



Financial Statements  
December 31, 2016  
**City of Dickinson**

Official Directory .....	1
Independent Auditor’s Report.....	2
Financial Statements	
Statement of Net Position .....	5
Statement of Activities.....	6
Balance Sheet-Governmental Funds .....	7
Reconciliation of the Governmental Funds –Balance Sheet to the Statement of Net Position.....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
Statement of Net Position – Proprietary Funds.....	11
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	12
Statement of Cash Flows – Proprietary Funds.....	13
Statement of Fiduciary Net Position .....	15
Statement of Changes in Fiduciary Net Position .....	16
Notes to Financial Statements.....	17
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	53
Budgetary Comparison Schedule – One Percent Sales Tax Fund .....	55
Budgetary Comparison Schedule – Oil & Gas Fund .....	56
Required Supplementary Information – City Employee Pension Plan .....	57
Required Supplementary Information – Volunteer Fireman Pension Plan.....	58
Required Supplementary Information – Police Pension Plan .....	59
Other Postemployment Benefit Schedules.....	60
Notes to the Required Supplementary Information .....	61
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds .....	64
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	65
Combining Balance Sheet – Nonmajor Debt Service Funds .....	66
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	71
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	72
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds .....	73
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	74
Combining Balance Sheet – Agency Funds.....	76

Elected	Position
Scott Decker	President
Sarah Jennings	Commissioner
Jason Fridrich	Commissioner
Carson Steiner	Commissioner
Klayton Oltmanns	Commissioner
Administration	
Shawn Kessel	City Administrator



## Independent Auditor's Report

The Honorable Mayor and Board  
Of City Commissioners  
City of Dickinson  
Dickinson, North Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dickinson, North Dakota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Restatement

As discussed in Note 23 to the financial statements, certain errors resulting in the improper treatment of previously stated retainage payable, capital assets, accumulated depreciation and related expenditures/expenses were discovered during the current year. Accordingly, an adjustment has been made to beginning fund balance and net position as of January 1, 2016 to correct the errors. Our opinions are not modified with respect to these matters.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, pension plan schedules and other postemployment benefit schedules on pages 53 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dickinson, North Dakota's financial statements. The official directory and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 16, 2018 on our consideration of the City of Dickinson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dickinson's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dickinson's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
October 16, 2018

City of Dickinson  
Statement of Net Position  
December 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 52,253,976	\$ 4,146,330	\$ 56,400,306
Accounts receivable	251,923	3,449,375	3,701,298
Taxes receivable	12,352	-	12,352
Special assessments receivable	4,767,267	7,444	4,774,711
Intergovernmental receivable	5,073,835	-	5,073,835
Note receivable	40,465	-	40,465
Inventory	-	256,674	256,674
Restricted cash and investments	1,690,500	3,756,609	5,447,109
Capital assets not being depreciated			
Land	1,209,832	720,161	1,929,993
Construction in progress	5,588,861	5,966,112	11,554,973
Capital assets (net of accumulated depreciation)			
Buildings and improvements	67,535,028	38,263,282	105,798,310
Improvements other than buildings	104,479,338	84,470,909	188,950,247
Machinery and equipment	5,470,680	4,473,748	9,944,428
Total capital assets	<u>184,283,739</u>	<u>133,894,212</u>	<u>318,177,951</u>
<b>Total assets</b>	<u>248,374,057</u>	<u>145,510,644</u>	<u>393,884,701</u>
<b>Deferred Outflows of Resources</b>			
Derived from Pensions	<u>1,140,281</u>	<u>127,340</u>	<u>1,267,621</u>
<b>Liabilities</b>			
Accounts payable	930,706	489,894	1,420,600
Accrued payroll	414,835	124,782	539,617
Interest payable	140,279	1,017,558	1,157,837
Net OPEB obligation	(25,233)	-	(25,233)
Retainage payable	264,495	456,279	720,774
Non-current liabilities			
Due within one year			
Compensated absences	257,144	109,111	366,255
Bonds payable, net of premium	1,178,652	-	1,178,652
Notes payable	-	8,362,417	8,362,417
Capital leases payable	208,513	743,906	952,419
Due in more than one year			
Compensated absences	515,059	77,112	592,171
Bonds payable, net of premium	12,734,221	-	12,734,221
Notes payable	-	63,725,376	63,725,376
Capital leases payable	282,920	1,287,063	1,569,983
Net pension liability	8,775,148	1,647,274	10,422,422
Accrued closure and post-closure care costs	-	721,973	721,973
Total liabilities	<u>25,676,739</u>	<u>78,762,745</u>	<u>104,439,484</u>
<b>Deferred Inflows of Resources</b>			
Derived from Pensions	<u>176,239</u>	<u>-</u>	<u>176,239</u>
<b>Net Position</b>			
Net investment in capital assets	169,614,938	59,319,171	228,934,109
Restricted for special purposes	39,263,394	3,034,636	42,298,030
Unrestricted	<u>14,783,028</u>	<u>4,521,432</u>	<u>19,304,460</u>
<b>Total net position</b>	<u>\$ 223,661,360</u>	<u>\$ 66,875,239</u>	<u>\$ 290,536,599</u>

City of Dickinson  
Statement of Activities  
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental activities</b>							
General government	\$ 6,116,266	\$ 2,101,349	\$ -	\$ -	\$ (4,014,917)	\$ -	\$ (4,014,917)
Public safety	7,652,052	437,067	194,039	-	(7,020,946)	-	(7,020,946)
Public works	12,014,697	-	-	1,820,114	(10,194,583)	-	(10,194,583)
Culture and recreation	3,300,334	787,899	-	-	(2,512,435)	-	(2,512,435)
Urban and economic development	1,079,483	-	-	-	(1,079,483)	-	(1,079,483)
Other	454,324	-	-	-	(454,324)	-	(454,324)
Interest on long-term debt	601,603	-	-	-	(601,603)	-	(601,603)
Total governmental activities	<u>31,218,759</u>	<u>3,326,315</u>	<u>194,039</u>	<u>1,820,114</u>	<u>(25,878,291)</u>	<u>-</u>	<u>(25,878,291)</u>
<b>Business-type activities</b>							
Water distribution utility fund	6,870,346	6,098,165	2,833,846	-	-	2,061,665	2,061,665
Wastewater fund	7,596,992	4,019,180	-	-	-	(3,577,812)	(3,577,812)
Solid waste utility fund	3,731,436	3,858,695	-	-	-	127,259	127,259
Storm water utility fund	183,464	232,700	-	-	-	49,236	49,236
Total business-type activities	<u>18,382,238</u>	<u>14,208,740</u>	<u>2,833,846</u>	<u>-</u>	<u>-</u>	<u>(1,339,652)</u>	<u>(1,339,652)</u>
Total primary government	<u>\$ 49,600,997</u>	<u>\$ 17,535,055</u>	<u>\$ 3,027,885</u>	<u>\$ 1,820,114</u>	<u>(25,878,291)</u>	<u>(1,339,652)</u>	<u>(27,217,943)</u>
<b>General revenues</b>							
<b>Taxes</b>							
Property taxes levied for general purposes					5,246,487	-	5,246,487
Property taxes levied for special purposes					1,178,893	-	1,178,893
City sales tax					7,548,809	-	7,548,809
Restaurant, lodging and occupancy taxes					1,273,452	-	1,273,452
Oil and gas production tax					18,900,637	-	18,900,637
State aid and revenues not restricted to specific programs					3,330,062	-	3,330,062
Unrestricted interest and investment income					287,601	65,434	353,035
Other revenue					877,369	459,860	1,337,229
Total general revenues					<u>38,643,310</u>	<u>525,294</u>	<u>39,168,604</u>
Transfers					(4,144,182)	4,144,182	-
Change in net position					8,620,837	3,329,824	11,950,661
Net Position - January 1, as previously reported					<u>171,363,047</u>	<u>64,230,626</u>	<u>235,593,673</u>
Restatement - (Note 23)					<u>43,677,476</u>	<u>(685,211)</u>	<u>42,992,265</u>
Net Position - January 1, as restated					<u>215,040,523</u>	<u>63,545,415</u>	<u>278,585,938</u>
Net Position - December 31					<u>\$ 223,661,360</u>	<u>\$ 66,875,239</u>	<u>\$ 290,536,599</u>

City of Dickinson  
Balance Sheet-Governmental Funds  
December 31, 2016

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	One Percent Sales Tax	Oil & Gas Production	Building Construction	Annual Street Project Fund		
<b>Assets</b>							
Cash and investments	\$ 13,265,683	\$ 7,581,532	\$ 19,560,018	\$ 1,806,660	\$ 848,509	\$ 8,471,032	\$ 51,533,434
Accounts receivable	170,317	-	-	-	17,639	63,967	251,923
Taxes receivable	12,352	-	-	-	-	-	12,352
Special assessments receivable	-	-	-	-	3,040	1,337,288	1,340,328
Intergovernmental receivables	519,122	937,515	2,946,476	-	-	670,722	5,073,835
Note receivable	40,465	-	-	-	-	-	40,465
Interfund receivables	873,308	-	-	-	-	-	873,308
Advances to other funds	1,416,086	-	-	-	-	-	1,416,086
Restricted cash and investments	-	-	-	-	-	1,690,500	1,690,500
<b>Total assets</b>	<b>\$ 16,297,333</b>	<b>\$ 8,519,047</b>	<b>\$ 22,506,494</b>	<b>\$ 1,806,660</b>	<b>\$ 869,188</b>	<b>\$ 12,233,509</b>	<b>\$ 62,232,231</b>
<b>Liabilities</b>							
Accounts payable	\$ 265,651	\$ 6,180	\$ -	\$ 150,931	\$ 427,979	\$ 19,000	\$ 869,741
Accrued payroll	383,856	-	-	-	-	17,145	401,001
Interfund payables	-	-	-	-	-	873,308	873,308
Retainage payable	-	-	-	-	264,495	-	264,495
Advances from other funds	-	-	-	-	-	1,416,086	1,416,086
<b>Total liabilities</b>	<b>649,507</b>	<b>6,180</b>	<b>-</b>	<b>150,931</b>	<b>692,474</b>	<b>2,325,539</b>	<b>3,824,631</b>
<b>Deferred Inflows of Resources</b>							
Unavailable property taxes	12,352	-	-	-	-	-	12,352
Unavailable special assessments	-	-	-	-	3,040	1,337,288	1,340,328
<b>Total deferred inflows of resources</b>	<b>12,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,040</b>	<b>1,337,288</b>	<b>1,352,680</b>
<b>Fund Balances</b>							
Nonspendable	1,456,551	-	-	-	-	-	1,456,551
Restricted	-	8,512,867	22,506,494	-	-	8,244,033	39,263,394
Committed	-	-	-	-	-	973,078	973,078
Assigned	7,008,938	-	-	1,655,729	173,674	457,873	9,296,214
Unassigned	7,169,985	-	-	-	-	(1,104,302)	6,065,683
<b>Total fund balances</b>	<b>15,635,474</b>	<b>8,512,867</b>	<b>22,506,494</b>	<b>1,655,729</b>	<b>173,674</b>	<b>8,570,682</b>	<b>57,054,920</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 16,297,333</b>	<b>\$ 8,519,047</b>	<b>\$ 22,506,494</b>	<b>\$ 1,806,660</b>	<b>\$ 869,188</b>	<b>\$ 12,233,509</b>	<b>\$ 62,232,231</b>

City of Dickinson  
 Reconciliation of the Governmental Funds –Balance Sheet to the Statement of Net Position  
 December 31, 2016

---

Total Fund Balances - Governmental Funds		\$ 57,054,920
Total net position reported for government activities in the statement of net position is different because:		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of capital assets	\$ 257,126,316	
Less accumulated depreciation	<u>(72,842,577)</u>	
Net capital assets		184,283,739
<p>Property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and are reported as deferred inflows in the funds. Uncertified special assessments are reported on the statement of net position.</p>		
		4,779,619
<p>Internal service funds are used by management to charge the costs of certain activities as fuel services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.</p>		
		667,150
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
		964,042
<p>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. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31, 2016 are:</p>		
Interest payable	(140,279)	
Compensated absences	(768,377)	
Bonds payable, net of premium	(13,912,873)	
Capital leases payable	(491,433)	
Net pension liability	<u>(8,775,148)</u>	
Total long-term liabilities		<u>(24,088,110)</u>
Total net position of governmental activities		<u><u>\$ 223,661,360</u></u>

City of Dickinson  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended December 31, 2016

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	One Percent Sales Tax	Oil & Gas Production	Building Construction	Annual Street Project Fund		
<b>Revenues</b>							
Taxes	\$ 4,744,362	\$ 5,032,539	\$ -	\$ -	\$ -	\$ 4,291,847	\$ 14,068,748
Licenses, permits and fees	642,630	-	-	-	-	-	642,630
Intergovernmental revenues	2,949,356	-	18,900,637	-	1,121,346	574,745	23,546,084
Charges for services	2,101,349	-	-	-	-	145,269	2,246,618
Fines and forfeits	421,001	-	-	-	-	16,066	437,067
Special assessments	-	-	-	-	15,337	1,325,344	1,340,681
Interest and investment income	81,514	50,535	92,825	9,118	1,797	51,812	287,601
Donations	-	-	-	-	-	328,983	328,983
Miscellaneous revenues	443,505	-	-	-	17,639	87,242	548,386
<b>Total revenues</b>	<b>11,383,717</b>	<b>5,083,074</b>	<b>18,993,462</b>	<b>9,118</b>	<b>1,156,119</b>	<b>6,821,308</b>	<b>43,446,798</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	5,397,630	-	-	-	-	-	5,397,630
Public safety	6,981,029	-	-	-	-	86,094	7,067,123
Public works	2,832,570	-	-	-	1,330,035	121,678	4,284,283
Culture and recreation	440,858	-	-	-	-	1,359,352	1,800,210
Urban and economic development	-	1,067,775	-	-	-	11,708	1,079,483
Other	431,444	-	-	-	-	-	431,444
<b>Debt service</b>							
Principal	-	-	-	-	-	2,447,654	2,447,654
Interest and service charges	-	-	-	-	-	630,255	630,255
Capital outlay	574,272	237,575	-	320,914	6,092,933	266,314	7,492,008
<b>Total expenditures</b>	<b>16,657,803</b>	<b>1,305,350</b>	<b>-</b>	<b>320,914</b>	<b>7,422,968</b>	<b>4,923,055</b>	<b>30,630,090</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(5,274,086)</b>	<b>3,777,724</b>	<b>18,993,462</b>	<b>(311,796)</b>	<b>(6,266,849)</b>	<b>1,898,253</b>	<b>12,816,708</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	4,466,181	-	-	-	7,316,779	2,146,089	13,929,049
Transfers out	(679,785)	(5,912,757)	(9,547,054)	-	-	(2,554,963)	(18,694,559)
<b>Total other financing sources and uses</b>	<b>3,786,396</b>	<b>(5,912,757)</b>	<b>(9,547,054)</b>	<b>-</b>	<b>7,316,779</b>	<b>(408,874)</b>	<b>(4,765,510)</b>
<b>Net Change in Fund Balances</b>	<b>(1,487,690)</b>	<b>(2,135,033)</b>	<b>9,446,408</b>	<b>(311,796)</b>	<b>1,049,930</b>	<b>1,489,379</b>	<b>8,051,198</b>
<b>Fund Balance - January 1, as previously reported</b>	<b>17,123,164</b>	<b>10,647,900</b>	<b>13,060,086</b>	<b>1,967,525</b>	<b>(1,473,097)</b>	<b>7,081,303</b>	<b>48,406,881</b>
Restatement - (Note 23)	-	-	-	-	596,841	-	596,841
<b>Fund Balance - January 1, as restated</b>	<b>17,123,164</b>	<b>10,647,900</b>	<b>13,060,086</b>	<b>1,967,525</b>	<b>(876,256)</b>	<b>7,081,303</b>	<b>49,003,722</b>
<b>Fund Balance - December 31</b>	<b>\$ 15,635,474</b>	<b>\$ 8,512,867</b>	<b>\$ 22,506,494</b>	<b>\$ 1,655,729</b>	<b>\$ 173,674</b>	<b>\$ 8,570,682</b>	<b>\$ 57,054,920</b>

City of Dickinson

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

---

Net Change in Fund Balances - Total Governmental Funds		\$ 8,051,198
<p>The change in net position reported for governmental activities in the statement of activities is different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Current year capital outlay	\$ 7,492,008	
Contributed capital	698,768	
Current year depreciation expense	<u>(9,947,772)</u>	(1,756,996)
<p>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.</p>		
Net decrease in interest payable	271,189	
Net increase in compensated absences	(14,074)	
Net increase in net pension liability	<u>(378,333)</u>	(121,218)
<p>Changes to pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>		
		(16,306)
<p>Government funds report the effect of bond premiums when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>		
		28,652
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		2,447,654
<p>Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes and special assessments receivable.</p>		
		(161,788)
<p>The net revenue of certain activities of the internal service funds is reported with governmental activities</p>		
		<u>149,641</u>
Change in net position of governmental activities		<u><u>\$ 8,620,837</u></u>



City of Dickinson  
Statement of Net Position – Proprietary Funds  
December 31, 2016

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water Distribution Utility Fund	Wastewater Fund	Solid Waste Utility Fund	Other Enterprise Fund		
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 394,203	\$ -	\$ 1,409,809	\$ 320,752	\$ 2,124,764	\$ 665,300
Investments	1,178,541	-	732,747	110,278	2,021,566	55,242
Accounts receivable	3,000,405	208,952	227,293	12,725	3,449,375	-
Interfund receivables	3,063,289	-	-	-	3,063,289	-
Inventory	220,224	24,511	-	11,939	256,674	-
<b>Total current assets</b>	<u>7,856,662</u>	<u>233,463</u>	<u>2,369,849</u>	<u>455,694</u>	<u>10,915,668</u>	<u>720,542</u>
Noncurrent assets						
Restricted cash and cash equivalents	-	3,034,636	-	-	3,034,636	-
Restricted investments	-	-	721,973	-	721,973	-
Special assessments receivable	7,444	-	-	-	7,444	-
Capital assets not being depreciated						
Land	83,040	574,029	63,092	-	720,161	-
Construction in progress	4,205,049	140,544	1,418,395	202,124	5,966,112	-
Capital assets (net of accumulated depreciation)						
Buildings and improvements	2,201,086	35,449,367	612,829	-	38,263,282	-
Improvements other than buildings	25,152,293	58,222,879	1,047,996	47,741	84,470,909	-
Machinery and equipment	269,387	617,461	3,561,206	25,694	4,473,748	-
<b>Total noncurrent assets</b>	<u>31,918,299</u>	<u>98,038,916</u>	<u>7,425,491</u>	<u>275,559</u>	<u>137,658,265</u>	<u>-</u>
<b>Total assets</b>	<u>39,774,961</u>	<u>98,272,379</u>	<u>9,795,340</u>	<u>731,253</u>	<u>148,573,933</u>	<u>720,542</u>
<b>Deferred Outflows of Resources</b>						
Derived from Pensions	-	-	127,340	-	127,340	-
<b>Liabilities</b>						
Current liabilities						
Accounts payable	425,415	59,751	4,728	-	489,894	60,965
Accrued payroll	17,047	29,286	72,180	6,269	124,782	13,834
Interfund payables	-	3,063,289	-	-	3,063,289	-
Interest payable	-	1,017,558	-	-	1,017,558	-
Retainage payable	154,565	301,714	-	-	456,279	-
Compensated absences	10,122	19,967	78,063	959	109,111	3,826
Notes payable	-	8,362,417	-	-	8,362,417	-
Capital leases payable	-	113,555	630,351	-	743,906	-
Net OPEB obligation	-	-	-	-	-	(25,233)
<b>Total current liabilities</b>	<u>607,149</u>	<u>12,967,537</u>	<u>785,322</u>	<u>7,228</u>	<u>14,367,236</u>	<u>53,392</u>
Noncurrent liabilities						
Compensated absences	2,083	24,769	50,260	-	77,112	-
Notes payable	-	63,725,376	-	-	63,725,376	-
Capital leases payable	-	205,808	1,081,255	-	1,287,063	-
Accrued closure and post closure liability	-	-	721,973	-	721,973	-
Net pension liability	-	-	1,647,274	-	1,647,274	-
<b>Total noncurrent liabilities</b>	<u>2,083</u>	<u>63,955,953</u>	<u>3,500,762</u>	<u>-</u>	<u>67,458,798</u>	<u>-</u>
<b>Total liabilities</b>	<u>609,232</u>	<u>76,923,490</u>	<u>4,286,084</u>	<u>7,228</u>	<u>81,826,034</u>	<u>53,392</u>
<b>Deferred Inflows of Resources</b>						
Derived from Pensions	-	-	-	-	-	-
<b>Net Position</b>						
Net investment in capital assets	31,756,290	22,295,410	4,991,912	275,559	59,319,171	-
Restricted for debt service	-	3,034,636	-	-	3,034,636	-
Unrestricted	7,409,439	(3,981,157)	644,684	448,466	4,521,432	667,150
<b>Total net position</b>	<u>\$ 39,165,729</u>	<u>\$ 21,348,889</u>	<u>\$ 5,636,596</u>	<u>\$ 724,025</u>	<u>\$ 66,875,239</u>	<u>\$ 667,150</u>

City of Dickinson  
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds  
Year Ended December 31, 2016

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Water Distribution Utility Fund	Wastewater Fund	Solid Waste Utility Fund	Other Enterprise Fund		
Operating revenues						
Sales	\$ 6,098,015	\$ 4,019,180	\$ 3,858,695	\$ 232,700	\$ 14,208,590	\$ 264,440
Charges for services	150	-	-	-	150	-
Total operating revenues	<u>6,098,165</u>	<u>4,019,180</u>	<u>3,858,695</u>	<u>232,700</u>	<u>14,208,740</u>	<u>264,440</u>
Operating expenses						
Salaries	289,019	772,189	1,230,224	90,779	2,382,211	-
Employment cost	62,430	238,983	619,532	27,902	948,847	43,279
Administrative and general	538,925	281,985	525,000	25,410	1,371,320	-
Supplies	169,003	219,283	270,580	14,608	673,474	646,648
Services	195,579	695,209	226,315	6,200	1,123,303	-
Maintenance	-	77,224	40,913	1,070	119,207	-
Water purchase	4,095,631	-	-	-	4,095,631	-
Inventory expense	64,153	319,392	-	-	383,545	-
Miscellaneous	5,062	17,414	4,707	-	27,183	-
Depreciation	1,450,544	3,045,320	685,382	17,495	5,198,741	-
Employee distributions	-	-	-	-	-	61,464
Total operating expenses	<u>6,870,346</u>	<u>5,666,999</u>	<u>3,602,653</u>	<u>183,464</u>	<u>16,323,462</u>	<u>751,391</u>
Operating income (loss)	<u>(772,181)</u>	<u>(1,647,819)</u>	<u>256,042</u>	<u>49,236</u>	<u>(2,114,722)</u>	<u>(486,951)</u>
Nonoperating revenues (expenses)						
Interest and investment income	44,094	-	19,419	1,921	65,434	15,264
Interest expense and service charges	-	(1,929,993)	(32,946)	-	(1,962,939)	-
Closure and post closure costs	-	-	(95,837)	-	(95,837)	-
Meter and meter repairs sales	917	-	-	-	917	-
Intergovernmental revenue	2,833,846	-	-	-	2,833,846	-
Miscellaneous revenue	136,050	92,817	221,378	8,698	458,943	-
Total nonoperating revenues (expenses)	<u>3,014,907</u>	<u>(1,837,176)</u>	<u>112,014</u>	<u>10,619</u>	<u>1,300,364</u>	<u>15,264</u>
Income (loss) before transfers	<u>2,242,726</u>	<u>(3,484,995)</u>	<u>368,056</u>	<u>59,855</u>	<u>(814,358)</u>	<u>(471,687)</u>
Transfers in	-	7,045,609	-	-	7,045,609	621,328
Transfers out	<u>(2,653,848)</u>	<u>-</u>	<u>(246,486)</u>	<u>(1,093)</u>	<u>(2,901,427)</u>	<u>-</u>
Change in net position	<u>(411,122)</u>	<u>3,560,614</u>	<u>121,570</u>	<u>58,762</u>	<u>3,329,824</u>	<u>149,641</u>
Net position - January 1, as previously reported	<u>39,576,851</u>	<u>18,473,486</u>	<u>5,515,026</u>	<u>665,263</u>	<u>64,230,626</u>	<u>517,509</u>
Restatement - (Note 23)	<u>-</u>	<u>(685,211)</u>	<u>-</u>	<u>-</u>	<u>(685,211)</u>	<u>-</u>
Net position - January 1, as restated	<u>39,576,851</u>	<u>17,788,275</u>	<u>5,515,026</u>	<u>665,263</u>	<u>63,545,415</u>	<u>517,509</u>
Net position - December 31	<u>\$ 39,165,729</u>	<u>\$ 21,348,889</u>	<u>\$ 5,636,596</u>	<u>\$ 724,025</u>	<u>\$ 66,875,239</u>	<u>\$ 667,150</u>

City of Dickinson  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2016

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Distribution Utility Fund	Wastewater Fund	Solid Waste Utility Fund	Other Enterprise Fund	Total	
	Cash Flows from Operating Activities					
Cash received from customers and users	\$ 6,007,683	\$ 8,000,536	\$ 3,886,042	\$ 231,416	\$ 18,125,677	\$ 264,440
Cash paid to suppliers	(5,415,820)	(2,761,837)	(1,095,079)	(50,475)	(9,323,211)	(623,040)
Cash paid to employees	(371,888)	(1,002,242)	(1,635,562)	(116,072)	(3,125,764)	(57,536)
Net cash provided (used) by operating activities	219,975	4,236,457	1,155,401	64,869	5,676,702	(416,136)
Cash Flows from Noncapital Financing Activities						
Intergovernmental revenue	2,833,846	-	-	-	2,833,846	-
Interfund receivables/payables	5,631,659	(5,631,659)	-	-	-	-
Transfers from other funds	-	7,045,609	-	-	7,045,609	621,328
Transfers to other funds	(2,653,848)	-	(246,486)	(1,093)	(2,901,427)	-
Nonoperating revenues	136,967	92,817	221,378	8,698	459,860	-
Net cash provided (used) by noncapital financing activities	5,948,624	1,506,767	(25,108)	7,605	7,437,888	621,328
Cash Flows from Capital and Related Financing Activities						
Principal payments on notes payable	-	(3,992,972)	-	-	(3,992,972)	-
Proceeds from issuance of notes	-	6,921,072	-	-	6,921,072	-
Principal payments on capital leases	-	(108,298)	(724,759)	-	(833,057)	-
Interest payments	-	(1,611,372)	(32,946)	-	(1,644,318)	-
Purchase of capital assets	(5,121,192)	(5,890,715)	(1,830,012)	(50,590)	(12,892,509)	-
Net cash provided (used) by capital and related financing activities	(5,121,192)	(4,682,285)	(2,587,717)	(50,590)	(12,441,784)	-
Cash Flows from Investing Activities						
Net proceeds from (purchase of) investments	(1,026,795)	-	530,124	18,370	(478,301)	43,468
Interest and investment income	44,094	-	19,419	1,921	65,434	15,264
Net cash provided (used) by investing activities	(982,701)	-	549,543	20,291	(412,867)	58,732
Net Change in Cash and Cash Equivalents	64,706	1,060,939	(907,881)	42,175	259,939	263,924
Cash and Cash Equivalents, 1/1/2016	329,497	1,973,697	2,317,690	278,577	4,899,461	401,376
Cash and Cash Equivalents, 12/31/2016	\$ 394,203	\$ 3,034,636	\$ 1,409,809	\$ 320,752	\$ 5,159,400	\$ 665,300

City of Dickinson  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2016

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Distribution Utility Fund	Wastewater Fund	Solid Waste Utility Fund	Other Enterprise Fund	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (772,181)	\$ (1,647,819)	\$ 256,042	\$ 49,236	\$ (2,114,722)	\$ (486,951)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation expense	1,450,544	3,045,320	685,382	17,495	5,198,741	-
Change in Assets and Liabilities						
Receivables	(90,482)	3,981,356	27,347	(1,284)	3,916,937	-
Deferred outflows	-	-	34,169	-	34,169	-
Compensated absences liability	(26,932)	7,471	13,871	(866)	(6,456)	3,826
Accounts payable	(347,467)	(1,151,330)	(27,564)	(3,187)	(1,529,548)	23,608
Accrued payroll	6,493	1,459	20,279	3,475	31,706	5,359
Deferred inflows	-	-	2,346	-	2,346	-
Net pension liability	-	-	143,529	-	143,529	-
Net OPEB obligation	-	-	-	-	-	38,022
Net cash provided (used) by operating activities	\$ 219,975	\$ 4,236,457	\$ 1,155,401	\$ 64,869	\$ 5,676,702	\$ (416,136)
Non-Cash Disclosures						
Purchase of equipment in exchange for capital lease	\$ -	\$ -	\$ 440,972	\$ -	\$ 440,972	\$ -

City of Dickinson  
Statement of Fiduciary Net Position  
December 31, 2016

	<u>City of Dickinson Pension Plans</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,001	\$ 379,717
Investments, at fair value		
Corporate bonds	1,877,164	-
Mutual funds	8,142,898	-
Equity dividend focus	2,977,790	-
Money market	10,207	-
Total investments	<u>13,008,059</u>	<u>-</u>
Accounts receivable	<u>-</u>	<u>55,984</u>
Total assets	<u>\$ 13,018,060</u>	<u>\$ 435,701</u>
<b>Liabilities</b>		
Due to other parties	<u>\$ -</u>	<u>\$ 435,701</u>
<b>Net Position</b>		
Held in trust for pension benefits	<u>13,018,060</u>	
Total net position	<u>\$ 13,018,060</u>	

City of Dickinson  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2016

---

	<u>City of Dickinson Pension Plans</u>
Additions	
Contributions	
Employer	\$ 1,325,050
Employee	130,482
Total contributions	<u>1,455,532</u>
Investment earnings (losses)	
Net decrease in fair value of investments	(87,705)
Interest and dividends	458,104
Total investment earnings (losses)	<u>370,399</u>
Total additions	<u>1,825,931</u>
Deductions	
Administration expense	118,236
Benefits	1,503,107
Total deductions	<u>1,621,343</u>
Change in Net Position	204,588
Net Position - January 1	<u>12,813,472</u>
Net Position - December 31	<u>\$ 13,018,060</u>

## Note 1 - Principal Business Activity and Significant Accounting Policies

The City of Dickinson, North Dakota, operates under a Home Rule Charter. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental 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.

### Financial Reporting Entity

The accompanying financial statements present the activities of the City of Dickinson. 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Dickinson 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 of Dickinson.

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

### Government-Wide and Fund Financial Statements

#### Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government, the City of Dickinson. 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, fines 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 including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary 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.

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 investment earnings, result from nonexchange transactions or ancillary activities.

#### Financial Statement Presentation

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.

One Percent Sales Tax Fund – This fund accounts for the use of the City sales tax for debt service, capital facility, job creation, RSVP and Eldercare within the City.

Oil & Gas Production Fund – This fund is used to account for the money received from the state and federal government that are directed to be used to alleviate the effects of oil impact in the area.

Building Construction Fund – This fund is used to account for capital projects throughout the City.

Annual Street Project Fund - This fund is used to account for the annual street, sidewalk, and trails projects throughout the City.

The City reports the following major enterprise funds:

Water Distribution Utility Fund – This fund accounts for the operations of the water distribution system for the City of Dickinson. This fund also accounts for the capital assets of the water treatment plant which benefits the Southwest Pipeline project which is operated by the Southwest Water Authority.

Wastewater Fund – This fund accounts for the operations and capital assets of the sewer system for the City of Dickinson.

Solid Waste Utility Fund – This fund accounts for the operations and capital assets of the solid waste system for the City of Dickinson.



Additionally, the City reports the following fund types:

Internal Service Fund – This fund accounts for providing fueling services provided to other departments of the City of Dickinson on a cost reimbursement basis. This fund is also used to charge the cost of the City mechanic to the individual funds.

Pension Trust Funds – These funds account for the activities of the City of Dickinson Employee’s Pension Plan, Police Pension Plan and the Firemen’s Pension Plan which accumulates resources for pension benefit payment to qualified city employees.

Agency Funds – These funds account for assets by the City in a custodial capacity as an agent on behalf of others.

#### Measurement Focus, Basis of Accounting, and Non-Exchange Transactions

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, and then to general revenues.

As a general rule, the City has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of government (i.e. water and sewer charges to other various functions of the City). Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and highly liquid investments with an original maturity of three months or less.

The investments of the City's governmental and enterprise funds, during the year ended December 31, 2016, consisted of bonds, certificates of deposit, money market accounts, and mortgage backed securities stated at fair value.

Investments of the pension trust funds consisted of bonds, mutual funds, and money market accounts. The investments of the pension trust funds are stated at fair value at December 31, 2016.

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion) or "advances to/from other funds (non-current portion)." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All real estate is assessed on current value as of February 1 of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of taxes is allowed if taxes are paid in full by February 15. To avoid being delinquent, one-half of taxes due must be paid by March 1 and the remaining balance paid by October 15.

#### Restricted Assets

Certain resources set aside for debt service in the 2013 Sales Tax Revenue Bonds fund, and the Wastewater fund are classified as restricted assets because their use is limited by bond and loan covenants.

The City has restricted certain investments to be used for landfill closure in the Solid Waste Utility fund. The City will close the landfill at the end of its useful life and will use the restricted investments to pay for the cost of the closure and required monitoring.

## Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial 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. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost using deflated replacement cost. 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.

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Improvements other than buildings	20-50 years
Machinery and equipment	5-20 years

## Compensated Absences

Full time employees are granted vacation benefits from 40 to 192 hours per year depending on tenure with the City. Employees can accrue up to a maximum of 240 hours of vacation at year end. Upon termination of employment, employees will be paid for vacation benefits that have accrued at the employee's rate of pay on their last day of employment. Sick leave benefits accrue at a rate of 8 hours per month. Unused sick leave benefits are allowed to accumulate indefinitely. Upon termination of employment or retirement, unused sick leave will be paid at a rate of 25% of the employee's hourly wage at the time of separation for all unused days. Vested or accumulated leave is reported in the long-term debt account group and in the enterprise funds.

## Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported in the governmental funds and expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pension, pension expense, information about the fiduciary net position of the Pension Plans and additions to/deductions from the Pension Plans' fiduciary net position have been determined on the same basis as they are reported by the Pension Plans. 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.

## Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## Fund Equity

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

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

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

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

Assigned consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, as expressed by the finance director to which the City's commission has delegated the authority to assign amounts to be used for specific purposes.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

As of December 31, 2016, the specific purposes of the fund balance classifications consisted of the following:

	General	One Percent Sales Tax	Oil & Gas Production	Building Construction	Annual Street Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Note receivable	\$ 40,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,465
Advances to other funds	1,416,086	-	-	-	-	-	1,416,086
Total nonspendable	1,456,551	-	-	-	-	-	1,456,551
<b>Restricted for</b>							
Debt, property tax reductions and infrastructure	-	4,256,434	-	-	-	5,293,676	9,550,110
Urban and economic development	-	2,553,860	-	-	-	2,830,230	5,384,090
Job creation and senior citizen activities	-	1,702,573	-	-	-	-	1,702,573
Oil impacted operations	-	-	22,506,494	-	-	-	22,506,494
Grants	-	-	-	-	-	4,798	4,798
Downtown districts	-	-	-	-	-	115,329	115,329
Total restricted	-	8,512,867	22,506,494	-	-	8,244,033	39,263,394
<b>Committed for</b>							
Visitor promotion	-	-	-	-	-	698,522	698,522
Wastewater backup reserve	-	-	-	-	-	21,157	21,157
Debt service	-	-	-	-	-	190,049	190,049
Hospitality	-	-	-	-	-	63,350	63,350
Total committed	-	-	-	-	-	973,078	973,078
<b>Assigned for</b>							
Future fund	6,436,979	-	-	-	-	-	6,436,979
Cemetery	271,145	-	-	-	-	-	271,145
Urban forestry	92,551	-	-	-	-	-	92,551
Street projects	-	-	-	-	173,674	-	173,674
Fire	183,189	-	-	-	-	-	183,189
Asset forfeiture	21,642	-	-	-	-	-	21,642
Historic preservation	3,432	-	-	-	-	-	3,432
Library	-	-	-	-	-	392,676	392,676
Debt service	-	-	-	-	-	65,197	65,197
Building construction	-	-	-	1,655,729	-	-	1,655,729
Total assigned	7,008,938	-	-	1,655,729	173,674	457,873	9,296,214
<b>Unassigned</b>	7,169,985	-	-	-	-	(1,104,302)	6,065,683
<b>Total fund balances</b>	<u>\$ 15,635,474</u>	<u>\$ 8,512,867</u>	<u>\$ 22,506,494</u>	<u>\$ 1,655,729</u>	<u>\$ 173,674</u>	<u>\$ 8,570,682</u>	<u>\$ 57,054,920</u>

Note 2 - Legal Compliance

Expenditures over Appropriations

At December 31, 2016, the following funds had expenditures that exceeded budgeted appropriations:

General fund	\$ (328,763)
Future fund	(249,204)

All funds with expenditures exceeding appropriations will be covered by excess revenues. No remedial action is anticipated or required.

Deficit Fund Balances

At December 31, 2016, the following funds had a deficit balance:

2014 Water & Sales Tax Revenue Bonds	\$ (48,346)
Community Center Project	(824,962)
Impact Fee Capital Projects	(230,994)

The Community Center Project deficit, 2014 Water & Sales Tax Revenue Bonds deficit and Impact Fee Capital Project deficit will be eliminated by transfers from other funds as funding sources are decided for the community center building and through special assessment collections.

Note 3 - 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 investment 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 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 such other securities approved by the banking board.

At year end December 31, 2016, the City's carrying amount of deposits was \$41,016,543 and the agency fund's carrying amount of deposits were \$379,717 and the bank balance was \$41,875,217. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Investments

As of December 31, 2016 the City's general investments had the following investments and maturities:

	Market Value	Maturity			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
US government bonds	\$ 17,261,377	\$ 834,560	\$ 1,952,367	\$ 11,982,895	\$ 2,491,555
Certificates of deposit	1,250,000	-	1,250,000	-	-
Mortgage backed securities	83,660	-	-	-	83,660
Corporate bonds	1,994,900	-	996,300	998,600	-
Money market	250,936	250,936	-	-	-
<b>Totals</b>	<b>\$ 20,840,873</b>	<b>\$ 1,085,496</b>	<b>\$ 4,198,667</b>	<b>\$ 12,981,495</b>	<b>\$ 2,575,215</b>

As of December 31, 2016 the City's general investments had the following credit ratings:

	Market Value	Not Rated	S&P Rating				
			AAA	AA+	AA-	A	A-
US government bonds	\$ 17,261,377	\$ 3,130,507	\$ -	\$ 14,130,870	\$ -	\$ -	\$ -
Certificates of deposit	1,250,000	1,250,000	-	-	-	-	-
Mortgage backed securities	83,660	-	83,660	-	-	-	-
Corporate bonds	1,994,900	-	-	1,994,900	-	-	-
Money market	250,936	250,936	-	-	-	-	-
<b>Totals</b>	<b>\$ 20,840,873</b>	<b>\$ 4,631,443</b>	<b>\$ 83,660</b>	<b>\$ 16,125,770</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

As of December 31, 2016 the City's Pension Trust Funds had the following investments and maturities:

	Market Value	Maturity			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Corporate bonds	\$ 1,877,164	\$ 197,939	\$ 731,568	\$ 947,657	\$ -
Mutual funds	8,142,898	8,142,898	-	-	-
Equity dividend focus	2,977,790	2,977,790	-	-	-
Money market	10,207	10,207	-	-	-
<b>Totals</b>	<b>\$ 13,008,059</b>	<b>\$ 11,328,834</b>	<b>\$ 731,568</b>	<b>\$ 947,657</b>	<b>\$ -</b>

As of December 31, 2016 the City's Pension Trust Funds had the following credit ratings:

	Market Value	S&P Rating					Not Rated	AAA	AA	A	BBB+	BBB
Corporate bonds	\$ 1,877,164	\$ 355,583	\$ -	\$ 254,772	\$ 271,010	\$ 782,561	\$ 213,238					
Mutual funds	8,142,898	8,142,898	-	-	-	-	-					
Equity dividend focus	2,977,790	2,977,790	-	-	-	-	-					
Money market	10,207	10,207	-	-	-	-	-					
Totals	<u>\$ 13,008,059</u>	<u>\$ 11,486,478</u>	<u>\$ -</u>	<u>\$ 254,772</u>	<u>\$ 271,010</u>	<u>\$ 782,561</u>	<u>\$ 213,238</u>					

#### Interest Rate Risk

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

#### Credit Risk

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

- a) 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.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

Funds invested by the City at December 31, 2016 were in investments authorized by the North Dakota Statutes as identified above.

#### Concentration of Credit Risk

The City does not have a limit on the amount the City may invest in any one issuer. The City does not have a formal investment policy that limits investments based on the investment credit ratings.

#### Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.



### Fair Value Measurement

The fair value measurements are categorized by the fair value hierarchy based on generally accepted accounting principles. Valuation inputs are used to measure the fair value of the asset to determine the appropriate category. The categories range from Level 1 which is the highest priority to level 3 which is the lowest priority and are based on the following categories:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

The following table presents the City's general investments measured at fair value at December 31, 2016:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
US government bonds	\$ 17,261,377	\$ -	\$ 17,261,377	\$ -
Certificates of deposit	1,250,000	-	1,250,000	-
Mortgage backed securities	83,660	-	83,660	-
Corporate bonds	1,994,900	-	1,994,900	-
Money market	250,936	250,936	-	-
<b>Totals</b>	<b><u>\$ 20,840,873</u></b>	<b><u>\$ 250,936</u></b>	<b><u>\$ 20,589,937</u></b>	<b><u>\$ -</u></b>

The following table presents the City's Pension Trust Fund investments measured at fair value at December 31, 2016:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Corporate bonds	\$ 1,877,164	\$ -	\$ 1,877,164	\$ -
Mutual funds	8,142,898	8,142,898	-	-
Equity dividend focus	2,977,790	-	2,977,790	-
Money market	10,207	10,207	-	-
<b>Totals</b>	<b><u>\$ 13,008,059</u></b>	<b><u>\$ 8,153,105</u></b>	<b><u>\$ 4,854,954</u></b>	<b><u>\$ -</u></b>

The Level 1 securities are valued using the quoted prices in active markets for identical assets. Level 2 and Level 3 securities are valued based on methodologies such as bid evaluations, market averages, and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

#### Note 4 - Accounts Receivable

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. Management has determined all accounts receivable are collectable as of December 31, 2016 and accordingly, no allowance for uncollectable accounts has been recorded.

#### Note 5 - Taxes Receivable

The taxes receivable represents the past three years of delinquent uncollected taxes. Management has determined all taxes receivable are collectable as of December 31, 2016 and accordingly, no allowance for uncollectable accounts has been recorded.

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

#### Note 6 - Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due to the City at December 31 and uncertified special assessments, which represents a long-term receivable in the government-wide financial statements. An allowance has been established for all uncollectible accounts. As of December 31, 2016 all accounts are considered collectible.

#### Note 7 - Intergovernmental Receivable

Intergovernmental receivables consist of reimbursements due from the State Treasurer for city sales tax, hospitality tax, grants and state aid.

#### Note 8 - Note Receivable

The City provided the Dickinson Municipal Airport Authority a loan for capital improvements at the Airport Authority. The City agreed to loan up to a maximum of \$1,100,000 during the construction phases with no principal or interest due until the Airport Authority has drawn the full loan amount. Interest accrues at 4% and principal and interest payments are due in monthly installments for five years. The Airport Authority has drawn the full \$1,100,000 on the note as of December 31, 2016 and the outstanding balance of the note at December 31, 2016 was \$40,465.

Note 9 - Interfund Receivable/Payable

Interfund receivable/payable at December 31, 2016 consists of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 873,308
Water Distribution Utility Fund	Wastewater Fund	3,063,289
Total		\$ 3,936,597

The interfund payables will be eliminated when more loan funds are drawn down.

Note 10 - Advances to/from Other Funds

Advances to/from other funds at December 31, 2016 consist of the following:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
General Fund	Impact Fee Capital Projects	\$ 1,416,086
Total		\$ 1,416,086

The advance to the Impact Fee Capital Projects fund is due in monthly installments of \$31,820 through January 2023 and has a 5% interest rate.

Note 11 - Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The consumption method is used for accounting for inventories. Under the consumption method, expenditures are recognized as the goods are used.

Note 12 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance January 1 (Restated)	Increases	Decreases	Balance December 31
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,209,832	\$ -	\$ -	\$ 1,209,832
Construction in progress	4,377,728	3,264,788	(2,053,655)	5,588,861
Total capital assets, not being depreciated	<u>5,587,560</u>	<u>3,264,788</u>	<u>(2,053,655)</u>	<u>6,798,693</u>
Capital assets, being depreciated				
Buildings and improvements	79,521,124	1,480,795	-	81,001,919
Improvements other than buildings	151,170,921	4,632,244	-	155,803,165
Machinery and equipment	12,694,031	866,604	(38,096)	13,522,539
Total capital assets, being depreciated	<u>243,386,076</u>	<u>6,979,643</u>	<u>(38,096)</u>	<u>250,327,623</u>
Less accumulated depreciation for				
Buildings and improvements	11,547,615	1,919,276	-	13,466,891
Improvements other than buildings	44,411,692	6,912,135	-	51,323,827
Machinery and equipment	6,973,594	1,116,361	(38,096)	8,051,859
Total accumulated depreciation	<u>62,932,901</u>	<u>9,947,772</u>	<u>(38,096)</u>	<u>72,842,577</u>
Total capital assets being depreciated, net	<u>180,453,175</u>	<u>(2,968,129)</u>	<u>-</u>	<u>177,485,046</u>
Governmental activities - capital assets, net	<u>\$ 186,040,735</u>	<u>\$ 296,659</u>	<u>\$ (2,053,655)</u>	<u>\$ 184,283,739</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities

General government	\$ 109,425
Public safety	584,929
Public works	7,730,414
Culture and recreation	1,500,124
Other	<u>22,880</u>
Total depreciation expense - governmental activities	<u>\$ 9,947,772</u>

	Balance January 1 (Restated)	Increases	Decreases	Balance December 31
Business-type activities				
Capital assets not being depreciated				
Land	\$ 720,161	\$ -	\$ -	\$ 720,161
Construction in progress	8,720,347	6,485,211	(9,239,446)	5,966,112
Total capital assets, not being depreciated	9,440,508	6,485,211	(9,239,446)	6,686,273
Capital assets, being depreciated				
Buildings and improvements	44,084,636	1,252,121	-	45,336,757
Improvements other than buildings	88,752,944	13,873,214	-	102,626,158
Machinery and equipment	10,437,521	1,120,046	(511,700)	11,045,867
Total capital assets, being depreciated	143,275,101	16,245,381	(511,700)	159,008,782
Less accumulated depreciation for				
Buildings and improvements	6,132,099	941,376	-	7,073,475
Improvements other than buildings	14,659,757	3,495,492	-	18,155,249
Machinery and equipment	6,159,869	761,873	(349,623)	6,572,119
Total accumulated depreciation	26,951,725	5,198,741	(349,623)	31,800,843
Total capital assets being depreciated, net	116,323,376	11,046,640	(162,077)	127,207,939
Business-type activities - capital assets, net	\$ 125,763,884	\$ 17,531,851	\$ (9,401,523)	\$ 133,894,212

Business-type activities depreciation expense by fund is as follows:

Business-type Activities

Water distribution utility fund	\$ 1,450,544
Wastewater fund	3,045,320
Solid waste utility fund	685,382
Storm sewer utility fund	17,495
	\$ 5,198,741

Note 13 - Capital Leases

The assets acquired through capital leases are as follows:

Governmental Activities

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
2011 Cat 950H Wheel Ldr 0J5J01625	\$ 161,682	\$ 93,640	\$ 68,042
2011 Elgin Pelican Np21960 03699	162,719	94,242	68,477
Cat Motor Grader	227,847	138,845	89,002
Motor Grader	189,847	115,688	74,159
Wheel Load Skid steer	169,000	80,979	88,021
2014 S175 Aerial Ladder Fire Truck	669,951	181,417	488,534
2015 Johnston Sweeper	228,295	29,489	198,806
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 1,809,341</u>	<u>\$ 734,300</u>	<u>\$ 1,075,041</u>

Business-type Activities (Proprietary Funds)

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Sewer Relining Project	\$ 1,115,563	\$ 157,109	\$ 958,454
2012 Bomag Roller Compactor	568,500	184,763	383,737
Wheel Loader	265,169	115,222	149,947
Landfill Dozer-D6TXWWHA	381,819	187,728	194,091
Peterbilt Side Loader 2015 286227	225,158	65,671	159,487
Peterbilt Side Loader 2015 286228	245,358	71,562	173,796
Peterbilt Side Loader 2015 286229	238,258	69,492	168,766
Caterpillar Twin Engine Scraper	578,910	156,788	422,122
Roll Off Truck 5KKMAXDV2EPGA1273	168,400	47,012	121,388
Front Load Truck	213,887	54,363	159,524
Rear Load Truck	127,829	37,816	90,013
Cat Wheel Loader 950M	246,930	13,032	233,898
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 4,375,781</u>	<u>\$ 1,160,558</u>	<u>\$ 3,215,223</u>

Future minimum lease obligations and the net present value of these minimum lease payments at December 31, 2016 were as follows:

<u>Year Ending December 31</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
2017	\$ 214,516	\$ 782,515
2018	182,326	782,515
2019	65,684	423,284
2020	41,856	91,553
2021	-	14,925
Total minimum lease payments	<u>504,382</u>	<u>2,094,792</u>
Less: amount representing interest	<u>(12,949)</u>	<u>(63,823)</u>
Present value of minimum lease payments	<u><u>\$ 491,433</u></u>	<u><u>\$ 2,030,969</u></u>

#### Note 14 - Long-Term Obligations

During the year ended December 31, 2016, the following changes occurred in long-term liabilities of the City:

##### Governmental Activities

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Compensated absences	\$ 754,303	\$ 659,136	\$ 641,236	\$ 772,203	\$ 257,144
Revenue bonds payable	15,849,401	-	2,194,401	13,655,000	1,150,000
Bond premium	286,525	-	28,652	257,873	28,652
Capital leases payable	744,686	-	253,253	491,433	208,513
Total governmental debt	<u><u>\$17,634,915</u></u>	<u><u>\$ 659,136</u></u>	<u><u>\$ 3,117,542</u></u>	<u><u>\$ 15,176,509</u></u>	<u><u>\$ 1,644,309</u></u>

Business-type Activities (Proprietary Funds)

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Compensated absences	\$ 192,679	\$ 137,805	\$ 144,261	\$ 186,223	\$ 109,111
Notes payable	69,159,693	6,921,072	3,992,972	72,087,793	8,362,417
Capital leases payable	2,423,054	440,972	833,057	2,030,969	743,906
<b>Total enterprise fund debt</b>	<b><u>\$71,775,426</u></b>	<b><u>\$ 7,499,849</u></b>	<b><u>\$ 4,970,290</u></b>	<b><u>\$74,304,985</u></b>	<b><u>\$ 9,215,434</u></b>

Compensated absences are liquidated in the fund in which the services is received, which would be the fund in which the employee's salary is charged. This includes the general fund, Dickinson Public Library fund, water distribution utility fund, wastewater fund, solid waste fund, storm sewer utility fund and the internal service fund.

Outstanding debt at December 31, 2016 (excluding compensated absences and capital leases) consisted of the following issues.

Governmental Activities

\$16,905,000 Sales and Hospitality Tax Revenue Bonds, Series 2013; due in annual installments of \$1,379,308 to \$3,321,000 through October 1, 2025; interest at 3% to 5% paid semi-annually.	<u>\$ 13,655,000</u>
	<u>\$ 13,655,000</u>

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue pledged from a designated revenue stream is used to pay the debt service. The City has committed thirty percent of its one percent sales and use tax and seventy-five percent of its one percent hospitality tax to pay the annual principal and interest requirements on the 2013 sales and hospitality tax revenue bonds. Proceeds from the bonds provided financing for the expansion and improvement of the West River Community Center campus. The bonds are payable through 2025. The total principal and interest remaining to be paid on the bonds is \$17,084,660. Principal payments of \$1,115,000 and interest payments of \$596,604 were made in the current year. The sales and use tax revenues in the current year were \$5,032,539 and the hospitality tax revenues were \$908,102.



Business-type Activities

\$835,958 State Revolving Fund Loan; due in annual installments of \$39,958 to \$44,000 through September 1, 2029; interest at .5% paid semi-annually.	\$ 355,000
\$40,500,000 State Revolving Fund Loan; \$36,360,948 drawn on loan at December 31, 2016 with \$4,139,052 available to be drawn; due in annual installments of \$2,000,000 to \$2,592,840 through September 1, 2033; interest at 2% paid semi-annually.	32,990,948
\$42,108,000 State Revolving Fund Loan; \$36,812,429 drawn on loan at December 31, 2016 with \$5,295,571 available to be drawn; due in annual installments of \$2,269,080 to \$2,672,400 through September 1, 2034; interest at 2% paid semi-annually.	33,874,429
\$3,226,943 note payable; due in annual installments equal to wastewater sales to lender until balance is paid in full; interest at 6% accruing annually	2,278,894
\$2,636,925 note payable; due in annual installments equal to industrial water sales to lender until balance is paid in full; interest at 6% accruing annually	2,588,522
	\$ 72,087,793

Debt service requirements on long-term debt at December 31, 2016 are as follows:

Governmental Activities	Revenue Bonds	
	Principal	Interest
Year Ending December 31		
2017	\$ 1,150,000	\$ 561,115
2018	1,185,000	526,615
2019	1,230,000	479,215
2020	1,270,000	440,065
2021	1,310,000	399,425
2022-2026	7,510,000	1,023,225
	\$ 13,655,000	\$ 3,429,660

<u>Business-Type Activities</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending December 31		
2017	\$ 8,362,417	\$ 1,973,909
2018	3,585,000	1,385,850
2019	3,675,000	1,314,325
2020	3,765,000	1,240,900
2021	3,860,000	1,165,775
2022-2026	20,788,000	4,635,045
2027-2031	23,455,000	2,454,100
2032-2035	4,597,376	204,840
	<u>\$ 72,087,793</u>	<u>\$ 14,374,744</u>

#### Note 15 - Restricted Net Position

The following details the net position restricted for special purposes as shown on the statement of net position:

<u>Purpose</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Debt, property tax reductions and infrastructure	\$ 9,550,110	\$ -	\$ 9,550,110
Urban and economic development	5,384,090	-	5,384,090
Job creation and senior citizen activities	1,702,573	-	1,702,573
Oil impacted operations	22,506,494	-	22,506,494
Grants	4,798	-	4,798
Downtown districts	115,329	-	115,329
Debt service	-	3,034,636	3,034,636
	<u>\$ 39,263,394</u>	<u>\$ 3,034,636</u>	<u>\$ 42,298,030</u>

#### Note 16 - Risk Management

The City of Dickinson 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 (NDRIF), 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 of Dickinson pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence for general liability and auto insurance and to \$10,049,671 for inland marine insurance.

The City of Dickinson also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Dickinson 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 one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the City of Dickinson with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Dickinson has workers compensation with the North Dakota Workforce, Safety and Insurance. The City provides health insurance plan through Blue Cross/Blue Shield of North Dakota for their employees through NDPERS. The City pays 80% of the cost of the plan, and the employee pays 20%.

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

#### Note 17 - Postemployment Benefits

The City of Dickinson follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City of Dickinson engaged an actuary to determine the City's liability for post-employment benefits other than pensions. The actuary determined the obligation the City has to record as of December 31, 2016 is the difference between the Annual Required Contribution (ARC), defined as the normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year. The City does not issue a separate financial report for the postemployment benefits.

#### Plan Description

Any full-time city employee, who is at least 62 years old or who is at least 55 years old and has completed 25 years of service and retires from city employment is eligible for a benefit consisting of a subsidy of their actual monthly health insurance cost based on the type of benefit plan, whether a single or family, the retiree carried at the time of retirement from the date of retirement until the retiree is eligible for federal Medicare. The benefit will consist of a subsidy of 2% of the retiree's actual monthly health insurance cost for each full year of employment with the city to a maximum of 50% of the retiree's actual monthly health insurance cost. At no time will the monthly subsidy exceed the city's actual group premium cost for a comparable type of policy times the applicable percentage. If an employee covered by the city's group plan dies while employed by the city or a retiree covered by this subsection dies before attaining federal Medicare eligibility, the person(s) covered under the employee's or retiree's health insurance benefit at the time of death or the employee or retiree may continue to receive said benefit for the remainder of the employee's/retiree's benefit allowance period or three years whichever is less.

Membership of the Other Post Retirement Benefit plan consisted of the following at January 1, 2016, the date of the latest actuarial valuation:

	City Employee	Police	Total
Retired participants	4	5	9
Active participants	107	53	160
Total	111	58	169

### Contributions Required and Made

The funding policy of the plan through December 31, 2016 is a pay-as-you-go plan, contributing annually the amount necessary to pay benefits of retirees. Below are the actuarial methods and assumptions which were used in the actuary report:

Valuation Date	January 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Discount Rate	4.5%

For subsequent years, the following health care trend rates have been assumed:

<u>Fiscal Year</u>	<u>Trend Rates</u>
2016	9.79%
2017	0.00%
2018	18.00%
2019	0.00%
2020	17.00%
2021 +	0.00% - 16.00%

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contributions	\$ 174,054
Interest on OPEB obligation	(2,846)
Adjustment to annual required contributions	<u>765</u>
Annual OPEB costs	171,973
Contributions made	<u>(133,952)</u>
Decrease in net OPEB obligation	38,021
Net OPEB obligations, beginning of year	<u>(63,254)</u>
Net OPEB obligations, end of year	<u><u>\$ (25,233)</u></u>

Funded Status and Funding Progress – As of January 1, 2016, in the most recent actuarial valuation, the plan was 12% funded. The actuarial accrued liability for benefits projected as of January 1, 2016 was \$1,532,856 and the actuarial value of assets was \$187,694 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,345,162.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### Note 18 - Joint Venture

The City of Dickinson entered into a joint venture for the maintenance of the Dickinson Law Enforcement Center with Stark County and the Southwest Multi-County Correction Center. Each entity appoints two members to the law enforcement center board. Each participating entity’s share of the cost of operations is determined by the relative amount of space occupied by each.

The following information as of and for the year ended December 31, 2016 is as follows:

Assets	\$ 146,854
Liabilities	140,228
Equity	\$ 6,626
Total revenues	\$ 604,601
Total expenses	661,616
Net change in equity	\$ (57,015)

Complete financial statements may be obtained from Southwest Multi-County Correction Center, 12th St W and Sims, Dickinson, ND 58601.

Note 19 - Pension Plans

The City of Dickinson administers three separate defined benefit pension plans – the City Employee Pension Plan, the Police Pension Plan and the Volunteer Firemen’s Pension Plan. All three plans are considered a part of the City of Dickinson’s reporting entity and are included in the City of Dickinson’s financial reports as Pension Trust Funds.

Summary of Significant Accounting Policies

Basis of Accounting – All three pension plan financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments – Investments for all three pension plans are recorded at fair value.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at January 1, 2017, the date of the latest actuarial valuation:

	City Employee	Police	Volunteer Firemen
Retirees and beneficiaries receiving benefits	34	14	7
Terminated plan members entitled to but not yet receiving benefits	10	5	5
Active plan members	24	17	24
Total	68	36	36
Number of participating employers	2	1	1

Plan Description – The City Employee Pension Plan is a multiple employer defined pension benefit plan. The Police Pension Plan and the Volunteer Firemen’s Pension Plans are single employer defined pension benefit plans which cover substantially all full time employees. Each plan provides retirement, disability and death benefits to plan members and their beneficiaries. All benefit provisions and all requirements are established by city ordinance.

City ordinance provides that all employees will become participants upon employment. Benefits become fully vested after 7 years of service. Employees who retire at or after age 62 with 15 years of credited service or after 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.3 percent of the final average compensation multiplied by the number of full and remaining fractional years of service completed by the participant or by a monthly benefit equal to one-twelfth of 3.3 percent of the total basic compensation for each full year and completed month of service. The amount used is the greater of the two calculations.

Contributions – City employee and police plan participants are required to contribute 5% of the employee’s monthly salary to the plan. The City is required to contribute the remaining amounts necessary to fund the plans on a sound actuarial basis. Administrative costs are financed through investment earnings. For the volunteer firemen’s plan, there are no required contributions as annual investment income is adequate to pay the annual pension cost.

Schedule of Contributions

<u>City Employee</u>	<u>2016</u>
Actuarially determined contribution	\$ 899,949
Contributions in relation to the actuarially determined contribution	<u>814,740</u>
Contribution deficiency (excess)	<u>\$ 85,209</u>
Covered-employee Payroll	\$ 1,216,809
Contributions as a percentage of covered-employee payroll	66.96%
 <u>Volunteer Firemen</u>	 <u>2016</u>
Actuarially determined contribution	\$ 26,297
Contributions in relation to the actuarially determined contribution	<u>26,241</u>
Contribution deficiency (excess)	<u>\$ 56</u>
Covered-employee Payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

<u>Police</u>	<u>2016</u>
Actuarially determined contribution	\$ 472,890
Contributions in relation to the actuarially determined contribution	<u>460,570</u>
Contribution deficiency (excess)	<u>\$ 12,320</u>
Covered-employee Payroll	\$ 1,129,831
Contributions as a percentage of covered-employee payroll	40.76%

Actuarial Assumptions

	<u>City Employee</u>	<u>Police</u>	<u>Volunteer Firemen</u>
Valuation date	January 1, 2017	January 1, 2017	January 1, 2017
Actuarial cost method	Level \$ closed 30 year period	Level \$ closed 30 year period	Level \$ closed 30 year period
Amortization method	Level \$ open 30 year period	Level \$ open 30 year period	Level \$ open 30 year period
Remaining amortization period	24 years	24 years	24 years
Asset valuation method	Smoothing of gains and losses	Smoothing of gains and losses	Smoothing of gains and losses
Investment rate of return	6.5%	6.5%	7.0%
Projected salary increases	4%	4%	N/A
Assumed inflation rate	4%	4%	4%
Mortality	RP-2014 Mortality Table using Scale MP-2016	RP-2014 Mortality Table using MP-2016	RP-2014 Mortality Table using Scale MP-2016

The actuary does not determine the pension contribution rates; rather it is done by employer recommendations within the limits established by state statute. The employer contributions to the plans are to be made through an annual tax levy or other budgeted sources.



## Investments

The investment policy and asset class allocations are established and may be amended by the Board of Trustees of the Pension Plan Trust by a majority vote of its members. It is the policy of the plan to pursue an investment strategy to improve the Plan's funding status to protect and sustain current and future benefits, minimize the employee and employer contributions needed to fund the Plan over the long-term, avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status and to accumulate a funding surplus to provide increases in retiree payments to preserve the purchasing power of their retirement benefits.

The Board adopted a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation targets are established using an asset-liability analysis designed to determine an acceptable volatility target for the plan and an optimal asset allocation policy mix. The asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk. The following was the plans asset allocation as of December 31, 2016 for the following plans:

### City Employee Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	67%
Fixed Income	33%
	<u>100%</u>

### Volunteer Firemen Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	66%
Fixed Income	34%
	<u>100%</u>

### Police Pension Plan

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	67%
Fixed Income	33%
	<u>100%</u>

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and using independent valuation service and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of the investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

The long-term expected rate of return on pension plan investments was determined by the Plan's investment advisor using a building-block method in which best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and market comparison) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available). The best estimates of expected future real rates of return were developed by American Trust Center in their annual meeting with the City of Dickinson Board of Trustees. The real rate of return is summarized in the following tables for each plan:

City Employee Pension Plan

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8%
Fixed Income	5%

Volunteer Firemen Pension Plan

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8%
Fixed Income	5%

Police Pension Plan

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8%
Fixed Income	5%

City Employee Pension Plan

	2016
<b>Schedule of Net Pension Liability</b>	
Total Pension Liability	\$ 17,731,166
Plan fiduciary net position	7,086,415
Net pension liability	\$ 10,644,751
Plan fiduciary net position as a percentage of the total pension liability	39.97%
Covered-employee Payroll	\$ 1,216,809
Net pension liability as a percentage of covered-employee payroll	874.81%
<b>Schedule of Changes in Total Pension Liability</b>	
	2016
Service Cost	\$ 196,042
Interest	1,086,656
Differences between expected and actual experience	226,664
Changes of assumptions	182,758
Benefit payments, including refunds of member contributions	(965,388)
Net change in total pension liability	726,732
Total Pension Liability--Beginning	17,004,434
Total Pension Liability--Ending (a)	\$ 17,731,166
<b>Schedule of Changes in Plan Fiduciary Net Position</b>	
Contributions--employer	\$ 814,740
Contributions--member	85,590
Net investment income (loss)	192,296
Benefit payments, including refunds of member contributions	(965,388)
Administrative expense	(42,323)
Net change in plan fiduciary net position	84,915
Plan fiduciary net position--beginning	7,001,500
Plan fiduciary net position--ending (b)	\$ 7,086,415
Net Pension Liability--ending (a) - (b)	\$ 10,644,751
Discount Rate used to measure the Total Pension Liability	6.50%
<b>Schedule of Investment Returns</b>	
	2016
Annual money-weighted rate of return, net of investment expenses	2.7%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City Employee pension plan calculated at a discount rate of 6.5 percent, as well as what the City Employee's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
Total Pension Liability	\$ 19,211,262	\$ 17,731,166	\$ 16,451,138
Plan Fiduciary Net Position	<u>7,086,415</u>	<u>7,086,415</u>	<u>7,086,415</u>
Net Pension Liability	<u>\$ 12,124,847</u>	<u>\$ 10,644,751</u>	<u>\$ 9,364,723</u>
City Share	<u>\$ 6,574,342</u>	<u>\$ 5,771,804</u>	<u>\$ 5,077,746</u>

City's Share of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City of Dickinson reported a liability of \$5,771,804 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Dickinson's proportion of the net pension liability was based on the City of Dickinson's share of the present value of future payroll in the pension plan relative to the present value of future payroll of all participating employers. At December 31, 2016, City of Dickinson's proportion was 54.222063% percent.

For the year ended December 31, 2016, the City of Dickinson recognized pension expense of \$834,114. At December 31, 2016, the City of Dickinson reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 78,296	\$ -
Changes of assumptions	60,415	-
Net difference between projected and actual earnings on investments	230,319	-
Changes in proportionate share	<u>38,672</u>	<u>(102,847)</u>
Total	<u>\$ 407,702</u>	<u>\$ (102,847)</u>

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

2017	\$ 116,217
2018	84,745
2019	75,772
2020	<u>28,121</u>
	<u>\$ 304,855</u>

Volunteer Firemen Pension Plan

Schedule of Net Pension Liability	2016
Total Pension Liability	\$ 384,902
Plan fiduciary net position	310,396
Net pension liability	\$ 74,506
Plan fiduciary net position as a percentage of the total pension liability	80.64%
Covered-employee Payroll	N/A
Net pension liability as a percentage of covered-employee payroll	N/A

Schedule of Changes in Total Pension Liability	2016
Service Cost	\$ 15,479
Interest	29,031
Differences between expected and actual experience	(44,345)
Changes of assumptions	(747)
Benefit payments, including refunds of member contributions	(27,518)
Net change in total pension liability	(28,100)
Total Pension Liability--Beginning	413,002
Total Pension Liability--Ending (a)	\$ 384,902

Schedule of Changes in Plan Fiduciary Net Position	
Contributions--employer	\$ 26,241
Net investment income	13,771
Benefit payments, including refunds of member contributions	(27,518)
Administrative expense	(3,362)
Net change in plan fiduciary net position	9,132
Plan fiduciary net position--beginning	301,264
Plan fiduciary net position--ending (b)	\$ 310,396
Net Pension Liability--ending (a) - (b)	\$ 74,506

Discount Rate used to measure the Total Pension Liability	7.00%
---	-------

Schedule of Investment Returns	2016
Annual money-weighted rate of return, net of investment expenses	4.6%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Volunteer Firemen pension plan calculated at a discount rate of 7 percent, as well as what the Volunteer Firemen's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Total Pension Liability	\$ 419,675	\$ 384,902	\$ 355,244
Plan Fiduciary Net Position	310,396	310,396	310,396
Net Pension Liability	\$ 109,279	\$ 74,506	\$ 44,848

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

For the year ended December 31, 2016, the City of Dickinson recognized pension expense of \$16,842. At December 31, 2016, the City of Dickinson 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	\$ 1,237	\$ (71,526)
Changes of assumptions	7,689	(1,866)
Net difference between projected and actual earnings on investments	18,451	-
Total	\$ 27,377	\$ (73,392)

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

2017	\$ (8,926)
2018	(4,716)
2019	(4,504)
2020	(7,856)
2021	(7,963)
Thereafter	(12,050)
	\$ (46,015)

Police Pension Plan

	2016
<b>Schedule of Net Pension Liability</b>	
Total Pension Liability	\$ 10,219,577
Plan fiduciary net position	5,643,465
Net pension liability	\$ 4,576,112
Plan fiduciary net position as a percentage of the total pension liability	55.22%
Covered-employee Payroll	\$ 1,129,831
Net pension liability as a percentage of covered-employee payroll	405.03%
<b>Schedule of Changes in Total Pension Liability</b>	
	2016
Service Cost	\$ 192,323
Interest	629,158
Differences between expected and actual experience	72,319
Changes of assumptions	115,196
Benefit payments, including refunds of member contributions	(552,907)
Net change in total pension liability	456,089
Total Pension Liability--Beginning	9,763,488
Total Pension Liability--Ending (a)	\$ 10,219,577
<b>Schedule of Changes in Plan Fiduciary Net Position</b>	
Contributions--employer	\$ 460,570
Contributions--member	68,391
Net investment income	173,154
Benefit payments, including refunds of member contributions	(552,907)
Administrative expense	(33,056)
Net change in plan fiduciary net position	116,152
Plan fiduciary net position--beginning	5,527,313
Plan fiduciary net position--ending (b)	\$ 5,643,465
Net Pension Liability--ending (a) - (b)	\$ 4,576,112
Discount Rate used to measure the Total Pension Liability	6.50%
<b>Schedule of Investment Returns</b>	
	2016
Annual money-weighted rate of return, net of investment expenses	3.1%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Police pension plan calculated at a discount rate of 6.5 percent, as well as what the Police's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Total Pension Liability	\$ 11,282,812	\$ 10,219,577	\$ 9,311,758
Plan Fiduciary Net Position	5,643,465	5,643,465	5,643,465
Net Pension Liability	\$ 5,639,347	\$ 4,576,112	\$ 3,668,293

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

For the year ended December 31, 2016, the City of Dickinson recognized pension expense of \$891,722. At December 31, 2016, the City of Dickinson 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	\$ 280,577	\$ -
Changes of assumptions	231,133	-
Net difference between projected and actual earnings on investments	320,832	-
Total	\$ 832,542	\$ -

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

2017		\$ 324,671
2018		313,835
2019		157,182
2020		36,854
		\$ 832,542



Note 20 - Closure and Postclosure Care Costs

State and federal laws and regulations require that the City of Dickinson place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimate liability for landfill closure and postclosure care costs has a balance of \$721,973 at December 31, 2016, which is based on 24% usage (filled) of municipal solid waste in the landfill and 28% usage (filled) of municipal solid waste and inert material combined in the landfill. It is estimated that an additional \$1,993,423 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care of \$2,715,396 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. However, the actual cost of closure and postclosure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

Note 21 - Transfers

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 4,466,181	\$ 679,785
One Percent Sales Tax	-	5,912,757
Oil & Gas Production Fund	-	9,547,054
Annual Street Project Fund	7,316,779	-
Other Governmental Funds	2,146,089	2,554,963
Water Distribution Utility Fund	-	2,653,848
Wastewater Fund	7,045,609	-
Solid Waste Utility Fund	-	246,486
Other Proprietary Fund	-	1,093
Internal Service Fund	621,328	-
	<u>621,328</u>	<u>-</u>
Total transfers	<u>\$ 21,595,986</u>	<u>\$ 21,595,986</u>

The transfers in and out during 2016 were budgeted transfers.

Note 22 - Subsequent Events

The City has evaluated subsequent events through October 16, 2018, the date which the financial statements were available to be issued.

Note 23 - Restatement

During 2016, the City identified misstatements to the 2015 financial statements related to the misstatement of retainage payable, capital assets, accumulated depreciation and the related expenditures/expenses. The City restated fund balance and net position at January 1, 2016 to reflect the misstatements of the balances reported in the 2015 financial statements.

	<u>Annual Street Project Fund</u>	<u>Wastewater Fund</u>	<u>Government-Wide</u>	
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund balance/net position - January 1, as previously reported	\$ (1,473,097)	\$ 18,473,486	\$ 171,363,047	\$ 64,230,626
Restatements				
Overstatement of retainage payable	596,841	-	596,841	-
Understatement of capital assets and accumulated depreciation	<u>-</u>	<u>(685,211)</u>	<u>43,080,635</u>	<u>(685,211)</u>
Fund balance/net position - January 1, as restated	<u>\$ (876,256)</u>	<u>\$ 17,788,275</u>	<u>\$ 215,040,523</u>	<u>\$ 63,545,415</u>



Required Supplementary Information  
December 31, 2016

# City of Dickinson

City of Dickinson  
 Budgetary Comparison Schedule – General Fund  
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 4,764,799	\$ 4,764,799	\$ 4,744,362	\$ (20,437)
Licenses, permits and fees	636,125	446,125	642,630	196,505
Intergovernmental revenues	4,297,385	3,456,078	2,949,356	(506,722)
Charges for services	2,546,569	2,310,211	2,101,349	(208,862)
Fines and forfeits	440,000	430,000	421,001	(8,999)
Interest and investment income	43,000	43,000	32,494	(10,506)
Miscellaneous revenues	51,800	195,975	232,600	36,625
Total revenues	<u>12,779,678</u>	<u>11,646,188</u>	<u>11,123,792</u>	<u>(522,396)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	5,195,237	5,316,287	5,392,353	(76,066)
Public safety	7,071,707	6,975,945	6,981,029	(5,084)
Public works	2,931,592	2,603,632	2,832,570	(228,938)
Culture and recreation	364,120	615,940	440,858	175,082
Other	212,595	155,938	126,623	29,315
Capital outlay	555,200	351,200	574,272	(223,072)
Total expenditures	<u>16,330,451</u>	<u>16,018,942</u>	<u>16,347,705</u>	<u>(328,763)</u>
Excess (Deficiency) of Revenues over expenditures	<u>(3,550,773)</u>	<u>(4,372,754)</u>	<u>(5,223,913)</u>	<u>(851,159)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of assets	10,000	10,000	-	(10,000)
Transfers in	4,513,370	4,425,316	4,413,316	(12,000)
Transfers out	<u>(972,597)</u>	<u>(925,962)</u>	<u>(403,898)</u>	<u>522,064</u>
Total Other Financing Sources and Uses	<u>3,550,773</u>	<u>3,509,354</u>	<u>4,009,418</u>	<u>500,064</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (863,400)</u>	<u>(1,214,495)</u>	<u>\$ (351,095)</u>
Fund Balance - January 1			<u>8,384,480</u>	
Fund Balance - December 31			<u>\$ 7,169,985</u>	

City of Dickinson  
Budgetary Comparison Schedule – General Fund  
Year Ended December 31, 2016

---

Differences between budgetary and GAAP fund balance	
General fund	\$ 7,169,985
Asset forfeiture	21,642
Cemetery	271,145
Historic preservation	3,432
Fire	183,189
Future fund	7,893,530
Urban forestry	<u>92,551</u>
 GAAP fund balance (combined with General fund for GAAP presentation)	 <u><u>\$ 15,635,474</u></u>

City of Dickinson  
 Budgetary Comparison Schedule – One Percent Sales Tax Fund  
 Year Ended December 31, 2016

	One Percent Sales Tax			Variance With Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 8,102,948	\$ 7,246,919	\$ 5,032,539	\$ (2,214,380)
Interest and investment income	88,000	88,000	50,535	(37,465)
Total revenue	<u>8,190,948</u>	<u>7,334,919</u>	<u>5,083,074</u>	<u>(2,251,845)</u>
Expenditures				
Current				
Urban and economic development	1,132,500	1,132,500	1,067,775	64,725
Capital outlay	<u>2,576,283</u>	<u>2,576,283</u>	<u>237,575</u>	<u>2,338,708</u>
Total expenditures	<u>3,708,783</u>	<u>3,708,783</u>	<u>1,305,350</u>	<u>2,403,433</u>
Excess of Revenues over Expenditures	<u>4,482,165</u>	<u>3,626,136</u>	<u>3,777,724</u>	<u>151,588</u>
Other Financing Uses				
Transfers out	<u>(5,051,474)</u>	<u>(5,051,474)</u>	<u>(5,912,757)</u>	<u>(861,283)</u>
Net change in fund balances	<u>\$ (569,309)</u>	<u>\$ (1,425,338)</u>	<u>(2,135,033)</u>	<u>\$ (709,695)</u>
Fund Balance - January 1			<u>10,647,900</u>	
Fund Balance - December 31			<u>\$ 8,512,867</u>	

City of Dickinson  
 Budgetary Comparison Schedule – Oil & Gas Fund  
 Year Ended December 31, 2016

	Oil & Gas Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ 18,900,637	\$ 18,900,637
Interest and investment income	30,000	30,000	92,825	62,825
Total revenue	30,000	30,000	18,993,462	18,963,462
Other Financing Uses				
Transfers out	(59,204,446)	(59,204,446)	(9,547,054)	49,657,392
Net change in fund balances	\$ (59,174,446)	\$ (59,174,446)	9,446,408	\$ 68,620,854
Fund Balance - January 1			13,060,086	
Fund Balance - December 31			\$ 22,506,494	

City of Dickinson  
Required Supplementary Information – City Employee Pension Plan  
Year Ended December 31, 2016

Schedule of the Employer's Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	54.222060%	55.510180%	59.692893%
Employer's proportionate share of the net pension liability	\$ 5,771,804	\$ 5,552,647	\$ 5,157,267
Employer's covered employee payroll	\$ 1,216,809	\$ 1,193,687	\$ 1,474,076
Employer's proportionate share of the net pension liability as a percentage of covered-employee payroll	474.34%	465.17%	349.86%
Plan fiduciary net position as a percentage of the total pension liability	39.97%	41.17%	44.20%

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of the Employer's Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 899,949	\$ 817,871	\$ 854,400
Contributions in relation to the actuarially determined contribution	<u>814,740</u>	<u>840,574</u>	<u>823,620</u>
Contribution deficiency (excess)	<u>\$ 85,209</u>	<u>\$ (22,703)</u>	<u>\$ 30,780</u>
Employer's covered-employee payroll	\$ 1,216,809	\$ 1,193,687	\$ 1,474,076
Contributions as a percentage of covered-employee payroll	66.96%	70.42%	55.87%

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Notes to the Required Supplementary Information

Valuation date	January 1, 2017
Actuarial cost method	Level \$ closed 30 year period
Amortization method	Level \$ open 30 year period
Remaining amortization period	24 years
Asset valuation method	Smoothing of gains and losses
Investment rate of return	6.5%
Projected salary increases	4%
Assumed inflation rate	4%
Mortality	RP-2014 Mortality Table using Scale MP-2016



City of Dickinson  
Required Supplementary Information – Volunteer Fireman Pension Plan  
Year Ended December 31, 2016

Schedule of Net Pension Liability	2016	2015	2014
Total Pension Liability	\$ 384,902	\$ 413,002	\$ 376,696
Plan fiduciary net position	310,396	301,264	288,225
Net pension liability	<u>\$ 74,506</u>	<u>\$ 111,738</u>	<u>\$ 88,471</u>
Plan fiduciary net position as a percentage of the total pension liability	80.64%	72.94%	76.51%
Covered-employee Payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Changes in Total Pension Liability	2016	2015	2014
Service Cost	\$ 15,479	\$ 14,870	\$ 14,918
Interest	29,031	27,059	26,248
Differences between expected and actual experience	(44,345)	(5,667)	(17,014)
Changes of assumptions	(747)	10,055	-
Benefit payments, including refunds of member contributions	(27,518)	(10,011)	(15,028)
Net change in total pension liability	<u>(28,100)</u>	<u>36,306</u>	<u>9,124</u>
Total Pension Liability--Beginning	413,002	376,696	367,572
Total Pension Liability--Ending (a)	<u>\$ 384,902</u>	<u>\$ 413,002</u>	<u>\$ 376,696</u>

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Changes in Plan Fiduciary Net Position	2016	2015	2014
Contributions--employer	\$ 26,241	\$ 27,408	\$ 27,447
Net investment income	13,771	(2,294)	14,756
Benefit payments, including refunds of member contributions	(27,518)	(10,011)	(15,028)
Administrative expense	(3,362)	(2,064)	(2,926)
Net change in plan fiduciary net position	<u>9,132</u>	<u>13,039</u>	<u>24,249</u>
Plan fiduciary net position--beginning	301,264	288,225	263,976
Plan fiduciary net position--ending (b)	<u>\$ 310,396</u>	<u>\$ 301,264</u>	<u>\$ 288,225</u>
Net Pension Liability--ending (a) - (b)	<u>\$ 74,506</u>	<u>\$ 111,738</u>	<u>\$ 88,471</u>

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Contributions	2016	2015	2014
Actuarially determined contribution	\$ 26,297	\$ 25,147	\$ 26,730
Contributions in relation to the actuarially determined contribution	26,241	27,408	27,447
Contribution deficiency (excess)	<u>\$ 56</u>	<u>\$ (2,261)</u>	<u>\$ (717)</u>
Covered-employee Payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Notes to the Required Supplementary Information

Valuation date	January 1, 2017
Actuarial cost method	Level \$ closed 30 year period
Amortization method	Level \$ open 30 year period
Remaining amortization period	24 years
Asset valuation method	Smoothing of gains and losses
Investment rate of return	7.00%
Projected salary increases	N/A
Assumed inflation rate	4%
Mortality	RP-2014 Mortality Table using Scale MP-2016

City of Dickinson  
Required Supplementary Information – Police Pension Plan  
Year Ended December 31, 2016

Schedule of Net Pension Liability	2016	2015	2014
Total Pension Liability	\$ 10,219,577	\$ 9,763,488	\$ 8,794,960
Plan fiduciary net position	<u>5,643,465</u>	<u>5,527,313</u>	<u>5,520,718</u>
Net pension liability	<u>\$ 4,576,112</u>	<u>\$ 4,236,175</u>	<u>\$ 3,274,242</u>
Plan fiduciary net position as a percentage of the total pension liability	55.22%	56.61%	62.77%
Covered-employee Payroll	\$ 1,129,831	\$ 1,297,858	\$ 1,225,358
Net pension liability as a percentage of covered-employee payroll	405.03%	326.40%	267.21%

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Changes in Total Pension Liability	2016	2015	2014
Service Cost	\$ 192,323	\$ 216,356	\$ 210,610
Interest	629,158	571,205	548,605
Differences between expected and actual experience	72,319	330,967	9,528
Changes of assumptions	115,196	297,090	-
Benefit payments, including refunds of member contributions	<u>(552,907)</u>	<u>(447,090)</u>	<u>(406,497)</u>
Net change in total pension liability	456,089	968,528	362,246
Total Pension Liability—Beginning	<u>9,763,488</u>	<u>8,794,960</u>	<u>8,432,714</u>
Total Pension Liability—Ending (a)	<u>\$ 10,219,577</u>	<u>\$ 9,763,488</u>	<u>\$ 8,794,960</u>

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Changes in Plan Fiduciary Net Position	2016	2015	2014
Contributions—employer	\$ 460,570	\$ 423,057	\$ 364,786
Contributions—member	68,391	72,282	71,151
Net investment income	173,154	(7,931)	284,155
Benefit payments, including refunds of member contributions	(552,907)	(447,090)	(406,497)
Administrative expense	<u>(33,056)</u>	<u>(33,723)</u>	<u>(32,188)</u>
Net change in plan fiduciary net position	116,152	6,595	281,407
Plan fiduciary net position—beginning	<u>5,527,313</u>	<u>5,520,718</u>	<u>5,239,311</u>
Plan fiduciary net position—ending (b)	<u>\$ 5,643,465</u>	<u>\$ 5,527,313</u>	<u>\$ 5,520,718</u>
Net Pension Liability—ending (a) - (b)	<u>\$ 4,576,112</u>	<u>\$ 4,236,175</u>	<u>\$ 3,274,242</u>

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Schedule of Contributions	2015	2015	2014
Actuarially determined contribution	\$ 472,890	\$ 446,886	\$ 430,831
Contributions in relation to the actuarially determined contribution	<u>460,570</u>	<u>423,057</u>	<u>364,786</u>
Contribution deficiency (excess)	<u>\$ 12,320</u>	<u>\$ 23,829</u>	<u>\$ 66,045</u>
Covered-employee Payroll	\$ 1,129,831	\$ 1,297,858	\$ 1,225,358
Contributions as a percentage of covered-employee payroll	40.76%	32.60%	29.77%

\*Complete data for this schedule is not available prior to 2014. The information presented has a measurement date of December 31.

Notes to the Required Supplementary Information

Valuation date	January 1, 2017
Actuarial cost method	Level \$ closed 30 year period
Amortization method	Level \$ open 30 year period
Remaining amortization period	25 years
Asset valuation method	Smoothing of gains and losses
Investment rate of return	6.50%
Projected salary increases	4%
Assumed inflation rate	4%
Mortality	RP-2014 Mortality Table using Scale MP-2016

City of Dickinson  
Other Postemployment Benefit Schedules  
Year Ended December 31, 2016

---

Schedule of Funding Progress

<u>Actuarial Valuation Date January 1,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UALL)</u>	<u>Funded Ratio</u>
2014	\$ 291,085	\$ 1,057,041	\$ 765,956	27.5%
2015	402,906	1,075,231	672,325	37.5%
2016	187,694	1,532,856	1,345,162	12.2%

Schedule of Employer Contributions

<u>Year Ended December 31</u>	<u>Annual OPEB Costs</u>	<u>City Contributions</u>	<u>Percentage Contributed</u>
2014	\$ 94,074	\$ 192,235	204.3%
2015	89,131	197,791	221.9%
2016	171,973	133,952	77.9%

## Note 1 - Stewardship, Compliance, and Accountability

### Budgetary Information

The governing board adopts an annual budget on a basis consistent with GAAP for the general fund, each special revenue fund and each debt service fund of the municipality. The city is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- ☐ On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- ☐ The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1st, the board adopts the final budget.
- ☐ The final budget must be filed with the county auditor by October 10th.
- ☐ No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue 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 proceedings of the board.
- ☐ All annual appropriations lapse at year-end.

## Note 2 - Actuarial Assumptions and Methods – Other Postemployment Benefits

Unfunded actuarial accrued liabilities (UAAL) were amortized by level dollar contributions. The UAAL was determined using the funding value of assets and the actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment is the level dollar amount required to amortize the UAAL over a closed 30 year period.

Significant actuarial assumptions employed by the actuaries for funding purposes as of January 1, 2016, the date of the latest actuarial study are as follows:

Discount rate	4.50% per year
---------------	----------------

Monthly premiums as of  
January 1, 2013

The benefits payable to retirees are a percentage of actual health premiums, but are limited to no more than the same percentage of the premiums paid by active employees. For purposes of this valuation, the projected active employee premium was used as the basis for projecting retiree health benefits.

The active employee premiums as of January 1, 2016 are as follows:

<u>Coverage</u>	
Single	\$465.18
Family	1,123.88

Health care trend rates

The following health care trend rates have been assumed:

<u>Fiscal Year</u>	<u>Trend Rates</u>
2016	9.79%
2017	0.00%
2018	18.00%
2019	0.00%
2020	17.00%
2021 +	0.00% - 16.00%

Expected monthly retiree  
medical costs

Because retirees are not included in the City's health insurance plan, and do not affect the premiums paid by the City, the actuary did not use age specific costs in the valuation of liabilities under the plan.

Participation rate

100% of employees with medical coverage are assumed to elect medical coverage in the plan at retirement, if eligible.

80% of employees with family coverage are assumed to be married and elect coverage for their spouse at retirement, if eligible.

Retirement Age

City employees: 100% retire at age 62 or 30 years of service; Police employees: 100% retire at age 55 or 30 years of service.

Mortality RP-2014 Generational Mortality (Scale MP-2015)

Withdrawal Table T-4 - rates varying by age. Sample withdrawal rates are as follows:

<u>Age</u>	<u>Rate</u>
25	5.29%
30	5.07%
35	4.70%
40	4.19%
45	3.54%
50	2.48%

Disability None

Actuarial Methods

Actuarial method Projected Unit Credit with 30-year amortization of the unfunded liability.

Calculation date January 1, 2016

Amortization of unfunded actuarial accrued liability Amortized as a level dollar amount over 30 years



Supplementary Information  
December 31, 2016  
**City of Dickinson**

City of Dickinson  
Combining Balance Sheet – Nonmajor Governmental Funds  
December 31, 2016

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 6,143,346	\$ 1,142,594	\$ 1,185,092	\$ 8,471,032
Accounts receivable	1,634	62,333	-	63,967
Special assessments receivable	5,089	-	1,332,199	1,337,288
Intergovernmental receivables	670,722	-	-	670,722
Restricted cash and investments	-	1,690,500	-	1,690,500
	<u>6,820,791</u>	<u>2,895,427</u>	<u>2,517,291</u>	<u>12,233,509</u>
<b>Total assets</b>	<b>\$ 6,820,791</b>	<b>\$ 2,895,427</b>	<b>\$ 2,517,291</b>	<b>\$ 12,233,509</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 19,000	\$ -	\$ -	\$ 19,000
Accrued payroll	17,145	-	-	17,145
Interfund payables	-	48,346	824,962	873,308
Advances from other funds	-	-	1,416,086	1,416,086
<b>Total liabilities</b>	<u>36,145</u>	<u>48,346</u>	<u>2,241,048</u>	<u>2,325,539</u>
<b>Deferred Inflows of Resources</b>				
Unavailable special assessments	5,089	-	1,332,199	1,337,288
<b>Total deferred inflows of resources</b>	<u>5,089</u>	<u>-</u>	<u>1,332,199</u>	<u>1,337,288</u>
<b>Fund Balances</b>				
Restricted	5,413,803	2,830,230	-	8,244,033
Committed	973,078	-	-	973,078
Assigned	392,676	65,197	-	457,873
Unassigned	-	(48,346)	(1,055,956)	(1,104,302)
<b>Total fund balances</b>	<u>6,779,557</u>	<u>2,847,081</u>	<u>(1,055,956)</u>	<u>8,570,682</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 6,820,791</u>	<u>\$ 2,895,427</u>	<u>\$ 2,517,291</u>	<u>\$ 12,233,509</u>



	Downtown Improvement District	Half Percent Sales Tax	Hospitality Tax	Wastewater Backup Reserve
<b>Assets</b>				
Cash and investments	\$ 115,329	\$ 4,826,100	\$ 562,720	\$ 21,460
Accounts receivable	-	-	-	1,634
Special assessments receivable	5,089	-	-	-
Intergovernmental receivables	-	468,758	135,802	-
<b>Total assets</b>	<b>\$ 120,418</b>	<b>\$ 5,294,858</b>	<b>\$ 698,522</b>	<b>\$ 23,094</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,182	\$ -	\$ 1,937
Accrued payroll	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>1,182</b>	<b>-</b>	<b>1,937</b>
<b>Deferred Inflows of Resources</b>				
Unavailable special assessments	5,089	-	-	-
<b>Total deferred inflows of resources</b>	<b>5,089</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Restricted	115,329	5,293,676	-	-
Committed	-	-	698,522	21,157
Assigned	-	-	-	-
<b>Total fund balances</b>	<b>115,329</b>	<b>5,293,676</b>	<b>698,522</b>	<b>21,157</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 120,418</b>	<b>\$ 5,294,858</b>	<b>\$ 698,522</b>	<b>\$ 23,094</b>

City of Dickinson  
Combining Balance Sheet – Nonmajor Special Revenue Funds  
December 31, 2016

Grant Fund	Dickinson Public Library	Occupancy Tax	Total Nonmajor Special Revenue Fund
\$ 706	\$ 412,224	\$ 204,807	\$ 6,143,346
-	-	-	1,634
-	-	-	5,089
<u>5,803</u>	<u>11,459</u>	<u>48,900</u>	<u>670,722</u>
<u>\$ 6,509</u>	<u>\$ 423,683</u>	<u>\$ 253,707</u>	<u>\$ 6,820,791</u>
\$ 1,711	\$ 13,862	\$ 308	\$ 19,000
-	17,145	-	17,145
<u>1,711</u>	<u>31,007</u>	<u>308</u>	<u>36,145</u>
-	-	-	5,089
-	-	-	5,089
4,798	-	-	5,413,803
-	-	253,399	973,078
-	392,676	-	392,676
<u>4,798</u>	<u>392,676</u>	<u>253,399</u>	<u>6,779,557</u>
<u>\$ 6,509</u>	<u>\$ 423,683</u>	<u>\$ 253,707</u>	<u>\$ 6,820,791</u>

City of Dickinson  
Combining Balance Sheet – Nonmajor Debt Service Funds  
December 31, 2016

	2013 Sales Tax Revenue Bonds	2014 Water & Sales Tax Revenue Bonds	General Capital Leases	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 1,077,397	\$ -	\$ 65,197	\$ 1,142,594
Restricted cash and investments	1,690,500	-	-	1,690,500
Accounts receivable	62,333	-	-	62,333
<b>Total assets</b>	<b>\$ 2,830,230</b>	<b>\$ -</b>	<b>\$ 65,197</b>	<b>\$ 2,895,427</b>
<b>Liabilities</b>				
Interfund payables	\$ -	\$ 48,346	\$ -	\$ 48,346
<b>Total liabilities</b>	<b>-</b>	<b>48,346</b>	<b>-</b>	<b>48,346</b>
<b>Fund Balances</b>				
Restricted	2,830,230	-	-	2,830,230
Assigned	-	-	65,197	65,197
Unassigned	-	(48,346)	-	(48,346)
<b>Total fund balances</b>	<b>2,830,230</b>	<b>(48,346)</b>	<b>65,197</b>	<b>2,847,081</b>
<b>Total liabilities, and fund balances</b>	<b>\$ 2,830,230</b>	<b>\$ -</b>	<b>\$ 65,197</b>	<b>\$ 2,895,427</b>

City of Dickinson  
Combining Balance Sheet – Nonmajor Capital Projects Funds  
December 31, 2016

	Community Center Project	Impact Fees Capital Projects	Total Nonmajor Capital Projects Funds
<b>Assets</b>			
Cash and investments	\$ -	\$ 1,185,092	\$ 1,185,092
Special assessments receivable	-	1,332,199	1,332,199
Total assets	<u>\$ -</u>	<u>\$ 2,517,291</u>	<u>\$ 2,517,291</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Interfund payables	\$ 824,962	\$ -	\$ 824,962
Advances from other funds	-	1,416,086	1,416,086
Total liabilities	<u>824,962</u>	<u>1,416,086</u>	<u>2,241,048</u>
<b>Deferred Inflows of Resources</b>			
Unavailable special assessments	-	1,332,199	1,332,199
Total deferred inflows of resources	<u>-</u>	<u>1,332,199</u>	<u>1,332,199</u>
<b>Fund Balances</b>			
Unassigned	(824,962)	(230,994)	(1,055,956)
Total fund balances	<u>(824,962)</u>	<u>(230,994)</u>	<u>(1,055,956)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 2,517,291</u>	<u>\$ 2,517,291</u>

City of Dickinson  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental  
Funds  
Year Ended December 31, 2016

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 4,291,847	\$ -	\$ -	\$ 4,291,847
Intergovernmental revenues	574,745	-	-	574,745
Charges for services	145,269	-	-	145,269
Fines and forfeits	16,066	-	-	16,066
Special assessments	14,464	-	1,310,880	1,325,344
Interest and investment income	35,055	12,356	4,401	51,812
Donations	-	328,983	-	328,983
Miscellaneous revenues	87,242	-	-	87,242
Total revenues	<u>5,164,688</u>	<u>341,339</u>	<u>1,315,281</u>	<u>6,821,308</u>
Expenditures				
Current				
Public safety	85,863	-	-	85,863
Public works	121,678	-	-	121,678
Culture and recreation	1,359,352	-	-	1,359,352
Urban and economic development	11,708	-	-	11,708
Capital outlay	266,314	-	-	266,314
Debt Service				
Principal	-	2,447,885	-	2,447,885
Interest and service charges	-	630,255	-	630,255
Total expenditures	<u>1,844,915</u>	<u>3,078,140</u>	<u>-</u>	<u>4,923,055</u>
Excess (Deficiency) of Revenues over expenditures	<u>3,319,773</u>	<u>(2,736,801)</u>	<u>1,315,281</u>	<u>1,898,253</u>
Other Financing Sources (Uses)				
Transfers in	-	1,847,857	298,232	2,146,089
Transfers out	<u>(2,256,730)</u>	<u>(298,233)</u>	<u>-</u>	<u>(2,554,963)</u>
Total Other Financing Sources and Uses	<u>(2,256,730)</u>	<u>1,549,624</u>	<u>298,232</u>	<u>(408,874)</u>
Net Change in Fund Balances	<u>1,063,043</u>	<u>(1,187,177)</u>	<u>1,613,513</u>	<u>1,489,379</u>
Fund Balance - January 1	<u>5,716,514</u>	<u>4,034,258</u>	<u>(2,669,469)</u>	<u>7,081,303</u>
Fund Balance - December 31	<u>\$ 6,779,557</u>	<u>\$ 2,847,081</u>	<u>\$ (1,055,956)</u>	<u>\$ 8,570,682</u>

	Downtown Improvement District	Half Percent Sales Tax	Hospitality Tax	Wastewater Backup Reserve
Revenues				
Taxes	\$ -	\$ 2,516,270	\$ 908,102	\$ -
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Special assessments	14,464	-	-	-
Interest and investment income	831	22,397	4,630	39
Miscellaneous revenues	-	-	-	55,716
Total revenues	<u>15,295</u>	<u>2,538,667</u>	<u>912,732</u>	<u>55,755</u>
Expenditures				
Current				
Public safety	-	-	-	-
Public works	76,083	-	-	45,595
Culture and recreation	-	-	-	-
Urban and economic development	-	11,708	-	-
Capital outlay	-	-	150,000	-
Total expenditures	<u>76,083</u>	<u>11,708</u>	<u>150,000</u>	<u>45,595</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(60,788)</u>	<u>2,526,959</u>	<u>762,732</u>	<u>10,160</u>
Other Financing Sources (Uses)				
Transfers out	<u>(2,500)</u>	<u>(1,125,292)</u>	<u>(873,282)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(2,500)</u>	<u>(1,125,292)</u>	<u>(873,282)</u>	<u>-</u>
Net Change in Fund Balances	<u>(63,288)</u>	<u>1,401,667</u>	<u>(110,550)</u>	<u>10,160</u>
Fund Balance - January 1	<u>178,617</u>	<u>3,892,009</u>	<u>809,072</u>	<u>10,997</u>
Fund Balance - December 31	<u>\$ 115,329</u>	<u>\$ 5,293,676</u>	<u>\$ 698,522</u>	<u>\$ 21,157</u>

City of Dickinson

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds  
Year Ended December 31, 2016

Grant Fund	Dickinson Public Library	Occupancy Tax	Total Nonmajor Special Revenue Funds
\$ -	\$ 502,125	\$ 365,350	\$ 4,291,847
194,039	380,706	-	574,745
-	145,269	-	145,269
-	16,066	-	16,066
-	-	-	14,464
-	2,674	4,484	35,055
1,000	30,526	-	87,242
<u>195,039</u>	<u>1,077,366</u>	<u>369,834</u>	<u>5,164,688</u>
85,863	-	-	85,863
-	-	-	121,678
-	956,191	403,161	1,359,352
-	-	-	11,708
104,834	11,480	-	266,314
<u>190,697</u>	<u>967,671</u>	<u>403,161</u>	<u>1,844,915</u>
<u>4,342</u>	<u>109,695</u>	<u>(33,327)</u>	<u>3,319,773</u>
-	(3,535)	(252,121)	(2,256,730)
-	(3,535)	(252,121)	(2,256,730)
<u>4,342</u>	<u>106,160</u>	<u>(285,448)</u>	<u>1,063,043</u>
<u>456</u>	<u>286,516</u>	<u>538,847</u>	<u>5,716,514</u>
<u>\$ 4,798</u>	<u>\$ 392,676</u>	<u>\$ 253,399</u>	<u>\$ 6,779,557</u>

City of Dickinson

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds  
Year Ended December 31, 2016

	2013 Sales Tax Revenue Bonds	2014 Water & Sales Tax Revenue Bonds	General Capital Leases	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Interest income	\$ 10,140	\$ 2,216	\$ -	\$ 12,356
Donations	328,983	-	-	328,983
Total revenues	<u>339,123</u>	<u>2,216</u>	<u>-</u>	<u>341,339</u>
<b>Expenditures</b>				
<b>Debt Service</b>				
Principal	1,115,000	1,079,401	253,484	2,447,885
Interest and service charges	596,604	18,213	15,438	630,255
Total expenditures	<u>1,711,604</u>	<u>1,097,614</u>	<u>268,922</u>	<u>3,078,140</u>
Deficiency of Revenues over expenditures	<u>(1,372,481)</u>	<u>(1,095,398)</u>	<u>(268,922)</u>	<u>(2,736,801)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,722,565	125,292	-	1,847,857
Transfers out	(298,233)	-	-	(298,233)
Total Other Financing Sources and Uses	<u>1,424,332</u>	<u>125,292</u>	<u>-</u>	<u>1,549,624</u>
Net Change in Fund Balances	<u>51,851</u>	<u>(970,106)</u>	<u>(268,922)</u>	<u>(1,187,177)</u>
Fund Balance - January 1	<u>2,778,379</u>	<u>921,760</u>	<u>334,119</u>	<u>4,034,258</u>
Fund Balance - December 31	<u>\$ 2,830,230</u>	<u>\$ (48,346)</u>	<u>\$ 65,197</u>	<u>\$ 2,847,081</u>



City of Dickinson  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects  
Funds  
Year Ended December 31, 2016

	Community Center Project	Impact Fee Capital Projects	Total Nonmajor Capital Projects Funds
Revenues			
Special assessments	\$ -	\$ 1,310,880	\$ 1,310,880
Interest and investment income	-	4,401	4,401
Miscellaneous revenues	-	-	-
Total revenues	<u>-</u>	<u>1,315,281</u>	<u>1,315,281</u>
Expenditures			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over expenditures	<u>-</u>	<u>1,315,281</u>	<u>1,315,281</u>
Other Financing Sources (Uses)			
Transfers In	<u>298,232</u>	<u>-</u>	<u>298,232</u>
Total Other Financing Sources and Uses	<u>298,232</u>	<u>-</u>	<u>298,232</u>
Net Change in Fund Balances	<u>298,232</u>	<u>1,315,281</u>	<u>1,613,513</u>
Fund Balance - January 1	<u>(1,123,194)</u>	<u>(1,546,275)</u>	<u>(2,669,469)</u>
Fund Balance - December 31	<u>\$ (824,962)</u>	<u>\$ (230,994)</u>	<u>\$ (1,055,956)</u>

City of Dickinson  
Statement of Net Position – Nonmajor Enterprise Fund  
Year Ended December 31, 2016

---

	<u>Storm Sewer Utility Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 320,752
Investments	110,278
Accounts receivable	12,725
Inventory	11,939
Total current assets	<u>455,694</u>
Noncurrent assets	
Construction in progress	202,124
Capital assets (net of accumulated depreciation)	
Improvements other than buildings	47,741
Machinery and equipment	25,694
Total noncurrent assets	<u>275,559</u>
Total assets	<u>731,253</u>
Liabilities	
Current liabilities	
Accrued payroll	6,269
Compensated absences	959
Total current liabilities	<u>7,228</u>
Total liabilities	<u>7,228</u>
Net Position	
Net investment in capital assets	275,559
Unrestricted	448,466
Total net position	<u>\$ 724,025</u>

City of Dickinson  
Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Fund  
Year Ended December 31, 2016

---

	Storm Sewer Utility Fund
Operating revenues	
Sales	\$ 232,700
Total operating revenues	232,700
Operating expenses	
Salaries	90,779
Employment cost	27,902
Administrative and general	25,410
Supplies	14,608
Services	6,200
Maintenance	1,070
Depreciation	17,495
Total operating expenses	183,464
Operating income	49,236
Nonoperating revenues (expenses)	
Interest and investment income	1,921
Miscellaneous revenue	8,698
Total nonoperating revenues (expenses)	10,619
Income before transfers	59,855
Transfers out	(1,093)
Change in net position	58,762
Net position - January 1	665,263
Net position - December 31	\$ 724,025

City of Dickinson  
Statement of Cash Flows – Nonmajor Enterprise Fund  
Year Ended December 31, 2016

	Storm Sewer Utility Fund
Cash Flows from Operating Activities	
Cash received from customers and users	\$ 231,416
Cash paid to suppliers	(50,475)
Cash paid to employees	(116,072)
Net cash provided by operating activities	64,869
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	(1,093)
Nonoperating revenues	8,698
Net cash provided (used) by noncapital financing activities	7,605
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(50,590)
Net cash used by capital and related financing activities	(50,590)
Cash Flows from Investing Activities	
Net proceeds from investments	18,370
Interest and investment income	1,921
Net cash provided by investing activities	20,291
Net Change in Cash and Cash Equivalents	42,175
Cash and Cash Equivalents, 1/1/2016	278,577
Cash and Cash Equivalents, 12/31/2016	\$ 320,752

City of Dickinson  
Statement of Cash Flows – Nonmajor Enterprise Fund  
Year Ended December 31, 2016

---

	Storm Sewer Utility Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 49,236
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	17,495
Change in Assets and Liabilities	
Receivables	(1,284)
Compensated absences liability	(866)
Accounts payable	(3,187)
Accrued payroll	3,475
Net cash provided by operating activities	\$ 64,869

City of Dickinson  
Combining Balance Sheet – Agency Funds  
December 31, 2016

	<u>General Transit</u>	<u>Emergency Shelter Grant</u>	<u>Payroll Clearing</u>	<u>Insurance Transit</u>	<u>Totals</u>
Assets					
Cash and investments	\$ 360	\$ 12,514	\$ 363,785	\$ 3,058	\$ 379,717
Accounts receivable	<u>55,484</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>55,984</u>
Total assets	<u>\$ 55,844</u>	<u>\$ 13,014</u>	<u>\$ 363,785</u>	<u>\$ 3,058</u>	<u>\$ 435,701</u>
Liabilities					
Due to other parties	<u>\$ 55,844</u>	<u>\$ 13,014</u>	<u>\$ 363,785</u>	<u>\$ 3,058</u>	<u>\$ 435,701</u>



Federal Awards Reports in Accordance  
with the Uniform Guidance  
December 31, 2016

## City of Dickinson

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards..... 6

Notes to Schedule of Expenditures of Federal Awards ..... 7

Schedule of Findings and Questioned Costs..... 8





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

City Commissioners  
City of Dickinson  
Dickinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Dickinson as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Dickinson's basic financial statements, and have issued our report thereon dated October 16, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Dickinson'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 City of Dickinson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dickinson's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as items 2016-A and 2016-B to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as item 2016-C to be a significant deficiency.

#### Compliance and Other Matters

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

#### City of Dickinson's Responses to Findings

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

#### Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
October 16, 2018



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

City Commissioners  
City of Dickinson  
Dickinson, North Dakota

Report on Compliance for the Major Federal Program

We have audited City of Dickinson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Dickinson's major federal program for the year ended December 31, 2016. The City of Dickinson's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of City of Dickinson's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Dickinson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Dickinson's compliance.

### Opinion on the Major Federal Program

In our opinion, City of Dickinson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2016.

### Report on Internal Control over Compliance

Management of City of Dickinson is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Dickinson's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dickinson's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Dickinson as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Dickinson's basic financial statements, and have issued our report thereon dated October 16, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Sully LLP*

Bismarck, North Dakota  
October 16, 2018

City of Dickinson  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass Through Grant Number	CFDA #	Expenditures
<u>Department of Justice</u>			
Passed through North Dakota Attorney General			
Bulletproof Vest Partnership Program		16.607	\$ 7,500
Edward Byrne Memorial Justice	14201	16.738	4,250
Total Department of Justice			<u>11,750</u>
<u>Department of Transportation</u>			
Passed through North Dakota Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety	PHSPOP 1405-05-07, 1405-05-08	20.600	1,215
Alcohol Impaired Driving Countermeasures Incentive Grants	PHSPID1410-03-08	20.601	3,094
Seatbelt Enforcement Grant		20.609	3,952
Highway Safety Cluster Total			<u>8,261</u>
Total Department of Transportation			<u>8,261</u>
<u>Environmental Protection Agency</u>			
Passed through North Dakota Department of Health			
Capitalization Grants for Clean Water State Revolving Funds	380933-02, 380933-03	66.458	5,597,241
Total Environmental Protection Agency			<u>5,597,241</u>
<u>Department of Homeland Security</u>			
Passed through North Dakota Attorney General			
Homeland Security Grant Program	AO436, AO434	97.067	30,615
Total Department of Homeland Security			<u>30,615</u>
Total			<u>\$ 5,647,867</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Dickinson under programs of the federal government for the year ended December 31, 2016. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Dickinson, it is not intended to and does not present the financial position, changes in net position and fund balance), or cash flows of City of Dickinson.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over federal programs:	
Material weakness identified	No
Significant deficiency	None Reported

Type of auditors' report issued on compliance for major programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516	No
---	----

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
---	------------

Auditee qualified as low-risk auditee	No
---------------------------------------	----



---

Section II – Financial Statement Findings

---

2016-A Recording of Transactions  
Material Weakness

Criteria - A good system of internal accounting control contemplates proper adjustments of all general ledger accounts.

Condition – We identified misstatements in the City’s financial statements causing us to propose material audit adjustments, including restatements to prior periods.

Cause – Certain adjustments were overlooked in the closing process and reconciliations of significant account balances were not completed for all financial statement areas at the end of the year.

Effect - Inadequate internal controls over recording of transactions affects the City’s ability to detect misstatements in amounts that would be material in relation to the financial statements.

Recommendation – We recommend that all general ledger accounts be reconciled in a timely manner.

Management Response – The City has hired a 5<sup>th</sup> person in the accounting department specifically to handle payroll and allow other staff to more fully focus on their responsibilities. The Staff person responsible for budgets, financial reporting and grants will review all year-end balance sheet account amounts and tie to supporting schedules. These schedules will be prepared by the staff person responsible for various accounts such as cash, receivables, payables and capital assets. All significant balance sheet accounts will be supported by schedules and/or reconciliations, sufficient to mitigate the need for an auditor to propose a material adjustment.

2016-B Preparation of Financial Statements and Schedule of Expenditures of Federal Awards  
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, accompanying notes to the financial statements and the schedule of expenditures of federal awards.

Condition – The City does not have an internal control system designed to provide for the complete preparation of the financial statements, accompanying notes to the financial statements and the schedule of expenditures of federal awards. As auditors, we were requested to draft the financial statements, accompanying notes to the financial statements and the schedule of expenditures of federal awards.

Cause – The City does not focus on providing training to employees to stay current with all accounting standards and applications in order to prepare complete financial statements, accompanying notes to the financial statements and the schedule of expenditures of federal awards.

Effect – Inadequate control over financial reporting could result in a reasonable possibility that a material misstatement of the City’s financial statements, accompanying notes to the financial statements and schedule of expenditures of federal awards will not be prevented, or detected and corrected on a timely basis.

Recommendation – The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response – The staff size and cost did not change from 2016 to 2017 so this will be a continuance of the auditors to assist in preparing our draft financial statements and notes in the near future, plans are to address this in the long-term.

2016-C Segregation of Duties  
Significant Deficiency

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that there is proper approval of transactions.

Condition – The City has a lack of segregation of duties in certain areas due to a limited staff.

Cause – The City has not implemented internal control procedures to ensure there is adequate segregation of duties related to all transactions handled in the accounting office and there are a limited number of employees to segregate all of the duties.

Effect - Inadequate segregation of duties could adversely affect the City’s ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely manner.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible.

Management Response – The City has hired a 5th person in the accounting department specifically to handle payroll and allow other staff to more fully focus on their responsibilities. The City also is in the process of cross-training account department personnel so an individual can perform another’s duties if they are absent. All accounting department personnel are required to take at least one week off each year necessitating another staff person to perform their duties during that time. Also, certain routine internal control processes such as bank reconciliations and journal entries are now reviewed and initialed by a second person.

---

Section III – Federal Award Findings and Questioned Costs

---

None