTON
Burlington, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2015
(continued)

	Major Enterprise Fund
	<hr/>
	Enterprise
	<hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	(238,989.57)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Decrease in accounts receivable	5,933.67
Increase in deposits payable	950.00
Depreciation expense	70,611.00
	<hr/>
Net cash provided (used) by operating activities	(161,494.90) =====

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

CITY OF BURLINGTON
Burlington, North Dakota

Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Burlington as a reporting entity.

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

Surge Funding. This fund accounts for the 2015 SB 2103 Section 1 funding (Surge Funds) from the State of North Dakota that the city used or intends to use for various infrastructure improvement projects.

Jost Lot Acquisition. This fund accounts for the purchase of lots related to flood protection. The city expects to receive funding from the North Dakota State Water Commission to cover a portion of these costs.

Water Tank Project. This fund is used to accumulate resources to pay the principal and interest payments of the Refunding Improvement Bonds, Series 2013.

Flood Protection District 2011-1. This fund accounts for the proceeds of the Refunding Improvement Bonds of 2011 issued to provide funding for flood protection and the clean up costs related to major flooding that occurred in the spring of 2011. The city subsequently received funding from the North Dakota State Water Commission in 2012 to cover approximately 75% of flood related costs. The city assessed local residents to pay the principal and interest payments on this debt and are currently collecting special assessments. The city intends to payoff these bonds in 2017 with available funds.

Highlands Ranch Improvement District. This fund accounts for the proceeds of the Refunding Improvement Bonds, Series 2015 used to construct streets and install water and sewer lines for a new residential subdivision.

SID 2016 - Stemen Drive. This fund accounts for the proceeds of the Refunding Improvement Bonds, Series 2016 used to finish the road to the city's sports complex.

The city reports the following major enterprise fund:

Enterprise. This fund accounts for the activities of the city's water distribution system, sewage collection system and garbage collection system.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	5 to 20 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. Long-Term Obligations

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

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

H. Pension

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

I. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2016 the city's carrying amount of deposits was \$2,794,851 and the bank balance was \$2,822,327. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$2,572,327 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2015 the city's carrying amount of deposits was \$2,856,313 and the bank balance was \$2,869,815. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$2,619,815 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2016 the city held certificates of deposit in the amount of \$540,000, which are all considered deposits.

At December 31, 2015 the city held certificates of deposit in the amount of \$540,000, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from city residents for utility services provided.

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2016 and 2015 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2016</u>		
Flood Prot. Dist. 2011-1	136,592.98	
Jost Lot Acquisition		60,714.81
Water Tank Project		67,191.01
WSI Ergo Grant		2,047.60
Flood 2013		5,527.50
Harvest Heights Impr. Dist.		487.06
Chip Sealing Project - 2017		625.00
<u>December 31, 2015</u>		
General Fund	57,324.72	
Water Tank Project		43,230.20
Police Oil Impact Grant 2013		9,034.52
Flood 2013		4,565.00
Permanent Levee		495.00

Note 6 CAPITAL ASSETS

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

	<u>2016</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>
Governmental Activities:			<u>Balance December 31</u>
<i>Capital assets not being depreciated:</i>			
Land	57,000	58,700	115,700
Construction in Progress	2,133,086	153,436	2,245,272
Total	<u>2,190,086</u>	<u>212,136</u>	<u>2,245,272</u>
<i>Capital assets being depreciated:</i>			
Buildings and Infrastructure	7,492,398	2,245,272	9,737,670
Machinery and Vehicles	269,179		269,179
Total	<u>7,761,577</u>	<u>2,245,272</u>	<u>10,006,849</u>
<i>Less accumulated depreciation for:</i>			
Buildings and Infrastructure	801,362	361,221	1,162,583
Machinery and Vehicles	134,540	31,348	165,888
Total	<u>935,902</u>	<u>392,569</u>	<u>1,328,471</u>
Total capital assets being depreciated, net	<u>6,825,675</u>	<u>1,852,703</u>	<u>8,678,378</u>
Governmental Activities Capital Assets, Net	<u>9,015,761</u>	<u>2,064,839</u>	<u>2,245,272</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	57,000			57,000
Construction in Progress	5,327,000	2,133,086	5,327,000	2,133,086
Total	<u>5,384,000</u>	<u>2,133,086</u>	<u>5,327,000</u>	<u>2,190,086</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,165,398	5,327,000		7,492,398
Machinery and Vehicles	269,179			269,179
Total	<u>2,434,577</u>	<u>5,327,000</u>		<u>7,761,577</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	529,952	271,410		801,362
Machinery and Vehicles	103,192	31,348		134,540
Total	<u>633,144</u>	<u>302,758</u>		<u>935,902</u>
Total capital assets being depreciated, net	<u>1,801,433</u>	<u>5,024,242</u>		<u>6,825,675</u>
Governmental Activities Capital Assets, Net	<u>7,185,433</u>	<u>7,157,328</u>	<u>5,327,000</u>	<u>9,015,761</u>

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	40,000			40,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,572,965			2,572,965
Machinery and Vehicles	20,725			20,725
Total	<u>2,593,690</u>			<u>2,593,690</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	541,005	69,575		610,580
Machinery and Vehicles	6,216	1,036		7,252
Total	<u>547,221</u>	<u>70,611</u>		<u>617,832</u>
Total capital assets being depreciated, net	<u>2,046,469</u>	<u>(70,611)</u>		<u>1,975,858</u>
Business-type Activities Capital Assets, Net	<u>2,086,469</u>	<u>(70,611)</u>	<u>-0-</u>	<u>2,015,858</u>

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	40,000			57,000
Construction in Progress	205,995	1,293,630	1,499,625	
Total	<u>245,995</u>	<u>1,293,630</u>	<u>1,499,625</u>	<u>57,000</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,073,340	1,499,625		2,572,965
Machinery and Vehicles	20,725			20,725
Total	<u>1,094,065</u>	<u>1,499,625</u>		<u>2,593,690</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	471,430	69,575		541,005
Machinery and Vehicles	5,180	1,036		6,216
Total	<u>476,610</u>	<u>70,611</u>		<u>547,221</u>
Total capital assets being depreciated, net	<u>617,455</u>	<u>1,429,014</u>		<u>2,046,469</u>
Business-type Activities Capital Assets, Net	<u>863,450</u>	<u>2,722,644</u>	<u>1,499,625</u>	<u>2,086,469</u>
	=====	=====	=====	=====

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

	<u>2016</u>	<u>2015</u>
<u>Governmental Activities:</u>		
General Government	933	933
Public Safety	16,669	16,669
Streets and Public Works	374,967	285,156
Total	<u>392,569</u>	<u>302,758</u>
	=====	=====
<u>Business-type Activities:</u>		
Enterprise	70,611	70,611
	=====	=====

Note 7 WATER METER DEPOSITS PAYABLE

Water meter deposits payable consist of amounts owed to residents for meter installations which are to be paid back over a period of time.

Note 8 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2016 and 2015, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

<u>2016</u>					
	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bank Loan Payable	10,650		10,650		
Special Assmt.					
Bonds	4,850,000	270,000	435,000	4,685,000	395,000
Total	4,860,650	270,000	445,650	4,685,000	395,000
	=====	=====	=====	=====	=====
<u>2015</u>					
	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bank Loan Payable	14,024		3,374	10,650	3,473
Special Assmt.					
Bonds	2,320,000	2,855,000	325,000	4,850,000	435,000
Total	2,334,024	2,855,000	328,374	4,860,650	438,473
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2016 consists of the following:

Governmental Activities:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction of streets and/or water and sewer lines. Special assessment bonds outstanding at December 31, 2016 are as follows:

\$320,000 Refunding Improvement Bonds of 2008; due in annual installments of \$30,000 through May 1, 2018; interest is 4.4%.	60,000.00
\$1,810,000 Refunding Improvement Bonds of 2011; due in annual installments of \$75,000 to \$120,000 through May 1, 2031; interest is from 1.1% to 4%.	1,440,000.00
\$815,000 Refunding Improvement Bonds of 2013; due in annual installments of \$160,000 to \$230,000 through May 1, 2031; interest is from .5% to 1%.	160,000.00
\$2,855,000 Refunding Improvement Bonds of 2015; due in annual installments of \$115,000 to \$195,000 through May 1, 2035; interest is from 1% to 4%.	2,755,000.00
\$270,000 Refunding Improvement Bonds of 2016; due in annual installments of \$15,000 to \$30,000 through May 1, 2026; interest is from .75% to 1.75%.	270,000.00

Total Special Assessment Bonds Payable	4,685,000.00
	=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	395,000	137,136
2018	250,000	136,836
2019	220,000	126,606
2020	230,000	122,396
2021	235,000	117,563
2022-2026	1,275,000	492,386
2027-2031	1,340,000	278,325
2032-2035	740,000	60,600
Total	<u>4,685,000</u>	<u>1,471,848</u>
	=====	=====

Note 9 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2016</u>		
Police Vehicle Reserve	3,000.00	
General Fund		3,000.00
Building	2,000.00	
Technology/Computer	2,000.00	
Enterprise Operating		4,000.00
To transfer funds to various reserves.		
Police Oil Impact Grant 2013	1,285.52	
WSI ERGO Grant	590.00	
Siren Grant	22,341.70	
Permanent Levee	495.00	
Force Main Project 2014	1.00	
General Fund		24,713.22
To subsidize expenditures/eliminate deficits.		
General	42,264.53	
Social Security and Pension		19,487.49
Advertising		5,047.06
Insurance Reserve		6,017.88
Forestry		11,189.97
Recreation		522.13
To close funds.		

December 31, 2015

Police Vehicle Reserve	3,500.00	
General Fund		3,500.00

Street Sealing Reserve	2,000.00	
Building	2,000.00	
Technology/Computer	2,000.00	
Highway		6,000.00

To transfer funds to various reserves.

Enterprise Operating	300,000.00	
General Fund		200,000.00
Surge Funding		100,000.00

Riverwood 2nd Addition Loan	1,527.00	
Siren Grant	12,058.14	
Temporary Levee 2013	18,228.93	
Park Road Bridge Repair	67,974.59	
Surge Funding		99,788.66

To subsidize expenditures/eliminate deficits.

Note 10 DEFICIT FUND BALANCES

The following funds had a deficit balance for the years ending December 31:

	<u>2016</u>	<u>2015</u>
<u>Special Revenue Funds</u>		
Jost Lot Acquisition	(60,714.81)	
Police Oil Impact Grant 2013		(9,034.52)
WSI Ergo Grant	(2,047.60)	
Flood 2013	(5,527.50)	(4,565.00)
Permanent Levee		(495.00)
<u>Debt Service Fund</u>		
Water Tank Project	(66,563.11)	(42,761.74)
<u>Capital Projects Funds</u>		
Harvest Heights Improvement Dist.	(487.06)	
Chip Sealing Project - 2017	(625.00)	
<u>Enterprise Funds</u>		
Enterprise Reserve		(91,718.55)
Force Main Project 2014		(1.00)
Transmission Line	(53,452.68)	

The city plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

Note 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$464,122 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$838,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance.

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

Note 12 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service -
Greater of one percent of monthly salary or \$25
- 13 to 25 months of service -
Greater of two percent of monthly salary or \$25
- 25 to 36 months of service -
Greater of three percent of monthly salary or \$25
- Longer than 36 months of service -
Greater of four percent of monthly salary or \$25

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

At December 31, 2016, the City of Burlington reported a liability of \$97,088 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015 the city's proportion was .014278 percent, which was an increase of .006045 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2016 the city recognized pension expense of \$16,687. At December 31, 2016 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	2,817	
Changes in assumptions		8,650
Net difference between projected and actual earnings on pension plan investments	11,218	13,268
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,153	147
City contributions subsequent to the measurement date (see below)	13,216	
Total	<u>64,404</u>	<u>22,065</u>
	=====	=====

\$13,216 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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	4,803
2018	4,803
2019	4,803
2020	9,038
2021	5,677
Thereafter	0

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 Retiree Morality Table with ages set back one year for males (not set back for females).

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

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

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 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 city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
The city's proportionate share of the net pension liability	148,880	97,088	54,713

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

Note 13 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Governmental Activities. This adjustment was made to account for the city's net pension liability less it's deferred outflows of resources at December 31, 2014.

CITY OF BURLINGTON
Burlington, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	222,510.09	222,510.09	209,145.95	(13,364.14)
Licenses, Permits and Fees	18,300.00	18,300.00	23,888.52	5,588.52
Intergovernmental	123,190.38	123,190.38	88,562.24	(34,628.14)
Fines and Forfeitures	35,000.00	35,000.00	49,016.35	14,016.35
Miscellaneous	1,000.00	1,000.00	472.06	(527.94)
Total Revenues	400,000.47	400,000.47	371,085.12	(28,915.35)
<u>Expenditures:</u>				
Current:				
General Government	171,538.00	171,538.00	186,790.79	(15,252.79)
Public Safety	206,992.00	206,992.00	197,070.12	9,921.88
Streets and Public Works	10,000.00	10,000.00	1,300.00	8,700.00
Debt Service:				
Principal			10,650.19	(10,650.19)
Interest			340.36	(340.36)
Total Expenditures	388,530.00	388,530.00	396,151.46	(7,621.46)
Excess (Deficiency) of Revenues Over Expenditures	11,470.47	11,470.47	(25,066.34)	(36,536.81)
<u>Other Financing Sources (Uses):</u>				
Transfers In			45,264.53	45,264.53
Transfers Out			(27,713.22)	(27,713.22)
Total Other Financing Sources (Uses)			17,551.31	17,551.31
Net Change in Fund Balances	11,470.47	11,470.47	(7,515.03)	(18,985.50)
Fund Balance - January 1	64,950.45	64,950.45	64,950.45	
Fund Balance - December 31	76,420.92	76,420.92	57,435.42	(18,985.50)

CITY OF BURLINGTON
Burlington, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	114,150.00	114,150.00	109,613.98	(4,536.02)
Licenses, Permits and Fees	18,700.00	18,700.00	22,355.10	3,655.10
Intergovernmental	130,329.00	130,329.00	127,526.60	(2,802.40)
Fines and Forfeitures	30,000.00	30,000.00	50,274.00	20,274.00
Miscellaneous	313.00	313.00	491.13	178.13
Total Revenues	293,492.00	293,492.00	310,260.81	16,768.81
Expenditures:				
Current:				
General Government	78,852.00	78,852.00	77,419.15	1,432.85
Public Safety	187,305.00	187,305.00	171,606.16	15,698.84
Streets and Public Works	30,000.00	30,000.00	2,420.00	27,580.00
Debt Service:				
Principal			3,373.44	(3,373.44)
Interest			426.56	(426.56)
Total Expenditures	296,157.00	296,157.00	255,245.31	40,911.69
Excess (Deficiency) of Revenues Over Expenditures	(2,665.00)	(2,665.00)	55,015.50	57,680.50
Other Financing Sources (Uses):				
Transfers In	3,000.00	3,000.00	3,500.00	500.00
Transfers Out			(203,500.00)	(203,500.00)
Total Other Financing Sources (Uses)	3,000.00	3,000.00	(200,000.00)	(203,000.00)
Net Change in Fund Balances	335.00	335.00	(144,984.50)	(145,319.50)
Fund Balance - January 1	209,934.95	209,934.95	209,934.95	
Fund Balance - December 31	210,269.95	210,269.95	64,950.45	(145,319.50)

CITY OF BURLINGTON
Burlington, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the city's budgets for the years ending December 31, 2016 and 2015.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2016</u>	<u>2015</u>
General Fund	7,621.46	
<u>Special Revenue Funds</u>		
* Surge Funding		70,186.34
# Jost Lot Acquisition	60,714.81	
+ Building	2,421.42	2,326.12
* Recreation		371.43
+ Street Sealing Reserve	1,666.64	4,530.70
Highway	2,041.30	8,623.09
* Highway Special Distribution		3,224.00
+ Highway Equipment Reserve	4,036.45	6,328.85
+ Technology/Computer	1,611.96	4,333.49
+ Police Oil Impact Grant	3,882.57	9,059.52
# WSI ERGO Grant	2,637.60	
# Bus Shelter	271.04	
+ Siren Grant	22,341.70	5,334.94
# Flood 2013	962.50	
* Temporary Levee		495.00
* Permanent Levee		495.00

Debt Service Funds

Water Tank Project		252.28
Flood Prot. Dist. 2011-1	1,412.75	469.83
Street Impr. Dist. No. 3	23,202.65	142.25
Street Impr. Dist. No. 4	622.40	

A budget was not prepared for this fund for the year ending December 31, 2016.

* A budget was not prepared for this fund for the year ending December 31, 2015.

+ A budget was not prepared for this fund for the years ending December 31, 2016 and 2015.

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF BURLINGTON
Burlington, North Dakota

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

	2015 -----	2016 -----
City's proportion of the net pension liability	0.008233%	0.014278%
City's proportionate share of the net pension liability	52,257	97,088
City's covered-employee payroll	101,328	133,226
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.57%	72.87%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

	2015 -----	2016 -----
Statutorily required contribution	6,727	9,486
Contributions in relation to the statutorily required contribution	(6,727)	(9,486)
Contribution deficiency (excess)	0	0
City's covered-employee payroll	101,328	133,226
Contributions as a percentage of covered-employee payroll	6.64%	7.12%

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

- For changes of assumptions, see Note 12 to the financial statements.

CITY OF BURLINGTON
Burlington, North Dakota

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

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Governmental Funds:						
General Fund:						
General Operating	44,562.13	369,335.12	42,264.53	27,713.22	381,556.00	46,892.56
Police Vehicle Reserve	20,388.32	1,750.00	3,000.00		14,595.46	10,542.86
Total General Fund	64,950.45	371,085.12	45,264.53	27,713.22	396,151.46	57,435.42
Surge Funding	206,236.87					206,236.87
Jost Lot Acquisition					60,714.81	(60,714.81)
Water Tank Project	(43,230.20)	81,055.34			105,016.15	(67,191.01)
Flood Protection Dist. 2011-1	1,393,697.61	154,023.64			121,263.75	1,426,457.50
Highlands Ranch Impr. District	822,648.67	23,894.52			320,662.68	525,880.51
SID 2016 - Stemen Drive		270,000.00			41,256.61	228,743.39
Total Major Governmental Funds	2,444,303.40	900,058.62	45,264.53	27,713.22	1,045,065.46	2,316,847.87
Non-Major Governmental Funds:						
Social Security & Pension	19,487.49			19,487.49		
Building	5,474.47		2,000.00		2,421.42	5,053.05
Recreation	522.13			522.13		
City Share of Specials	12,323.27	5,667.98			4,409.29	13,581.96
Special Assessment Deficiency	32,705.54	1,723.38				34,428.92
Street Sealing Reserve	11,732.15				1,666.64	10,065.51
Highway	42,166.60	64,687.25			73,160.30	33,693.55
Highway Equipment Reserve	20,332.62				4,036.45	16,296.17
Advertising	5,047.06			5,047.06		
Emergency	20,633.02	4,459.65				25,092.67
Insurance Reserve	6,017.88			6,017.88		
Forestry	11,189.97			11,189.97		
Technology/Computer	7,413.46		2,000.00		1,611.96	7,801.50
Police Oil Impact Grant 2013	(9,034.52)	11,631.57	1,285.52		3,882.57	(0.00)
WSI Ergo Grant			590.00		2,637.60	(2,047.60)
Bus Shelter	3,750.00	1,500.00			271.04	4,978.96
Siren Grant			22,341.70		22,341.70	
Flood 2013	(4,565.00)				962.50	(5,527.50)
Permanent Levee	(495.00)		495.00			
Aid to New Construction	39,994.68	18,528.32				58,523.00
Street Improvement Dist. No. 3	44,837.39	89,690.39			128,043.65	6,484.13
Street Improvement Dist. No. 4	98,560.34	12,471.30			33,922.40	77,109.24
Harvest Heights Impr. District	410.00				897.06	(487.06)
Chip Sealing Project - 2017					625.00	(625.00)
Total Non-Major Governmental Funds	368,503.55	210,359.84	28,712.22	42,264.53	280,889.58	284,421.50
Total Governmental Funds	2,812,806.95	1,110,418.46	73,976.75	69,977.75	1,325,955.04	2,601,269.37
Major Enterprise Fund:						
Enterprise:						
Operating	74,222.29	401,671.71		4,000.00	414,723.89	57,170.11
Meter Deposits	19,486.90	4,800.00			2,475.00	21,811.90
Enterprise Reserve	(91,718.55)	198,382.67			5,061.13	101,602.99
Maintenance Reserve	37,490.56	21,890.28				59,380.84
West River Enterprise Reserve	4,026.00					4,026.00
Meter		3,042.66				3,042.66
Force Main Project 2014	(1.00)		1.00			
Transmission Line					53,452.68	(53,452.68)
Total Major Enterprise Fund	43,506.20	629,787.32	1.00	4,000.00	475,712.70	193,581.82
Total All Funds	2,856,313.15	1,740,205.78	73,977.75	73,977.75	1,801,667.74	2,794,851.19

CITY OF BURLINGTON
Burlington, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Major Governmental Funds:						
General Fund:						
General Operating	192,396.61	309,180.83		203,500.00	253,515.31	44,562.13
Police Vehicle Reserve	17,538.34	1,079.98	3,500.00		1,730.00	20,388.32
Total General Fund	209,934.95	310,260.81	3,500.00	203,500.00	255,245.31	64,950.45
Surge Funding		476,211.87		199,788.66	70,186.34	206,236.87
Water Tank Project	359.92	80,106.16			123,696.28	(43,230.20)
Flood Protection Dist. 2011-1	1,369,726.80	145,560.64			121,589.83	1,393,697.61
Highlands Ranch Impr. District		2,956,540.29			2,133,891.62	822,648.67
Total Major Governmental Funds	1,580,021.67	3,968,679.77	3,500.00	403,288.66	2,704,609.38	2,444,303.40
Non-Major Governmental Funds:						
Social Security & Pension	17,628.92	67,572.15			65,713.58	19,487.49
Building	5,800.59		2,000.00		2,326.12	5,474.47
Recreation	1,194.18	7,024.38			7,696.43	522.13
City Share of Specials	12,530.09	6,450.85			6,657.67	12,323.27
Special Assessment Deficiency	30,764.17	1,941.37				32,705.54
Street Sealing Reserve	14,262.85		2,000.00		4,530.70	11,732.15
Highway	51,347.29	73,342.40		6,000.00	76,523.09	42,166.60
Highway Special Distribution	3,224.00				3,224.00	
Highway Equipment Reserve	26,661.47				6,328.85	20,332.62
Advertising	3,900.78	2,820.54			1,674.26	5,047.06
Emergency	15,548.46	5,134.56			50.00	20,633.02
Insurance Reserve	2,311.18	14,048.86			10,342.16	6,017.88
Forestry	11,189.97					11,189.97
Technology/Computer	9,746.95		2,000.00		4,333.49	7,413.46
Police Oil Impact Grant 2013		25.00			9,059.52	(9,034.52)
Riverwood 2nd Addition Loan	(1,527.00)		1,527.00			
Bus Shelter	2,250.00	1,500.00				3,750.00
Siren Grant	(6,723.20)		12,058.14		5,334.94	
Flood 2013	(4,565.00)					(4,565.00)
Temporary Levee 2013	(67,733.93)	50,000.00	18,228.93		495.00	
Park Road Bridge Repair	(67,974.59)		67,974.59			
House Demolitions - Flood 2011	(13,236.32)	13,236.32				
Permanent Levee					495.00	(495.00)
Aid to New Construction	16,940.00	23,054.68				39,994.68
Street Improvement Dist. No. 3	48,252.87	97,762.77			101,178.25	44,837.39
Street Improvement Dist. No. 4	121,193.86	12,643.73			35,277.25	98,560.34
Harvest Heights Impr. District	600.00				190.00	410.00
Total Non-Major Governmental Funds	233,587.59	376,557.61	105,788.66	6,000.00	341,430.31	368,503.55
Total Governmental Funds	1,813,609.26	4,345,237.38	109,288.66	409,288.66	3,046,039.69	2,812,806.95
Major Enterprise Fund:						
Enterprise:						
Operating	(170,116.70)	387,294.76	300,000.00		442,955.77	74,222.29
Meter Deposits	18,536.90	3,075.00			2,125.00	19,486.90
Enterprise Reserve	(26,114.14)	641.25			66,245.66	(91,718.55)
Maintenance Reserve	73,086.34				35,595.78	37,490.56
West River Enterprise Reserve	4,026.00					4,026.00
Force Main Project 2014	1,133,013.74	160,618.92			1,293,633.66	(1.00)
Total Major Enterprise Fund	1,032,432.14	551,629.93	300,000.00		1,840,555.87	43,506.20
Total All Funds	2,846,041.40	4,896,867.31	409,288.66	409,288.66	4,886,595.56	2,856,313.15

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Burlington
Burlington, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Burlington, Burlington, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

Compliance and Other Matters

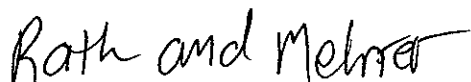
As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 11, 2017

CITY OF BURLINGTON
Burlington, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2016 and 2015

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

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

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

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

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

Client Response: No response is considered necessary.

2. Financial Statement Preparation

Condition: The city's financial statements as of December 31, 2016 and 2015 are prepared by the city's external auditors.

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

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

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

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

Rath & Mehrer, P.C.

Certified Public Accountants

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Ken Mehrer, CPA
Bryce Fischer, CPA

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Governing Board
City of Burlington
Burlington, North Dakota

Our audits of the financial records of the City of Burlington, Burlington, North Dakota, for the years ended December 31, 2016 and 2015 have disclosed opportunities for improvements in the operations of the city. Items which we believe should be brought to your attention are set forth below:

* * * * *

BUDGETS

Budgets were not prepared for all special revenue funds of the city. NDCC #40-40-05 requires the preparation of a separate schedule for each special revenue fund of the city. We recommend that the city comply with this section of the century code and prepare a separate schedule "C" for each special revenue fund, including those which do not have a mill levy, when preparing future annual budgets.

EMERGENCY FUND

During the course of the audit, we noted that the city's emergency fund balance has exceeded the limitation set by North Dakota Century Code section 57-15-48. The emergency fund balance is limited to 5 mills or 5 dollars per capita, whichever is greater. We recommend that the city discontinue the levy for the emergency fund until the fund balance falls below this limitation.

* * * * *

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the city, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the city during our audits.



Rath and Mehrer, P.C.

August 11, 2017