



Financial Statements
December 31, 2016
City of Mandan

**CITY OF MANDAN, NORTH DAKOTA
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FOR THE YEAR ENDED DECEMBER 31, 2016**

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CITY OF MANDAN, NORTH DAKOTA

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**CITY OF MANDAN, NORTH DAKOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2016**

Elected Officials

Mayor/President	Tim Helbling
Vice President	Dennis Rohr
Commissioner	Mike Braun
Commissioner	Shauna Laber
Commissioner	Scott Davis
Municipal Judge	DeNae Kautzman

Appointed Officials

City Attorney	Malcolm Brown
City Administrator	Jim Neubauer
Business Development and Communications Director	Ellen Huber
Finance	Greg Welch
Assessing	Shirley Shaw
Planning and Zoning	Bob Decker
Engineering	Justin Froseth
Police	Jason Ziegler
Fire	Steve Nardello
Building Inspection	Doug Lalim
Public Works	Jeff Wright
Water Treatment	Duane Friesz
Wastewater Treatment	Steve Himmelspach



Independent Auditor's Report

To the Honorable Mayor and Board
of City Commissioners
City of Mandan
Mandan, 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 Mandan, North Dakota as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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 Mandan, 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 2 to the financial statements, certain errors resulting from the understatement of amounts not recognized for tax revenues in the City Sales Tax/Mandan Growth and Aggregate Remaining Funds, as well as in the Governmental Activities. These errors were discovered as a result of auditing procedures during the current year. Accordingly, the amounts reported for fund balance and net position as of January 1, 2016 have been restated. 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 management's discussion and analysis, budgetary comparison information and schedule of pension contributions on pages 5 through 14 and 58 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mandan, North Dakota's financial statements. The list of elected and appointed officials and the 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 list of elected and appointed officials 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 on our consideration of the City of Mandan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mandan's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
September 29, 2017

CITY OF MANDAN
Mandan, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

As management of the City of Mandan, we offer readers of the City of Mandan's financial statements this narrative overview and analysis of the financial activities of the City of Mandan for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 15 - 57 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Mandan exceeded its liabilities at the close of the most recent fiscal year by \$168,578,958 (net position). Of this amount, \$2,810,061 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$453,176 (0.27%) during the current fiscal year due to a decrease of \$3,154,780 from governmental activities and an increase of \$2,701,604 from business-type activities.
- As of the close of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$29,042,333 an increase of \$12,867,310 (80%) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,576,078 which is 54% of total General Fund revenues and 32% of total General Fund expenditures.
- Revenue from all sources totaled \$35,734,113 which was a decrease of \$4,131,557 (10%) during the current fiscal year due to a decrease of \$3,582,090 from governmental activities and a decrease of \$549,467 from business-type activities. Expenses from all activities totaled \$36,187,289 which was an increase of \$7,396,023 (26%) during the current fiscal year due to an increase of \$7,110,727 from governmental activities and a increase of \$285,296 from business-type activities.
- The City of Mandan's total capital assets increased by \$8,357,800 (5%) during the current fiscal year due to an increase of \$7,203,446 from governmental activities and an increase of \$1,154,354 from business-type activities.
- The City of Mandan's total debt increased by \$16,349,355 (22%) during the current fiscal year due to an increase of \$18,482,748 from governmental activities and a decrease of \$2,133,393 from business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mandan's basic financial statements. The City of Mandan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mandan's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Mandan's assets plus deferred outflows or resources and liabilities plus deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mandan is improving or deteriorating.

CITY OF MANDAN

Management's Discussion and Analysis - Continued

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City of Mandan that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mandan include general government, public safety, public works, cemetery, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City of Mandan include the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority.

The government-wide financial statements can be found on pages 15 - 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mandan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mandan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mandan maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mandan adopts an annual appropriated budget for its governmental funds, except for capital projects funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary Funds - The City of Mandan maintains two different types of proprietary funds. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide financial statements. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City of Mandan's various functions. The internal service fund is reported with the governmental activities in the government-wide financial statements.

CITY OF MANDAN

Management's Discussion and Analysis - Continued

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority which are considered major funds. The internal service fund is also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mandan's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 - 25 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26 - 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 65 - 72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mandan, assets plus deferred outflows exceeded liabilities and deferred inflows by \$168,578,958 at the close of the most recent fiscal year.

The following table presents condensed financial information on the City's Net Position as of December 31, 2016 and December 31, 2015.

**TABLE I
NET POSITION
DECEMBER 31, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	\$ 60,605,960	\$ 15,279,146	\$ 75,885,106
Capital Assets	96,466,009	91,043,013	187,509,022
Total Assets	<u>\$ 157,071,969</u>	<u>\$ 106,322,159</u>	<u>\$ 263,394,128</u>
DEFERRED OUTFLOWS	<u>\$ 85,684</u>	<u>\$</u>	<u>\$ 85,684</u>
LIABILITIES			
Long-term Liabilities Outstanding	\$ 53,242,825	\$ 29,868,106	\$ 83,110,931
Other Liabilities	7,374,552	4,415,370	11,789,922
Total Liabilities	<u>\$ 60,617,377</u>	<u>\$ 34,283,476</u>	<u>\$ 94,900,853</u>
NET POSITION			
Net investment in Capital Assets	\$ 62,348,086	\$ 58,001,772	\$ 120,349,858
Restricted	42,770,051	2,648,988	45,419,039
Unrestricted	(8,577,861)	11,387,922	2,810,061
Total Net Position	<u>\$ 96,540,276</u>	<u>\$ 72,038,682</u>	<u>\$ 168,578,958</u>

CITY OF MANDAN

Management's Discussion and Analysis - Continued

TABLE I
NET POSITION
DECEMBER 31, 2015

	Governmental Activities (As Restated)	Business-type Activities	Total (As Restated)
ASSETS			
Current and Other Assets	\$ 51,940,924	\$ 16,007,304	\$ 67,948,228
Capital Assets	89,262,563	89,888,659	179,151,222
Total Assets	<u>\$ 141,203,487</u>	<u>\$ 105,895,963</u>	<u>\$ 247,099,450</u>
LIABILITIES			
Long-term Liabilities Outstanding	\$ 40,150,142	\$ 35,288,477	\$ 75,438,619
Other Liabilities	1,358,289	1,270,408	2,628,697
Total Liabilities	<u>\$ 41,508,431</u>	<u>\$ 36,558,885</u>	<u>\$ 78,067,316</u>
NET POSITION			
Net investment in Capital Assets	\$ 50,843,831	\$ 54,710,067	\$ 105,553,898
Restricted	43,349,239	2,587,994	45,937,233
Unrestricted	5,501,986	12,039,017	17,541,003
Total Net Position - As Restated	<u>\$ 99,695,056</u>	<u>\$ 69,337,078</u>	<u>\$ 169,032,134</u>

A large portion of the City of Mandan's net position (71%) reflects its investment in capital assets (e.g., land, construction work in progress, buildings and improvements, buildings and infrastructure, and machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Mandan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mandan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City of Mandan's ratio of long-term liabilities to capital assets is 44%. The ratio reflects the City of Mandan's strategy of using current resources and cash balance to finance capital assets with the exception of special assessment districts.

An additional portion of the City of Mandan's net position (27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,810,061 (2%) may be used to meet the City's ongoing services to the citizens.

As capital projects are finalized and closed, the majority of infrastructure improvements are financed through the issuance of bonds, which are then repaid through special assessments from the benefiting property owners. As the bonds are issued and special assessments are approved, then special assessments are recorded as receivables. However, many infrastructure projects remain open at year-end, resulting in a deficit net position amount.

The City of Mandan's ratio of total assets/total liabilities for the governmental activities is 2.59 and for the business-type activities is 3.10 which represents a strong capacity to meet current obligations.

The following table presents condensed financial information on the City's Changes in Net Position for the fiscal year ending December 31, 2016 and December 31, 2015.

CITY OF MANDAN

Management's Discussion and Analysis - Continued

**TABLE II
CHANGES IN NET POSITION
DECEMBER 31, 2016**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,410,945	\$ 10,769,767	\$ 12,180,712
Operating Grants and Contributions	760,218		760,218
Capital Grants and Contributions	5,354,454	2,252,644	7,607,098
General Revenues:			
Property, Delinquent, Mobile Home Taxes	4,241,521	278,164	4,519,685
Cable TV Franchise Fees	368,239		368,239
State Aid Distribution	1,506,185		1,506,185
Cigarette Taxes	55,481		55,481
Gaming Taxes	11,225		11,225
Disabled Veterans Credit	26,555	2,187	28,742
Homestead Credit	60,918	4,950	65,868
Morton County E911 Fees	197,280		197,280
Telecommunications Taxes	82,220		82,220
Highway Tax Distribution	1,076,628		1,076,628
Occupancy Taxes	69,521		69,521
Oil and Gas Production Taxes	2,125,000		2,125,000
1% City Sales Taxes	2,346,552	-	2,346,552
0.75% City Sales Tax	1,759,914		1,759,914
Fire Insurance Taxes	151,145		151,145
Restaurant and Lodging Taxes	463,154		463,154
Special Assessments		12,839	12,839
Interest	19,843	668	20,511
Sale of Meters and Parts		120,569	120,569
Other	148,923	56,404	205,327
Total Revenues	\$ 22,235,921	\$ 13,498,192	\$ 35,734,113
Expenses:			
General Government	\$ 3,127,552		\$ 3,127,552
Public Safety	6,682,573		6,682,573
Public Works	5,983,556		5,983,556
Cemetery	181,769		181,769
Culture and Recreation	6,797,691		6,797,691
Urban Redevelopment and Housing	60,038		60,038
Economic Development and Assistance	521,177		521,177
Interest on Long-term Debt	1,451,847		1,451,847
Debt Service Charges and Costs	512,418		512,418
Loss on Sale of Capital Assets	5,968		5,968
Water and Sewer Utility		7,215,893	7,215,893
Solid Waste Utility		2,206,664	2,206,664
Street Light Utility		450,779	450,779
Mandan Airport Authority		989,364	989,364
Total Expenses	\$ 25,324,589	\$ 10,862,700	\$ 36,187,289
Decrease in Net Position before Transfers	\$ (3,088,668)	\$ 2,635,492	\$ (453,176)
Transfers	(66,112)	66,112	
Decrease in Net Position	\$ (3,154,780)	\$ 2,701,604	\$ (453,176)
Net Position - 1/1/2016	\$ 99,695,056	\$ 69,337,078	\$ 169,032,134
Net Position - 12/31/2016	\$ 96,540,276	\$ 72,038,682	\$ 168,578,958

CITY OF MANDAN

Management's Discussion and Analysis - Continued

**TABLE II
CHANGES IN NET POSITION
DECEMBER 31, 2015**

	Governmental Activities (As Restated)	Business-type Activities	Total (As Restated)
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,670,219	\$ 10,336,031	\$ 12,006,250
Operating Grants and Contributions	503,410		503,410
Capital Grants and Contributions	11,152,686	3,317,885	14,470,571
General Revenues:			
Property, Delinquent, Mobile Home Taxes	3,979,283	223,084	4,202,367
Cable TV Franchise Fees	361,206		361,206
State Aid Distribution	1,963,400		1,963,400
Cigarette Taxes	59,497		59,497
Gaming Taxes	10,411		10,411
Disabled Veterans Credit	25,162	1,777	26,939
Homestead Credit	66,841	4,672	71,513
Morton County-LEC Taxes	35,000		35,000
Telecommunications Taxes	82,220		82,220
Highway Tax Distribution	1,210,044		1,210,044
Occupancy Taxes	59,268		59,268
Oil and Gas Production Taxes	1,125,000		1,125,000
1% City Sales Taxes	2,487,102	4,923	2,492,025
0.75% City Sales Tax	387,315		387,315
Fire Insurance Taxes	154,566		154,566
Restaurant and Lodging Taxes	429,525		429,525
Special Assessments		11,747	11,747
Interest	14,247	944	15,191
Sale of Meters and Parts		79,090	79,090
Other	41,609	67,506	109,115
Total Revenues	\$ 25,818,011	\$ 14,047,659	\$ 39,865,670
Expenses:			
General Government	\$ 3,278,112		\$ 3,278,112
Public Safety	5,787,379		5,787,379
Public Works	6,098,695		6,098,695
Cemetery	178,517		178,517
Culture and Recreation	1,134,483		1,134,483
Urban Redevelopment and Housing	75,021		75,021
Economic Development and Assistance	591,124		591,124
Interest on Long-term Debt	959,949		959,949
Debt Service Charges and Costs	75,416		75,416
Loss on Sale of Capital Assets	35,166		35,166
Water and Sewer Utility		7,238,659	7,238,659
Solid Waste Utility		1,839,778	1,839,778
Street Light Utility		445,275	445,275
Mandan Airport Authority		1,053,692	1,053,692
Total Expenses	\$ 18,213,862	\$ 10,577,404	\$ 28,791,266
Increase in Net Position before Transfers	\$ 7,604,149	\$ 3,470,255	\$ 11,074,404
Transfers	(349,794)	349,794	
Increase in Net Position	\$ 7,254,355	\$ 3,820,049	\$ 11,074,404
Net Position - 1/1/2015 - As Restated	\$ 92,440,701	\$ 65,517,029	\$ 157,957,730
Net Position - 12/31/2015	\$ 99,695,056	\$ 69,337,078	\$ 169,032,134

CITY OF MANDAN

Management's Discussion and Analysis - Continued

Governmental Activities

Governmental activities decreased the City of Mandan's net position by \$3,154,780 (3%). During the year, revenues decreased by \$3,582,090 (14%) primarily due to capital grants and contributions, and expenses increased by \$7,110,727 (39%) primarily due to public safety and culture and recreation.

Business-type Activities

Business-type activities increased the City of Mandan's net position by \$2,701,604 (4%). During the year, revenues decreased by \$549,467 (4%) primarily due to capital grants and contributions, and expenses increased by \$285,296 (3%) primarily due to the Solid Waste Utility.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Mandan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Mandan's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Mandan's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$29,042,333, an increase of \$12,867,310 in comparison with the prior year. Fund balances have been classified as follows: nonspendable \$303,094, restricted \$14,582,107, committed \$20,615,770, assigned \$534,666, and unassigned (\$6,993,304)

The General Fund is the chief operating fund of the City of Mandan. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,576,078, while total fund balance reached \$3,797,430. The fund balance of the City of Mandan's General Fund decreased by \$1,251,069 (25%) during the current fiscal year primarily due to expenditures for capital outlay.

Proprietary Funds

The City of Mandan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$11,387,922. The net position of the proprietary funds increased by \$2,701,604 (4%) during the current fiscal year primarily due to charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were variances between the original and final amended budget as follows:

- \$193,208 decrease in revenues or 2.7% of the original budget primarily due to intergovernmental revenues.
- \$1,922,232 increase in expenditures or 18% of the original budget primarily due to capital outlay.
- \$1,236,800 increase in transfers in.
- The original budget anticipated an decrease in fund balance by \$538,500.
- The net effect of the budget amendments was estimated to decrease fund balance by \$634,390.

During the year, revenues were less than budgetary estimates by \$339,595 expenditures were more than budgetary estimates by \$1,804,220 and other financing sources and uses were less than budgetary estimates by \$1,542,804, and ending fund balance missed budgetary estimates by \$78,179.

Additional information on the City of Mandan's budget amendments can be found on pages 58 - 63 of this report.

CITY OF MANDAN

Management's Discussion and Analysis - Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Mandan's net investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$120,349,858 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, buildings and improvements, buildings and infrastructure, and machinery and equipment. The total increase in capital assets during the current fiscal year was \$8,357,800 (5%) primarily due to construction work in progress.

**TABLE III
CAPITAL ASSETS (NET OF DEPRECIATION)
DECEMBER 31, 2016**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,823,343	\$ 693,105	\$ 3,516,448
Construction Work in Progress	13,511,373	5,991,322	19,502,695
Buildings and Improvements	4,955,591		4,955,591
Buildings and Infrastructure	73,643,226	83,288,539	156,931,765
Machinery and Equipment	1,532,476	1,070,047	2,602,523
Total	\$ 96,466,009	\$ 91,043,013	\$ 187,509,022

**TABLE III
CAPITAL ASSETS (NET OF DEPRECIATION)
DECEMBER 31, 2015**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,823,343	\$ 693,105	\$ 3,516,448
Construction Work in Progress	3,300,582	4,447,181	7,747,763
Buildings and Improvements	4,847,492		4,847,492
Buildings and Infrastructure	76,912,984	84,196,803	161,109,787
Machinery and Equipment	1,378,162	551,570	1,929,732
Total	\$ 89,262,563	\$ 89,888,659	\$ 179,151,222

Additional information on the City of Mandan's capital assets can be found in Note 3E on pages 42 - 43 of this report.

Long-term Debt - At the end of the current fiscal year, the City of Mandan had total long-term debt outstanding of \$91,787,974. Of this amount, \$40,372,852 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The City of Mandan's revenue bonds are secured by city sales taxes, water and sewer revenue, and airport revenue. The total increase in long-term debt during the current fiscal year was \$16,349,355 (22%) primarily due to an increase in sales tax revenue bonds.

The City of Mandan has received an A1 bond rating from Moody's Investors Service. These ratings are consistent with previous ratings received from this agency. State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation, however, the City of Mandan is allowed to issue to 8% of its total assessed valuation. The City of Mandan has \$550,000 of outstanding general obligation debt.

**TABLE IV
OUTSTANDING DEBT
DECEMBER 31, 2016**

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 437,257	\$ 140,988	\$ 578,245
Capital Lease	612,536	599,643	1,212,179
General Obligation Bonds	550,000		550,000
Special Assessments Bonds	34,117,923	6,254,929	40,372,852
Revenue Bonds	22,915,174	22,612,874	45,528,048
Loans		3,546,650	3,546,650
Total	\$ 58,632,890	\$ 33,155,084	\$ 91,787,974

**TABLE IV
OUTSTANDING DEBT
DECEMBER 31, 2015**

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 378,658	\$ 109,885	\$ 488,543
Capital Lease	252,752	191,541	444,293
General Obligation Bonds	590,000		590,000
Special Assessments Bonds	38,418,732	7,382,070	45,800,802
Revenue Bonds	510,000	22,254,271	22,764,271
Loans		5,350,710	5,350,710
Total	\$ 40,150,142	\$ 35,288,477	\$ 75,438,619

Additional information on the City of Mandan's long-term debt can be found in Note 3G on pages 44 - 50 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For budgetary purposes, the City of Mandan requires a 17 percent fund balance reserve of operations and maintenance expenditures for the General Fund and Cemetery Fund, and a 25 percent fund balance reserve of operations and maintenance expenditures for the Water and Sewer Utility Fund, Solid Waste Utility Fund, and Street Light Utility Fund. The City also requires a \$500,000 fund balance reserve for the City Sales Tax Fund and a 17 percent fund balance reserve of restaurant and lodging tax revenues for the City Visitors' Promotion Capital Construction Fund.
- The City of Mandan's 2% city occupancy tax revenues increased by \$10,253 or 17% in comparison with the prior year.
- The City of Mandan's 1% city restaurant and lodging tax revenues increased by \$33,629 or 8% in comparison with the prior year.
- The City of Mandan's taxable sales and purchases decreased by \$15,980,383 or 6% in comparison with the prior year, and the 1% city sales tax revenues decreased by \$140,550 or 6% in comparison with the prior year.
- The City of Mandan's Water and Sewer Utility Fund indicated a increase in the total gallons of water sold by 20,551,935 gallons or 2.2% in comparison with the prior year. The total gallons of sewer treated decreased by 8,335,667 gallons or 1% in comparison with the prior year.
- The City of Mandan's Solid Waste Utility Fund indicated a decrease in the tons of garbage hauled from the transfer station by 937 tons or 10.9% in comparison with the prior year. Inert material received at the landfill decreased by 1,561 tons or 13% in comparison with the prior year.

CITY OF MANDAN

Management's Discussion and Analysis - Continued

- The City of Mandan's taxable valuation increased by \$12,473,382 or 18% in comparison with the prior year. The City of Mandan's share of 1 mill is 24% percent. For the 2017 Budget, the annual increase in property taxes for an existing \$250,000 residential home with an average valuation increase of 12.7% (Board of Equalization), excluding special assessments, is projected to be zero.
- For the 2017 Budget, the City of Mandan did not increase the monthly water and sewer base rates. The City also did not increase monthly water and sewer service rates. The City increased the solid waste base rate by \$.05 per month per family living unit. The City increased the monthly curbside recycling rate by \$.15 month, per family living unit. The City did not change the street light base rates.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Mandan's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 205 2nd Avenue NW, City of Mandan, ND 58554 or visit the City's web site at www.cityofmandan.com.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,221,262	\$ 5,438,637	\$ 13,659,899
Taxes Receivable	106,116	6,576	112,692
Accounts Receivable (net of allowance)	85,107	997,529	1,082,636
Special Assessments Receivable	31,036,051	5,827,799	36,863,850
Intergovernmental Receivable	2,089,215	251,770	2,340,985
Loans Receivable (net of allowance)	326,158		326,158
Internal Balances	183,850	(183,850)	-
Inventories	11,601	187,799	199,400
Prepaid Expenses	51,371	103,898	155,269
Restricted Assets:			
Cash and Cash Equivalents	18,495,229	2,648,988	21,144,217
Capital Assets, not being depreciated:			
Land	2,823,343	693,105	3,516,448
Construction Work in Progress	13,511,373	5,991,322	19,502,695
Capital Assets (net of depreciation):			
Buildings and Improvements	4,955,591		4,955,591
Buildings and Infrastructure	73,643,226	83,288,539	156,931,765
Machinery and Equipment	1,532,476	1,070,047	2,602,523
Total Assets	\$ 157,071,969	\$ 106,322,159	\$ 263,394,128

DEFERRED OUTFLOWS OF RESOURCES

Derived from pensions	\$ 85,684	\$	\$ 85,684
Total deferred outflows of resources	\$ 85,684	\$	\$ 85,684

LIABILITIES

Salaries and Benefits Payable	\$ 147,853	\$ 39,175	\$ 187,028
Accounts Payable	1,138,657	759,986	1,898,643
Retainage Payable	236,783	2,481	239,264
Interest Payable	403,503	269,692	673,195
Prepaid Revenues	57,691	57,058	114,749
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences	276,024	78,889	354,913
Capital Lease Payable	79,785	78,158	157,943
General Obligation Bonds Payable	45,000		45,000
Special Assessments Bonds Payable with Governmental Commitment	4,449,256	1,039,521	5,488,777
Revenue Bonds Payable	540,000	1,875,410	2,415,410
Loans Payable		215,000	215,000
Due After One Year:			
Compensated Absences	161,233	62,099	223,332
Capital Lease Payable	532,751	521,485	1,054,236
General Obligation Bonds Payable	505,000		505,000
Special Assessments Bonds Payable with Governmental Commitment	29,668,667	5,215,408	34,884,075
Revenue Bonds Payable	22,375,174	20,737,464	43,112,638
Loans Payable		3,331,650	3,331,650
Total Liabilities	\$ 60,617,377	\$ 34,283,476	\$ 94,900,853

NET POSITION

Net investment in Capital Assets	\$ 62,348,086	\$ 58,001,772	\$ 120,349,858
Restricted for:			
Public Works	3,380,194		3,380,194
Culture and Recreation	48,950		48,950
Urban Redevelopment and Housing	1,582,730		1,582,730
Economic Development and Assistance	2,341,034		2,341,034
Debt Service	34,322,777	2,648,988	36,971,765
Capital Projects	1,094,366		1,094,366
Unrestricted	(8,577,861)	11,387,922	2,810,061
Total Net Position	\$ 96,540,276	\$ 72,038,682	\$ 168,578,958

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE 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
Governmental Activities:							
General Government	\$ 3,127,552	\$ 402,658	\$	\$	\$ (2,724,894)		\$ (2,724,894)
Public Safety	6,682,573	629,028	311,160	14,441	(5,727,944)		(5,727,944)
Public Works	5,983,556	220,290	14,850	5,340,013	(408,403)		(408,403)
Cemetery	181,769	82,000			(99,769)		(99,769)
Culture and Recreation	6,797,691	57,364	234,856		(6,505,471)		(6,505,471)
Urban Redevelopment and Housing	60,038	2,400	49,619		(8,019)		(8,019)
Economic Development and Assitance	521,177	17,205	149,733		(354,239)		(354,239)
Interest on Long-term Debt	1,451,847				(1,451,847)		(1,451,847)
Debt Service Charges and Costs	512,418				(512,418)		(512,418)
Total Governmental Activities	\$ 25,318,621	\$ 1,410,945	\$ 760,218	\$ 5,354,454	\$ (17,793,004)		\$ (17,793,004)
Business-type Activities:							
Water and Sewer Utility	\$ 7,215,893	\$ 7,595,404	\$	\$ 1,981,334	\$	\$ 2,360,845	\$ 2,360,845
Solid Waste Utility	2,206,664	2,319,850				113,186	113,186
Street Light Utility	450,779	438,391		-		(12,388)	(12,388)
Mandan Airport Authority	989,364	416,122		271,310		(301,932)	(301,932)
Total Business-type Activities	\$ 10,862,700	\$ 10,769,767	\$ -	\$ 2,252,644		\$ 2,159,711	\$ 2,159,711
Total	\$ 36,181,321	\$ 12,180,712	\$ 760,218	\$ 7,607,098	\$ (17,793,004)	\$ 2,159,711	\$ (15,633,293)
General Revenues							
Property, Delinquent, Mobile Home Taxes	\$	4,241,521	\$	278,164	\$	4,519,685	
Cable TV Franchise Fees		368,239				368,239	
State Aid Distribution		1,506,185				1,506,185	
Cigarette Taxes		55,481				55,481	
Gaming Taxes		11,225				11,225	
Disabled Veterans Credit		26,555		2,187		28,742	
Homestead Credit		60,918		4,950		65,868	
Morton County E911 Fees		197,280				197,280	
Telecommunications Taxes		82,220				82,220	
Highway Tax Distribution		1,076,628				1,076,628	
Occupancy Taxes		69,521				69,521	
Oil and Gas Production Taxes		2,125,000				2,125,000	
City 1% Sales Taxes		2,346,552				2,346,552	
City 0.75% Sales Tax		1,759,914				1,759,914	
Fire Insurance Taxes		151,145				151,145	
Restaurant and Lodging Taxes		463,154				463,154	
Special Assesments				12,839		12,839	
Interest		19,843		668		20,511	
Sale of Meters and Parts				120,569		120,569	
Other		148,921		56,404		205,325	
Loss on Sale of Capital Assets		(5,968)				(5,968)	
Transfers		(66,112)		66,112		-	
Total General Revenues, Gain (Loss) on Sale of Capital Assets, and Transfers	\$	14,638,222	\$	541,893	\$	15,180,115	
Change in Net Position	\$	(3,154,782)	\$	2,701,604	\$	(453,178)	
Net Position - January 1 - As Restated	\$	99,695,058	\$	69,337,078	\$	169,032,136	
Net Position - December 31	\$	96,540,276	\$	72,038,682	\$	168,578,958	

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Cemetery	City Sales Tax/ Mandan Growth	0.75% City Sales Tax	Morton Mandan Public Library	Refunding Improvement Bonds	Street Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash and Cash Equivalents	\$ 3,625,571	\$ 31,151	\$ 629,452	\$	\$ 533,949	\$	\$	\$ 3,393,070	\$ 8,213,193
Taxes Receivable	82,573	3,288			11,508	1,133		7,614	106,116
Accounts Receivable (net of allowance)	53,529	2,250	499		400			8,677	65,355
Special Assessments Receivable	81,991					30,612,679		341,381	31,036,051
Intergovernmental Receivable	737,856		413,515	310,137				626,840	2,088,348
Loans Receivable (net of allowance)			326,158						326,158
Interfund Receivable	273,259		2,224,021			4,628,143		3,327,026	10,452,449
Prepaid Expenses	25,919	194	2,570		19,432			3,256	51,371
Cash and Cash Equivalents-Restricted				18,353,729				141,500	18,495,229
Total Assets	\$ 4,880,698	\$ 36,883	\$ 3,596,215	\$ 18,663,866	\$ 565,289	\$ 35,241,955	\$ -	\$ 7,849,364	\$ 70,834,270
LIABILITIES									
Salaries and Benefits Payable	\$ 134,482	\$ 1,726	\$ 2,292	\$	\$ 5,816	\$	\$	\$ 1,066	\$ 145,382
Accounts Payable	544,185	4,365	73,940	310,136	8,306	1,000	151,525	23,255	1,116,712
Retainage Payable							228,089	8,694	236,783
Interfund Payable					43,387		9,879,350	345,862	10,268,599
Prepaid Revenue	57,416							275	57,691
Total Liabilities	\$ 736,083	\$ 6,091	\$ 76,232	\$ 310,136	\$ 57,509	\$ 1,000	\$ 10,258,964	\$ 379,152	\$ 11,825,167
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue-Property Taxes	\$ 70,790	\$ 2,816	\$	\$	\$ 9,857	\$	\$	\$ 6,518	\$ 89,981
Unavailable Revenue-Special Assessments	69,585					29,288,716		310,612	29,668,913
Unavailable Revenue-Revenue not Collected within 60 days	206,810							1,066	207,876
Total Deferred Inflows of Resources	\$ 347,185	\$ 2,816	\$ -	\$ -	\$ 9,857	\$ 29,288,716	\$ -	\$ 318,196	\$ 29,966,770
FUND BALANCES									
Nonspendable:									
Loans Receivable	\$	\$	\$ 251,723	\$	\$	\$	\$	\$	\$ 251,723
Prepaid Items	25,919	194	2,570		19,432			3,256	51,371
Restricted for:									
Public Works								3,376,067	3,376,067
Culture and Recreation								48,950	48,950
Urban Redevelopment and Housing								1,582,730	1,582,730
Economic Development and Assistance			2,341,034						2,341,034
Debt Service						5,952,239		186,721	6,138,960
Capital Projects								1,094,366	1,094,366
Committed for:									
General Government								396,161	396,161
Public Safety	29,683							306,726	336,409
Cemetery		27,782							27,782
Culture and Recreation				18,353,730	109,575				18,463,305
Urban Redevelopment and Housing								467,457	467,457
Economic Development and Assistance			924,656						924,656
Assigned for:									
Culture and Recreation					368,916				368,916
Subsequent Year's Budget: Appropriation of Fund Balance	165,750								165,750
Unassigned	3,576,078						(10,258,964)	(310,418)	(6,993,304)
Total Fund Balances	\$ 3,797,430	\$ 27,976	\$ 3,519,983	\$ 18,353,730	\$ 497,923	\$ 5,952,239	\$ (10,258,964)	\$ 7,152,016	\$ 29,042,333
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,880,698	\$ 36,883	\$ 3,596,215	\$ 18,663,866	\$ 565,289	\$ 35,241,955	\$ -	\$ 7,849,364	\$ 70,834,270

**CITY OF MANDAN, NORTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total Fund Balances for Governmental Funds \$ 29,042,333

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	2,823,343	
Buildings and Improvements (net of depreciation)		4,955,591	
Buildings and Infrastructure (net of depreciation)		73,643,226	
Machinery and Equipment (net of depreciation)		1,532,476	
Construction Work in Progress		13,511,373	
Total Capital Assets		<u>96,466,009</u>	96,466,009

Deferred outflows of resources related to pension contributions are applicable to future periods and, therefore, are deferred for governmental activities but reported in funds. 85,684

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Unavailable Revenue-Property Taxes	\$	89,981	
Unavailable Revenue-Special Assessments		29,668,913	
Unavailable Revenue-Revenue not Collected within 60 Days		207,876	
Total Long-term Assets		<u>29,966,770</u>	29,966,770

Internal service fund is used by management to charge the costs of certain activities, such as fuel, and equipment repairs and maintenance 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. 4,127

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Interest Payable	\$	(403,503)	
Compensated Absences		(425,511)	
Capital Lease Obligation		(612,536)	
General Obligation Bonds Payable		(550,000)	
Special Assessments Bonds Payable with Governmental Commitment		(34,117,923)	
Revenue Bonds Payable		(22,915,174)	
Total Long-term Liabilities		<u>(59,024,647)</u>	(59,024,647)

Total Net Position of Governmental Activities \$ 96,540,276

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Cemetery	City Sales Tax/ Mandan Growth	0.75% City Sales Tax	Morton Mandan Public Library	Refunding Improvement Bonds	Street Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES									
Taxes	\$ 3,250,379	\$ 133,875	\$ 2,346,552	\$ 1,759,914	\$ 468,565	\$ 44,315	\$	\$ 840,271	\$ 8,843,871
Licenses and Permits	935,278								935,278
Intergovernmental	2,041,436	3,568	9,500		237,698	1,195		3,419,478	5,712,875
Charges for Services	165,112	50,200	1,705		4,849			43,168	265,034
Fines and Forfeits	198,380				4,635			578	203,593
Special Assessments	37,860					6,117,085		114,082	6,269,027
Interest	12,934			2,983	210			3,717	19,844
Cemetery Lots		31,800							31,800
Loan Repayments			149,233						149,233
Rent	13,500		6,000		35,400			14,880	69,780
Miscellaneous	21,668	150	500		11,667			49,619	83,604
Total Revenues	\$ 6,676,547	\$ 219,593	\$ 2,513,490	\$ 1,762,897	\$ 763,024	\$ 6,162,595	\$ -	\$ 4,485,793	\$ 22,583,939
EXPENDITURES									
Current:									
General Government	\$ 2,803,490	\$	\$	\$	\$	\$	\$	\$ 237,610	\$ 3,041,100
Public Safety	6,125,260							194,656	6,319,916
Public Works	1,622,222							60,327	1,682,549
Cemetery		156,842							156,842
Culture and Recreation			45,000	5,676,795	665,582			319,807	6,707,184
Urban Redevelopment and Housing								54,618	54,618
Economic Development and Assistance			515,994						515,994
Debt Service:									
Principal	32,925			265,000		8,188,999		209,658	8,696,582
Interest	7,169			117,741		1,019,203		52,433	1,196,546
Service Charges				1,567		20,583		2,198	24,348
Issuance Costs				423,400		64,670			488,070
Capital Outlay	430,846		100,714		14,311		7,139,374	746,220	8,431,465
Total Expenditures	\$ 11,021,912	\$ 156,842	\$ 661,708	\$ 6,484,503	\$ 679,893	\$ 9,293,455	\$ 7,139,374	\$ 1,877,527	\$ 37,315,214
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,345,365)	\$ 62,751	\$ 1,851,782	\$ (4,721,606)	\$ 83,131	\$ (3,130,860)	\$ (7,139,374)	\$ 2,608,266	\$ (14,731,275)
OTHER FINANCING SOURCES (USES)									
Sale of Capital Assets	\$ 73,936	\$	\$	\$	\$	\$	\$	\$ 20,000	\$ 93,936
Capital Lease	179,250							263,117	442,367
Sale of Bonds				22,275,000		3,888,190			26,163,190
Bond Premiums				535,781		93,609			629,390
Investment Discounts				15,629					15,629
Transfers In	3,094,820	19,522			10,650		171,237	149,927	3,446,156
Transfers Out	(253,710)	(173,797)	(1,611,866)			(338,566)	(14,019)	(1,294,473)	(3,686,431)
Total Other Financing Sources and Uses	\$ 3,094,296	\$ (154,275)	\$ (1,611,866)	\$ 22,826,410	\$ 10,650	\$ 3,643,233	\$ 157,218	\$ (861,429)	\$ 27,104,237
Net Change in Fund Balances	\$ (1,251,069)	\$ (91,524)	\$ 239,916	\$ 18,104,804	\$ 93,781	\$ 512,373	\$ (6,982,156)	\$ 1,746,837	\$ 12,372,962
Fund Balances - January 1 - As Restated	\$ 5,048,499	\$ 119,500	\$ 3,280,067	\$ 248,926	\$ 404,142	\$ 5,439,866	\$ (3,276,808)	\$ 5,405,179	\$ 16,669,371
Fund Balances - December 31	\$ 3,797,430	\$ 27,976	\$ 3,519,983	\$ 18,353,730	\$ 497,923	\$ 5,952,239	\$ (10,258,964)	\$ 7,152,016	\$ 29,042,333

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances-Total Governmental Funds \$ 12,372,962

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

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

Capital Outlay	\$	8,476,683	
Depreciation		(4,653,030)	
		Total	3,823,653

Various capital asset transactions effecting net position:

Contributions of Capital Assets	\$	3,385,759	
		Total	3,385,759

Various capital asset transactions effecting net position:

Sale of Capital Assets	\$	(5,968)	
		Total	(5,968)

Governmental funds report pension contributions as expenditures when paid. However, in the statement of activities, these costs are deferred based on the measurement date of the pension plan, therefore are not reported in the statement of activities.

85,684

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Taxes Receivable (net)	\$	17,282	
Intergovernmental		175,910	
Special Assessments Receivable (net)		(4,273,340)	
		Total	(4,080,148)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Capital Lease	\$	(442,367)	
Sale of Bonds		(26,163,190)	
Bond Premiums		(515,174)	
Debt Service-Principal		8,696,582	
		Total	(18,424,149)

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

Interest Payable (net)	\$	(255,301)	
Compensated Absences (net)		(58,338)	
		Total	(313,639)

Internal service fund is used by management to charge the costs of certain activities such as fuel, and equipment repairs and maintenance services, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,064

Change in Net Position of Governmental Activities \$ (3,154,782)

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 2,831,112	\$ 1,867,532	\$ 334,290	\$ 405,703	\$ 5,438,637	\$ 8,069
Taxes Receivable				6,576	6,576	
Accounts Receivable (net of allowance)	707,258	231,421	51,811	7,039	997,529	19,752
Special Assessments Receivable	5,827,799				5,827,799	
Intergovernmental Receivable	227,470	889		23,411	251,770	867
Interfund Receivable	234,447				234,447	
Inventories	141,768	31,423		14,608	187,799	11,601
Prepaid Expenses	93,482	1,565	10	8,841	103,898	
Total Current Assets	<u>\$ 10,063,336</u>	<u>\$ 2,132,830</u>	<u>\$ 386,111</u>	<u>\$ 466,178</u>	<u>\$ 13,048,455</u>	<u>\$ 40,289</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	\$ 2,648,988				\$ 2,648,988	
Special Assessments Receivable					-	
Capital Assets not being Depreciated:					-	
Land	162,974	88,360		441,771	693,105	
Construction Work in Progress	5,991,322				5,991,322	
Capital Assets (net of depreciation):					-	
Buildings and Infrastructure	71,608,372	541,209		11,138,958	83,288,539	
Machinery and Equipment	179,554	634,124	27,145	229,224	1,070,047	
Total Capital Assets	<u>\$ 77,942,222</u>	<u>\$ 1,263,693</u>	<u>\$ 27,145</u>	<u>\$ 11,809,953</u>	<u>\$ 91,043,013</u>	<u>\$ -</u>
Total Noncurrent Assets	<u>\$ 80,591,210</u>	<u>\$ 1,263,693</u>	<u>\$ 27,145</u>	<u>\$ 11,809,953</u>	<u>\$ 93,692,001</u>	<u>\$ -</u>
Total Assets	<u>\$ 90,654,546</u>	<u>\$ 3,396,523</u>	<u>\$ 413,256</u>	<u>\$ 12,276,131</u>	<u>\$ 106,740,456</u>	<u>\$ 40,289</u>
LIABILITIES						
Current Liabilities:						
Salaries and Benefits Payable	\$ 27,764	\$ 8,285	\$ 1,185	\$ 1,941	\$ 39,175	\$ 2,471
Accounts Payable	539,282	158,481	32,680	29,543	759,986	21,945
Compensated Absences	56,189	17,583	2,937	2,180	78,889	6,273
Retainage Payable	2,481				2,481	
Interfund Payable	407,638			10,660	418,298	
Interest Payable	250,459	11,799		7,434	269,692	
Prepaid Revenue				57,058	57,058	
Special Assessments Bonds Payable with Governmental Commitment	1,039,521				1,039,521	
Revenue Bonds Payable	1,790,000			85,410	1,875,410	
Capital Lease Payable		78,158			78,158	
Loans Payable	215,000				215,000	
Total Current Liabilities	<u>\$ 4,328,334</u>	<u>\$ 274,306</u>	<u>\$ 36,802</u>	<u>\$ 194,226</u>	<u>\$ 4,833,668</u>	<u>\$ 30,689</u>
Noncurrent Liabilities:						
Compensated Absences	\$ 42,938	\$ 8,227	\$ 2,646	\$ 8,288	\$ 62,099	\$ 5,473
Special Assessments Bonds Payable with Governmental Commitment	5,215,408				5,215,408	
Revenue Bonds Payable	20,320,000			417,464	20,737,464	
Capital Lease Payable		521,485			521,485	
Loans Payable	3,331,650				3,331,650	
Total Noncurrent Liabilities	<u>\$ 28,909,996</u>	<u>\$ 529,712</u>	<u>\$ 2,646</u>	<u>\$ 425,752</u>	<u>\$ 29,868,106</u>	<u>\$ 5,473</u>
Total Liabilities	<u>\$ 33,238,330</u>	<u>\$ 804,018</u>	<u>\$ 39,448</u>	<u>\$ 619,978</u>	<u>\$ 34,701,774</u>	<u>\$ 36,162</u>
NET POSITION						
Net investment in Capital Assets	\$ 46,030,643	\$ 664,050		\$ 11,307,079	\$ 58,001,772	
Restricted for Debt Service	2,648,988				2,648,988	
Unrestricted	8,736,585	1,928,455	373,808	349,074	11,387,922	4,127
Total Net Position	<u>\$ 57,416,216</u>	<u>\$ 2,592,505</u>	<u>\$ 373,808</u>	<u>\$ 11,656,153</u>	<u>\$ 72,038,682</u>	<u>\$ 4,127</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
Operating Revenues:						
Charges for Services:	\$ 7,595,404	\$ 2,319,850	\$ 438,391	\$ 416,122	\$ 10,769,767	\$ 122,588
Total Operating Revenues	\$ 7,595,404	\$ 2,319,850	\$ 438,391	\$ 416,122	\$ 10,769,767	\$ 122,588
Operating Expenses:						
Salaries and Benefits	\$ 1,771,521	\$ 467,849	\$ 72,513	\$ 95,370	\$ 2,407,253	\$ 93,791
Professional Fees and Services	97,648	1,387,393	125	3,057	1,488,223	60
Insurance	39,837	5,961	621	5,784	52,203	
Rentals		610			610	
Travel and Training	7,045		20	6,664	13,729	
Utilities	493,238	15,136	218,871	20,776	748,021	888
Publishing and Printing	1,550	1,226	50	481	3,307	
Dues and Memberships	1,965			1,370	3,335	150
Supplies and Maintenance	402,509	31,613	891	247,272	682,285	197,343
Repairs and Maintenance	206,688	34,022	104,822	57,360	402,892	3,455
Depreciation	2,972,223	214,745	6,786	512,053	3,705,807	
Miscellaneous	10,114	410		11,602	22,126	
Total Operating Expenses	\$ 6,004,338	\$ 2,158,965	\$ 404,699	\$ 961,789	\$ 9,529,791	\$ 295,687
Operating Income (Loss)	\$ 1,591,066	\$ 160,885	\$ 33,692	\$ (545,667)	\$ 1,239,976	\$ (173,099)
Nonoperating Revenues (Expenses):						
Taxes	\$ 8,744			\$ 269,420	\$ 278,164	
Intergovernmental	324,592			278,446	603,038	
Special Assessments	208,329				208,329	
Interest				668	668	
Sale of Meters and Parts	120,569				120,569	
Bond Premiums	25,989				25,989	
Miscellaneous	15,857	1,104	31,108	8,486	56,555	
Capital Outlay (non-capitalized)	(146,258)	(34,036)	(46,080)		(226,374)	
Debt Service:						
Interest	(900,161)	(13,663)		(27,575)	(941,399)	
Service Charges	(134,640)				(134,640)	
Issuance Costs	(30,496)	(150)			(30,646)	
Total Nonoperating Revenues (Expenses)	\$ (507,475)	\$ (46,745)	\$ (14,972)	\$ 529,445	\$ (39,747)	\$ -
Income (Loss) Before Contributions and Transfers	\$ 1,083,591	\$ 114,140	\$ 18,720	\$ (16,222)	\$ 1,200,229	\$ (173,099)
Capital Contributions	1,435,262				1,435,262	
Transfers In	14,432		54,090	5,600	74,122	174,163
Transfers Out	(8,010)				(8,010)	
Change in Net Position	\$ 2,525,275	\$ 114,140	\$ 72,810	\$ (10,622)	\$ 2,701,603	\$ 1,064
Net Position - January 1	\$ 54,890,941	\$ 2,478,365	\$ 300,998	\$ 11,666,775	\$ 69,337,079	\$ 3,063
Net Position - December 31	\$ 57,416,216	\$ 2,592,505	\$ 373,808	\$ 11,656,153	\$ 72,038,682	\$ 4,127

The notes to the financial statements are an integral part of this statement.

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

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 7,571,710	\$ 2,256,944	\$ 452,565	\$ 441,651	\$ 10,722,870	\$
Receipts from Interfund Services Provided						111,433
Payments to Employees	(1,739,288)	(463,172)	(70,439)	(92,372)	(2,365,271)	(91,978)
Payments to Suppliers	(1,149,750)	(1,405,147)	(329,610)	(358,729)	(3,243,236)	(177,093)
Net Cash Provided (Used) by Operating Activities	\$ 4,682,672	\$ 388,625	\$ 52,516	\$ (9,450)	\$ 5,114,363	\$ (157,638)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes	\$ 8,744	\$	\$	267,544	276,288	\$
Intergovernmental				7,137	7,137	
Special Assessments	8,996				8,996	
Sale of Meters and Parts	120,569				120,569	
Miscellaneous Receipts	15,857	1,106	31,108	8,486	56,557	
Transfers In			54,090	5,600	59,690	174,163
Purchases of Noncapital Assets	(146,258)	(34,036)	(46,080)		(226,374)	
Interfund Receivable	(101,984)				(101,984)	
Interfund Payable	407,638			(523)	407,115	(8,456)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 313,562	\$ (32,930)	\$ 39,118	\$ 288,244	\$ 607,994	\$ 165,707
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental	\$ 151,596	\$	\$	504,222	655,818	\$
Special Assessments	1,123,414				1,123,414	
Proceeds from Capital Debt	1,722,983	501,200			2,224,183	
Bond Premiums	25,989				25,989	
Purchases of Capital Assets	(2,531,130)	(510,200)	(33,931)	(536,147)	(3,611,408)	
Principal Paid on Capital Debt	(4,214,302)	(93,098)		(81,279)	(4,388,679)	
Interest Paid on Capital Debt	(913,558)	(5,593)		(28,849)	(948,000)	
Service Charges Paid on Capital Debt	(134,640)	(150)			(134,790)	
Miscellaneous Paid on Capital Debt	(30,496)				(30,496)	
Transfers In	14,432				14,432	
Transfers Out	(8,010)				(8,010)	
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (4,793,722)	\$ (107,841)	\$ (33,931)	\$ (142,053)	\$ (5,077,547)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received				668	668	
Net Cash Provided (Used) by Investing Activities	\$ -	\$ -	\$ -	\$ 668	\$ 668	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 202,512	\$ 247,854	\$ 57,703	\$ 137,409	\$ 645,478	\$ 8,069
Cash and Cash Equivalents - January 1	\$ 5,277,588	\$ 1,619,678	\$ 276,587	\$ 268,294	\$ 7,442,147	\$ -
Cash and Cash Equivalents - December 31	\$ 5,480,100	\$ 1,867,532	\$ 334,290	\$ 405,703	\$ 8,087,625	\$ 8,069
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 1,591,066	\$ 160,885	\$ 33,692	\$ (545,667)	\$ 1,239,976	\$ (173,099)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	\$ 2,972,223	\$ 214,745	\$ 6,786	\$ 512,053	\$ 3,705,807	\$
(Increase) Decrease in Accounts Receivable (net of allowance)	(10,291)	(62,017)	14,174	9,398	(48,736)	(10,643)
(Increase) Decrease in Intergovernmental Receivable	(13,403)	(889)			(14,292)	(512)
(Increase) Decrease in Inventories	96,382	34,036		17,799	148,217	4,070
(Increase) Decrease in Prepaid Items	7,680	(25)		(6,460)	1,195	
Increase (Decrease) in Salaries and Benefits Payable	7,303	3,225	322	650	11,500	1,507
Increase (Decrease) in Accounts Payable	6,268	37,129	(4,209)	(15,726)	23,462	20,778
Increase (Decrease) in Compensated Absences	25,444	1,536	1,751	2,372	31,103	261
Increase (Decrease) in Prepaid Revenues				16,131	16,131	
Total Adjustments	\$ 3,091,606	\$ 227,740	\$ 18,824	\$ 536,217	\$ 3,874,387	\$ 15,461
Net Cash Provided (Used) by Operating Activities	\$ 4,682,672	\$ 388,625	\$ 52,516	\$ (9,450)	\$ 5,114,363	\$ (157,638)
Schedule of non-cash capital and related financing activities:						
Contributions of Capital Assets from Developers	\$ 1,435,262	\$	\$	\$	\$ 1,435,262	\$
Capital Assets included in Accounts Payable	378,408				378,408	
Capital Assets included in Retainage Payable	2,481			2,160	4,641	
Total non-cash capital and related financing activities	\$ 1,816,151	\$ -	\$ -	\$ 2,160	\$ 1,818,311	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	Employee Retirement Plan and Trust	Private- Purpose Trust	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$	\$ 10,253	\$ 30,912
Investments, at fair value:			
Mutual Funds	7,915,995		
Accounts Receivable (net of allowance)			4,000
Intergovernmental Receivable			75,747
Interfund Receivable			-
Total Assets	\$ 7,915,995	\$ 10,253	\$ 110,659
LIABILITIES			
Accounts Payable	\$	\$	\$ 6,433
Claims and Judgments Payable			45,554
Interfund Payable			14,642
Due to Other Governments			44,030
Total Liabilities	\$ -	\$ -	\$ 110,659
NET POSITION			
Held in Trust for Pension Benefits	\$ 7,915,995	\$	
Held in Trust for Police Department		10,253	
Total Net Position	\$ 7,915,995	\$ 10,253	

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Employee Retirement Plan and Trust	Private- Purpose Trust
ADDITIONS		
Contributions:		
Employer	\$ 612,323	\$
Investment Earnings:		
Net Increase (Decrease) in Fair Value of Investments	718,206	
Total Additions	\$ 1,330,529	\$ -
DEDUCTIONS		
Benefits	\$ 2,505,113	\$ 500
Total Deductions	\$ 2,505,113	\$ 500
Change in Net Position	\$ (1,174,584)	\$ (500)
Net Position - January 1	\$ 9,090,579	\$ 10,753
Net Position - December 31	\$ 7,915,995	\$ 10,253

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mandan, North Dakota, is a municipal corporation governed by an elected mayor and four-member commission, and operates under a Home Rule Charter. The City has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are as follows:

A. REPORTING ENTITY

For financial reporting purposes, the City has included all funds and activities that make up its legal entity. The City has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship 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 City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

BLENDED COMPONENT UNITS

These component units are entities that are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate fund types.

Morton Mandan Public Library (Governmental Fund Type) - The Morton Mandan Public Library serves all the citizens of the City and is governed by a board which is appointed by the City's commission. The City is financially accountable for the Library because the City's commission approves the Library's budget, levies taxes, and must approve any debt issuances.

Mandan Airport Authority (Proprietary Fund Type) - The Mandan Airport Authority manages the local airport facility. The Authority is governed by a board which is appointed by the City's commission. The City is financially accountable for the Airport because the City's commission levies taxes and must approve any debt issuances.

Complete financial statements for each of these individual component units may be obtained by contacting the City's finance director.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and statement of activities report information on all non-fiduciary activities of the City and its component units. The City's activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

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

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

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes, intergovernmental, and special assessments. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

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

FINANCIAL STATEMENT PRESENTATION

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as general government, public safety, and public works.

Cemetery Fund - This fund accounts for a specific annual property tax levy, charges for services, and sale of lots for the purpose and to be used exclusively for the care, maintenance, and improvement of the cemetery.

City Sales Tax/Mandan Growth Fund – This fund accounts for a 1% city sales tax for the purpose of reducing property taxes and municipal debt, street, water and sewer system improvements, and for job and economic development. This fund also accounts for the activities of the City’s business development, communications, and economic development and assistance provided to various businesses.

0.75% City Sales Tax Fund – This fund accounts for a 0.75% city sales tax for the purpose of constructing a new sports complex.

Morton Mandan Public Library Fund - This fund accounts for the operations of the Morton Mandan Public Library.

Refunding Improvement Bonds Fund - This fund accounts for the various specific annual property tax levies and special assessment levies for payment of special assessment bond principal and interest.

Street Construction Fund - This fund accounts for the construction of street improvements. Financing is provided by the proceeds from special assessment bonds.

The City reports the following major enterprise funds:

Water and Sewer Utility Fund - This fund accounts for the activities of the City’s water and sewer operations.

Solid Waste Utility Fund - This fund accounts for the activities of the City’s solid waste operations.

Street Light Utility Fund - This fund accounts for the activities of the City’s street light operations.

Mandan Airport Authority Fund - This fund accounts for the operations of the Mandan Airport Authority.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like City activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The City's various utility operations and the Mandan Airport Authority are reported in this type.

Internal Service Fund accounts for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include fuel, and equipment repairs and maintenance services. In the government-wide statements, the internal service fund is included with governmental activities.

FIDUCIARY FUND TYPES

Pension Trust Fund accounts for resources that are required to be held in trust for the members and beneficiaries of the City's defined contribution plan.

Private Purpose Trust Fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The Isabelle Krueger Trust is restricted for the City's police department.

Agency Funds account for assets held by the City as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

State statutes authorize the City to invest in bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or by the state, certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions, state and local securities: (1) Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency, (2) An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency, (3) Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency, (4) Obligations of this state and general obligations of its political subdivisions, commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

In addition to the above-mentioned investments, the Pension Trust Fund is authorized to invest its surplus funds in other investments by selecting a funding agent to hold and invest such funds for the City's pension committee and shall be placed for investment only with a firm whose primary endeavor is money management.

Investments for the City are reported at fair value.

F. TAXES RECEIVABLE

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

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

G. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed on open accounts from private individuals or organizations for goods and services furnished by the City and are shown net of an allowance. Accounts receivable in excess of 90 days comprise the accounts receivable allowance.

H. 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 financial statements. No allowance has been established for uncollectible special assessments.

I. INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due to the City from other governments.

J. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

K. INVENTORIES AND PREPAID EXPENSES

Inventories of Proprietary Funds consist of chemicals at the Water Treatment Plant, water meters at City Hall, crushed concrete at the Landfill, and fuel at the City Shop and Airport. All inventories are valued at cost using the first-in/first-out method.

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

L. RESTRICTED ASSETS

Certain resources set aside for debt service in the Mandan Community Center debt service fund, .75% City Sales Tax fund and the Water and Sewer Utility enterprise fund, are classified as restricted assets on the balance sheet because their use is limited by applicable bond and loan covenants.

M. ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of December 31, 2016, the City of Mandan provided tax abatements in the form of property tax exemptions for certain new residential properties, improvements made to existing commercial and residential buildings, new and expanding businesses, tax increment financing, and properties in the Renaissance Zone.

The property tax exemption for certain single family, condominium, & townhouse residential properties, NDCC Ch.57-02-08 (35) & (42), allows for newly constructed homes, excluding land, to be exempt for up to two years, up to a maximum of \$75,000 of the home's value. This is available to homes owned and occupied for the first time as well as unoccupied homes still owned by the builder.

The property tax exemption for improvements made to existing commercial and residential buildings, NDCC. Ch.57-02.2, allows for value added resulting from the improvements made to the property to be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements. This incentive is to encourage the investment of private capital in improvements to buildings, thereby encouraging the production of wealth, improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

Tax increment financing, N.D.C.C. § 40-58-20, allows for providing a property tax exemption to provide assistance in a development or urban renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight.

The Renaissance Zone property tax exemption, NDCC Ch.40-63, is for commercial and residential properties located within a renaissance zone and allows for the buildings to be exempt for up to five years. A renaissance zone is a geographic area, proposed by a city, and designated by the State Department of Commerce. This incentive is to encourage the purchase, lease, rehabilitation, or historical preservation or renovation of properties within the zone.

The amount of taxes abated for the year ending December 31, 2016 was as follows:

Tax Abatement Program	Tax abatement in 2016
New and Expanding Business	\$ 580,517
Remodeling Exemption - Commercial	42,132
Remodeling Exemption - Residential	16,733
Tax Incremental Financing	79,304
Renaissance Zone Exemption	93,867
	\$ 812,553

N. CAPITAL ASSETS

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

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

Infrastructure consists of major citywide public systems and items attached thereto such as streets, street lighting systems, street drainage systems, street signs, traffic signals, parking lots, sidewalks, water and sewer systems, inert landfill, airport runways, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

O. PREPAID REVENUES

Prepaid revenues are recognized when cash, receivables, or other assets are received prior to their being earned.

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

P. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

In additions 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, contributions made to pension plans after the measurement date and prior to fiscal year end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and revenue not collected within 60 days. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Q. COMPENSATED ABSENCES

ANNUAL LEAVE

Eligible City employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 120 hours as of the date of the employees anniversary. The amount of annual leave earned ranges between eight and eighteen hours per month. Subsequent to December 31, 2016 the annual leave policy was changed to increase the limit of hours accrued from 120 hours to 240 hours as of the date of the employees anniversary.

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

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

SICK LEAVE

Eligible City employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. Employees vesting between the ages of 62 to 64, the City is liable for one-third of the employee's accumulated unused sick leave up to a maximum of 60 days. Employees vesting at age 65 or older, the City is liable for all the employee's accumulated unused sick leave up to a maximum of 60 days. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has reached age 62.

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

R. 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 are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of applicable bond premium or discount.

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.

S. PENSIONS

The City's portion of the ND PERS Law Enforcement Retirement System Pension Plan is based on the proportionate share of the net pension liability, deferred outflows/inflows and pension expense. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

T. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

Capital outlay includes expenditures for capital assets. Debt service includes both interest and principal outlays related to bonds and loans.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues consist of sales of goods and services and quasi-external operating transactions with other funds. All other revenues that do not meet the above criteria should be classified as non-operating.

U. NET POSITION/FUND BALANCE

NET POSITION

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

FUND BALANCE CLASSIFICATIONS

In the fund financial statements, fund balance for governmental funds are reported in five classifications that comprise a hierarchy based primarily on the extent to which the 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. The budget and finance committee has the authority to remove or change the assignment of funds.

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

MINIMUM FUND BALANCE

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

The minimum fund balance in the General Fund at December 31, 2016 was \$1,800,326.

V. CHANGE IN ACCOUNTING PRINCIPLES

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2016:

GASB Statement No. 72, "*Fair Value Measurement and Application*" was issued February 2015. This statement provides guidance on the fair value measurements reported on the financial statements. Fair value is the exit prices based on the unit of account which is the assets or liability in aggregate or disaggregate for measurement, recognition or disclosure purposes. This statement requires a government to use valuation techniques where there is significant data available to measure it's fair value. One or more of these valuation techniques should be consistently used: the market approach, the cost approach, or the unobservable inputs. A hierarchy of inputs to valuation techniques is used to measure fair value which has three levels: Level 1 input are quoted prices (unadjusted) in markets with identical assets or liabilities, Level 2 exclude quoted prices that are included in Level 1 that are directly or indirectly observable and Level 3 are unobservable inputs. Investments must be valued at fair value with a few exceptions such as money market investments and 2a7-like external investment pools. This statement also requires donated assets to be measured at acquisition value. Disclosures are required to report fair value measurements, the level of fair value hierarch and valuation techniques. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*" was issued on June 2015. This statement provides information for pensions and postemployment benefits for reporting decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement provides guidance on requirements for contributing entities that are not covered under GASB 68, establishes requirements for accumulation of assets for all pensions and clarifies the application of certain provisions of GASB 67 and 68. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*" was issued on June 2015. This statement establishes the hierarchy of generally accepted accounting principles (GAAP) used in the preparation of financial statements. The statement reduces the hierarchy to two categories of authoritative GAAP and addresses the use of literature for transactions or events not specified in GAAP. The statement raises the GASB Implementation Guides in the hierarchy and requires the consideration for consistency with the GASB Concept Statements. This statement supersedes GASB 55 and is intended to provide reporting guidance with less variation and enhance the comparability of financial statements among governments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015 and should be applied retroactively.

GASB Statement No. 77, "*Tax Abatement Disclosures*" was issued on August 2015. This statement defines tax abatements and the disclosure requirements for financial statements. This statement establishes the information required to assess the financial and operating impacts of tax abatements. This statement provides the reporting of comprehensive and consistent information on the nature magnitude of tax abatement for the public. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" was issued on December 2015. This statement amends the scope and applicability of GASB 68 for Accounting and Financial Reporting for Pensions for certain multiple-employer defined benefit plans. The amendments exclude multiple-employer defined benefit plans from GASB 68 that are not state or local plans, provide pension to both state or local and non-state or local employees and have no predominant state or local employer. The statement further establishes the requirements for pension expenses, expenditures and liabilities, note disclosures and required supplementary information for reporting of those types of pensions. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2015.

GASB Statement No. 79, “*Certain External Investment Pools and Pool Participants*” was issued on December 2015. This statement establishes the qualification criteria for reporting all investments at amortized costs. The statement clarifies that if the external pool does not meet the criteria, the pool should apply provision 16 of GASB 31 and measure the investment at fair value as provided in paragraph 11 of GASB 31. The statement also establishes the additional note disclosures for qualifying external investment pools that use the measurement of amortized costs to report investments. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2015.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS AT THE LEGAL LEVEL OF CONTROL

The budget is prepared by fund, by department within each fund, and by line item within each department. The legal level of budgetary control is at the fund level. The management of the City of Mandan has the authority to exceed line items or department budgets as long as the fund appropriations are not exceeded. City Commission approval is required for (a) the transfer of appropriations from one fund to another fund or the addition of line items within a fund or both and (b) an increase in the aggregate total of appropriations in order to reflect changes in financial circumstances.

The following funds had expenditures over appropriations as of December 31, 2016:

<u>Fund</u>	
Alarm Equipment Reserve	(25,345)
Fire Equipment Reserve	(2,765)
Narcotics Task Force Grant	(104,694)
Police Equipment Reserve	(8,976)
Abused Adult Resource Center Grant	(8,182)
BNSF Settlement	(807)
Health and Safety	(20,529)
Refunding Improvement Bonds - Street	(5,922)

The City had revenue collections, receivables, and/or existing cash balances available at year-end to offset any excess expenditures over appropriations. Therefore, no remedial action is anticipated by the City.

DEFICIT FUND EQUITY

The following funds had a deficit fund balance as of December 31, 2016:

<u>Fund</u>		<u>Funding</u>
Abused Adult Resource Center Grant	(1,066)	Abused Adult Resource Center Grant
Health and Safety	(139,421)	Special assessments
Street Construction	(10,258,964)	Sale of bonds
Sidewalk, Curb and Gutter Construction	(86,977)	Special assessments
Bike Path Construction	(82,954)	Special assessments

RESTATEMENTS

The City restated beginning fund balance to increase the accrual of Sales Tax, Occupancy Tax, Restaurant & Lodging Tax, Oil & Gas Tax, and Highway & Motor Vehicle Tax for the governmental funds. This accrual includes 60 days of tax revenue instead of 30 days from 2017. The beginning of the year restatements increased beginning fund balance and beginning net position by \$494,348 as noted in the following table:

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

	<u>Governmental Funds</u>			
	<u>City Sales Tax/ Mandan Growth</u>	<u>Nonmajor Governmental</u>	<u>Total Government Funds</u>	<u>Governmental Activities</u>
Net position- January 1, as previously reported	\$ 3,095,548	\$ 5,095,350	\$ 8,190,898	\$ 99,200,708
Restatement	184,519	309,829	494,348	494,348
Net position-January 1, as restated	<u>\$ 3,280,067</u>	<u>\$ 5,405,179</u>	<u>\$ 8,685,246</u>	<u>\$ 99,695,056</u>

NOTE 3 – DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

CUSTODIAL CREDIT RISK

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

At December 31, 2016, the carrying amount of the City's deposits was \$16,490,252 and the bank balance was \$17,626,496. Of these bank balances, the City was under collateralized by \$75,978 to have pledges of securities equal to 110% of the deposits not covered by insurance or bonds. The remaining bank balances were covered by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's names. The carrying amount of restricted cash and cash equivalents deposited with the Bank of North Dakota was \$18,353,729. The City and the Library also maintain separate petty cash balances of \$1,100 and \$200, respectively.

The deposits presented in the financial statements at December 31, 2016, are as follows:

<u>Primary Government</u>	
Cash and Cash Equivalents	\$ 13,659,899
Restricted Cash and Cash Equivalents	21,144,216
Less: Cash held with Fiscal Agent	(18,353,728)
Less: Petty cash	<u>(1,300)</u>
Total Primary Government	<u>16,449,087</u>
<u>Fiduciary Funds</u>	
Cash and Cash Equivalents	<u>41,165</u>
Total Deposits	<u><u>\$ 16,490,252</u></u>

B. INVESTMENTS

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

INTEREST RATE RISK

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

At December 31, 2016, the City held mutual funds for the City's Employee Retirement Plan and Trust in the amount of \$7,915,995. The investments are due within one year.

CREDIT RISK

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

CONCENTRATION OF CREDIT RISK

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

FOREIGN CURRENCY RISK

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

FAIR VALUE MEASUREMENT

The fair value measurements are categorized by the fair value hierarchy based on the 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.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. As of December 31, 2016, the City had investments totaling \$7,915,995 all of which were considered Level 1.

C. LOANS RECEIVABLE

Loans receivable are made from the Mandan Growth Fund to promote economic and job development within the City. Loans receivable at December 31, 2016, consist of the following:

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

Carter Chiropractic Clinic

\$75,000 Loan due in monthly installments of \$497 through January 1, 2017 and \$46,172 due on January 1, 2017; interest at 5% \$ 46,290

Coffees and Kitchens

\$50,000 Loan due in monthly installments of \$189 until paid in full; interest at 0% 30,391

Huff Hills Ski Area

\$117,431 Loan due in monthly installments of \$5,520 through March 15, 2025 and \$3,340 due on March 15, 2026; interest at 1.5% 49,029

Lindy Sue's Candies & Soda Fountain

\$42,500 Loan due in monthly installments of \$486 through August 1, 2017 and \$27,967 due on August 1, 2017; interest at 6% 42,500

Pletan Properties

\$53,846 Loan due in monthly installments of \$2,287 through February 1, 2019; interest at 2% 53,846

E-C Investments

\$53,389 Loan due in monthly installments of \$1,341 starting November 1, 2019 through April 1, 2023; interest at 3% starting November 1, 2019 53,389

SSWII, LLP

\$53,846 Loan with \$26,699 advanced as of December 31, 2016, due in monthly installments of \$2,359 starting December 2018 through December 1, 2021; interest at 2% 26,699

NISC

\$71,264 Loan with \$15,962 advanced as of December 31, 2016, due in monthly installments of \$1,188 starting November 2021 through October 2026; interest at 0% 15,962

Developers, LLC

\$53,846 Loan with \$37,355 advanced as of December 31, 2016, due in monthly installments of \$2,288 starting February 2019 through January 2021; interest at 0% 37,356

BBCS Properties

\$49,979 Loan with \$13,196 advanced as of December 31, 2016, payments of \$1,193 starting December 2020 through November 2024; interest at 3% 13,196

Total Loans Receivable \$ 368,658

Less: Allowance for uncollectible accounts (42,500)

Net Loans Receivable \$ 326,158

D. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at December 31, 2016, consist of the following:

Due To General Fund

Due from Abused Adult Resource Center Grant	\$ 7,074
Due from Health and Safety	161,102
Due from Sidewalk, Curb and Gutter Construction	2,802
Due From Morton Mandan Public Library Fund	43,387
Due From Street Construction	48,234
Due From Mandan Airport Authority Fund	<u>10,660</u>

Total Due To General Fund	<u>\$ 273,259</u>
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DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Due To Refunding Improvement Bonds Fund

Due from Sidewalk, Curb and Gutter Construction Fund	\$ 85,285
Due from Street Construction Fund	<u>4,542,858</u>

Total Due to Refunding Improvement Bonds Fund	<u>\$ 4,628,143</u>
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Due to City Sales Tax/Mandan Growth Fund

Due from Street Construction Fund	\$ 2,050,831
Due from Sewermain Construction Fund	52,970
Due from Water and Sewer Construction Fund	<u>120,220</u>

Total Due to City Sales Tax/Mandan Growth Fund	<u>\$ 2,224,021</u>
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Due To Nonmajor Governmental Funds

Due from Downtown Redevelopment Fund	\$ 6,644
Due from Bike Path Construction Fund	82,954
Due from Street Construction	<u>3,237,428</u>

Total Due To Nonmajor Governmental Funds	<u>\$ 3,327,026</u>
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Due To Water and Sewer Utility Fund

Due from Sewermain Construction Fund	52,970
Due from Water and Sewer Construction Fund	<u>181,477</u>

Total Due to Water and Sewer Utility Fund	<u>\$ 234,447</u>
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These balances are a result when a fund has a cash deficit. The interfund balances will be repaid in 2017.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended December 31, 2016, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,094,820	\$ 253,710
Cemetery	19,522	173,797
City Sales Tax/Mandan Growth		1,611,866
Morton Mandan Public Library	10,650	
Refunding Improvement Bonds		338,566
Street Construction	171,237	14,019
Nonmajor Governmental	149,927	1,294,473
Water and Sewer Utility	14,432	8,010
Street Light Utility	54,090	
Mandan Airport Authority	5,600	
Internal Service	174,163	
Total	\$ 3,694,441	\$ 3,694,441

Transfers are used for various budgetary and financial management purposes.

E. CAPITAL ASSETS

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

	<u>Balance 1-1-16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance 12-31-16</u>
Governmental Activities					
Capital Assets, not being depreciated:					
Land	\$ 2,823,343	\$ -	\$ -	\$ -	\$ 2,823,343
Construction Work in Progress	3,300,582	10,852,980	-	(642,188)	13,511,374
Total Capital Assets, not being depreciated	6,123,925	10,852,980	-	(642,188)	16,334,717
Capital Assets, being depreciated:					
Buildings and Improvements	6,986,314	-	-	251,850	7,238,164
Buildings and Infrastructure	128,970,828	151,789	-	390,338	129,512,955
Machinery and Equipment	8,076,849	924,929	(482,905)	(12,200)	8,506,673
Total Capital Assets, being depreciated	144,033,991	1,076,718	(482,905)	629,988	145,257,792
Less Accumulated Depreciation for:					
Buildings and Improvements	2,138,822	143,751	-	-	2,282,573
Buildings and Infrastructure	52,057,844	3,811,885	-	-	55,869,729
Machinery and Equipment	6,698,687	764,648	(476,938)	(12,200)	6,974,197
Total Accumulated Depreciation	60,895,353	4,720,284	(476,938)	(12,200)	65,126,499
Total Capital Assets, being depreciated, net	83,138,638	(3,643,566)	(5,967)	642,188	80,131,293
Governmental Activities Capital Assets, net	\$ 89,262,563	\$ 7,209,414	\$ (5,967)	\$ -	\$ 96,466,010
Business-type Activities					
Capital Assets, not being depreciated:					
Land	\$ 693,105	\$ -	\$ -	\$ -	\$ 693,105
Construction Work in Progress	4,447,181	1,797,703	-	(253,562)	5,991,322
Total Capital Assets, not being depreciated	5,140,286	1,797,703	-	(253,562)	6,684,427
Capital Assets, being depreciated:					
Buildings and Infrastructure	135,140,408	2,196,534	-	253,562	137,590,504
Machinery and Equipment	3,466,416	865,924	(420,161)	12,000	3,924,179
Total Capital Assets, being depreciated	138,606,824	3,062,458	(420,161)	265,562	141,514,683
Less Accumulated Depreciation for:					
Buildings and Infrastructure	50,943,603	3,358,362	-	-	54,301,965
Machinery and Equipment	2,914,848	347,445	(420,161)	12,000	2,854,132
Total Accumulated Depreciation	53,858,451	3,705,807	(420,161)	12,000	57,156,097
Total Capital Assets, being depreciated, net	84,748,373	(643,349)	-	253,562	84,358,586
Business-type Activities Capital Assets, net	\$ 89,888,659	\$ 1,154,354	\$ -	\$ -	\$ 91,043,013

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

<u>Governmental Activities</u>	
General Government	\$ 147,293
Public Safety	315,510
Public Works	4,139,610
Cemetery	22,779
Culture and Recreation	89,672
Urban Redevelopment and Housing	5,420
	<hr/>
Total Governmental Activities Depreciation Expense	<u>\$ 4,720,284</u>

<u>Business-type Activities</u>	
Water and Sewer Utility	\$ 2,972,223
Solid Waste Utility	214,745
Street Light Utility	6,786
Mandan Airport Authority	512,053
	<hr/>
Total Business-type Activities Depreciation Expense	<u>\$ 3,705,807</u>

CONTRACT COMMITMENTS

The City has active contract project commitments of \$3,781,395 as of December 31, 2016.

F. LEASES

CAPITAL LEASES

The City has financed the acquisition of certain equipment for its General Fund, Fire Equipment Reserve Fund and Solid Waste Utility. These lease agreements qualify as capital leases for accounting purposes and, therefore, they have been recorded at the present value of the future minimum lease payments as of the inception date.

The City is obligated to follow capital lease agreements:

	<u>Remaining Balance</u>
Governmental Activities	
Asset:	
(2) CAT 924K Wheel Loaders	\$ 234,816
(1) CAT 938 Wheel Loader	164,262
(1) Pierce Enforcer Pumper	213,458
	<hr/>
Total	<u>\$ 612,536</u>
 Business-type Activities	
Asset:	
(1) 2015 Volvo L150H Front End Loader	\$ 185,367
(1) Bomag Compactor	414,276
	<hr/>
Total	<u>\$ 599,643</u>

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

The assets acquired through the capital leases are as follows:

Asset:	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 977,667	\$ 713,508
Less: Accumulated Depreciation	(313,653)	(183,363)
Total	\$ 664,014	\$ 530,145

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

Year Ending December 31,	Governmental Activities	Business-type Activities
2017	\$ 97,382	\$ 98,691
2018	97,382	98,691
2019	275,277	98,690
2020	72,277	257,507
2021	125,000	115,000
Total minimum lease payments	667,318	\$ 668,579
Less: Amount representing interest	(54,782)	(68,936)
Present value of	\$ 612,536	\$ 599,643

Debt service requirements to maturity on capital leases are summarized below:

Year Ending December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 79,785	\$ 17,597	\$ 78,158	\$ 20,533	\$ 157,943	\$ 38,130
2018	82,086	15,296	80,964	17,727	163,050	33,023
2019	262,348	12,929	83,871	14,819	346,219	27,748
2020	66,829	5,448	245,700	11,807	312,529	17,255
2021	121,488	3,512	110,950	4,050	232,438	7,562
	\$ 612,536	\$ 54,782	\$ 599,643	\$ 68,936	\$ 1,212,179	\$ 123,718

G. LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. Bonds and loans payable at December 31, 2016, consisted of bonds and loans issued by the City and are accounted for by the respective City funds in the government-wide financial statements that issued the bonds and loans.

GENERAL OBLIGATION BONDS PAYABLE

The City issues general obligation funds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

\$870,000 General Obligation Bridge Bonds of 2006, due in annual installments of \$45,000 to \$65,000, through May 1, 2026; interest at 4.1% - 4.4%	\$ 550,000
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CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

Debt service requirements to maturity on general obligation bond issue are summarized below:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 45,000	\$ 22,533
2018	45,000	20,688
2019	50,000	18,740
2020	50,000	16,665
2021	55,000	14,460
2022-2026	305,000	34,532
Total	<u>\$ 550,000</u>	<u>\$ 127,618</u>

SPECIAL ASSESSMENTS BONDS PAYABLE WITH GOVERNMENTAL COMMITMENT

The City issues special assessment bonds to provide funds for the construction of infrastructure. These bonds are repaid from amounts levied against the property owners benefited by the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources (general taxes) to cover the deficiency until other resources are received.

Special assessment bonds currently outstanding are as follows:

Issue	Amount of Issue	Date of Issue	Date of Maturity	Interest Rates	Total Outstanding
Refunding 2004, Series A	360,000	1/1/2004	5/1/2018	4.20%	\$ 50,000
Refunding 2007, Series SCG-2007	285,000	12/1/2007	5/1/2017	4.10%	30,000
Refunding 2008, Series C	5,000,000	12/1/2008	5/1/2024	3.8% - 4.3%	2,310,000
Refunding 2008, Series SCG-2008	335,000	12/1/2008	5/1/2018	4.15%	70,000
Refunding 2009, Series A	4,420,000	12/15/2009	5/1/2024	3.13% - 4%	2,420,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	3.50%	65,000
Refunding 2010, Series A	4,020,000	2/15/2010	5/1/2019	3.20%	560,000
Street#160	109,611	12/23/2010	5/1/2025	4%	75,616
Sidewalk, Curb and Gutter 2010	159,187	12/23/2010	5/1/2020	3.25%	73,746
Refunding 2011, Series A	960,000	3/1/2011	5/1/2020	2.35% - 3.25%	405,000
Refunding 2012, Series A	1,490,000	4/1/2012	5/1/2020	1.05% - 1.55%	375,000
Refunding 2012, Series B	5,155,000	11/15/2012	5/1/2028	2% - 2.15%	4,195,000
Refunding 2012, Series SCG-2012	480,000	12/15/2012	5/1/2022	.9% - 1.35%	265,000
Refunding 2013, Series A	1,675,000	4/10/2013	5/1/2021	.8% - 1.75%	995,000
Refunding 2013, Series B	1,400,000	4/10/2013	5/1/2018	1.35% - 2%	530,000
Refunding 2013, Series C	4,015,000	12/15/2013	5/1/2028	2% - 3.5%	\$ 3,275,000
Sidewalk, Curb and Gutter 2013	136,630	12/17/2013	5/1/2023	2.75%	98,490
Refunding 2014, Series A	2,490,000	8/15/2014	5/1/2021	2% - 4%	1,725,000
Refunding 2014, Series B	6,095,000	12/15/2014	5/1/2029	1% - 4%	5,445,000
Refunding 2015, Series A	4,405,000	4/1/2015	5/1/2022	1.5% - 3%	3,735,000
Refunding 2015, Series B	9,025,000	12/30/2015	5/1/2030	2% - 5%	8,645,000
Refunding 2016, Series A	5,030,000	5/25/2016	5/1/2023	2% - 3%	5,030,000
Total					<u>\$ 40,372,852</u>

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

Debt service requirements to maturity on special assessment bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 4,449,256	\$ 901,481	\$ 1,039,521	\$ 161,502	\$ 5,488,777	\$ 1,062,983
2018	4,226,143	772,598	968,490	133,689	5,194,633	906,287
2019	3,910,038	650,108	875,482	108,282	4,785,520	758,390
2020	3,718,618	539,818	822,820	86,305	4,541,438	626,123
2021	3,476,638	430,579	740,791	64,099	4,217,429	494,678
2022-2026	9,912,789	1,147,693	1,487,266	107,994	11,400,055	1,255,687
2027-2031	4,424,441	188,107	320,559	6,874	4,745,000	194,981
Total	<u>\$ 34,117,923</u>	<u>\$ 4,630,384</u>	<u>\$ 6,254,929</u>	<u>\$ 668,745</u>	<u>\$ 40,372,852</u>	<u>\$ 5,299,129</u>

REVENUE BONDS PAYABLE

Current state statutes empower the City to issues bonds as part of its activities and pledge income derived from operations to pay debt service. This debt is not backed by the full faith and credit of the City.

The Limited Tax Refunding Revenue Bonds of 2005, Series B were issued to finance improvements for the Mandan Community Center. The Bonds are payable only from and secured by a pledge of the City's 1% City sales tax receipts and are payable through December 2019, and recorded in the Mandan Community Center Debt Service Fund. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$422,338. Principal and interest paid for the current year and total net revenues were \$140,548 and \$141,634, respectively.

The Park Facilities Sales Tax Revenue Bonds were issued to finance the construction of a new sporting facility for the Mandan Park District. The Bonds are payable from revenue generated through a special 0.75% Sales Tax and are payable through September 2041 and are recorded in the 0.75% City Sales Tax Fund. The total principal and interest remaining to be paid on the bonds is \$34,517,338. Principal and interest paid for the current year and total net revenues were \$382,741 and \$24,553,949, respectively.

The Water and Sewer Revenue Bonds were issued to finance improvements for the City's Water and Sewer Utility Fund. The Bonds are payable solely from charges for services received from the Water and Sewer Utility Fund and are payable through September 2033. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$26,362,304. Principal and interest paid for the current year and total net revenues were \$4,643,398 and \$4,964,017, respectively.

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$587,789. Principal and interest paid for the current year and total net revenues were \$110,128 and \$279,462, respectively.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

Revenue bonds outstanding:

Governmental Funds

\$1,415,000 Limited Tax Refunding Bonds of 2005, Series B, due in annual installments of \$125,000 to \$135,000 through, December 1, 2019; interest at 4% to 4.15%	\$ 390,000
\$15,275,000 Park Facilities Sales Tax Revenue Bonds of 2016, Series 2016A, with semi-annual interest payments of \$263,131 due until September 1, 2019 at which time semi-annual installments of \$260,000 to \$1,855,000 are due through September 1, 2041; interest at 3% to 4%	15,275,000
\$1,000,000 Park Facilities Sales Tax Revenue Bonds of 2016, Series 2016A-T (Taxable), due in annual installments of \$165,000 to \$415,000 to through September 1, 2019; interest at 1% to 1.75%	1,000,000
\$6,000,000 Park Facilities Sales Tax Revenue Bonds of 2016B, due in semi annual payments of interest of \$82,500 through September 1, 2041 with a balloon payment of \$6,000,000 due September 1, 2041; interest at 2.75%	<u>5,735,000</u>
Total Governmental Funds	<u><u>\$ 22,400,000</u></u>

Proprietary Funds

\$5,090,000 Sewer Improvement Revenue Bonds of 1997, due in annual installments of \$310,000 to \$325,000 through September 1, 2019; interest at 2.5%	\$ 950,000
\$3,504,565 Water Improvement Revenue Bonds of 2002, due in annual installments of \$250,000 to \$278,000, through September 1, 2021; interest at 2.5%	1,315,000
\$1,000,000 Water and Sewer Revenue Bonds, Series 2005, due in annual installments of \$50,000 to \$75,000 through, May 1, 2025; interest at 4.4% to 4.8%	565,000
\$1,545,663 Sewer Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$80,000 to \$110,000 through Spetember 1, 2028; interest at 2.5%	1,120,000
\$840,000 Sewer Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$45,000 to \$60,000 through September 1, 2028; interest at 2.5%	665,000

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

\$3,782,000 Water Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$210,000 to \$280,000 through September 1, 2028; interest at 2.5%	2,990,000
\$6,667,283 Water Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$360,000 to \$545,000 through September 1, 2028; interest at 3.27%	5,355,000
\$6,383,867 Water Improvement Revenue Bonds of 2010, Series A, due in annual installments of \$300,000 to \$460,000 through September 1, 2030; interest at 2.84%	5,265,000
\$1,891,118 Sewer Improvement Revenue Bonds of 2013, Series A, due in annual installments of \$85,000 to \$120,000 through September 1, 2033; interest at 2%	1,805,000
\$591,683 Water Improvement Revenue Bonds of 2013, Series A, due in annual installments of \$25,000 to \$30,000 through September 1, 2033; interest at 2%	565,000
\$1,586,280 Water Improvement Revenue Bonds of 2014, Series A, due in annual installments of \$75,000 to \$100,000 through September 1, 2033; interest at 2%	1,515,000
\$649,071 Airport Improvement Revenue Bonds of 2005, due in annual installments of \$28,283 to \$29,808 through, August 15, 2020; interest at 4.76%	219,936
\$500,000 Airport Improvement Revenue Bonds of 2008, due in annual installments of \$16,893 to \$23,900 through, October 8, 2023; interest at 5.41%	<u>282,938</u>
Total Proprietary Funds	<u>\$ 22,612,874</u>
Total	<u>\$ 45,012,874</u>

Debt service requirements to maturity on revenue bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 540,000	\$ 713,180	\$ 1,875,410	\$ 628,308	\$ 2,415,410	\$ 1,341,488
2018	550,000	704,030	1,944,751	575,288	2,494,751	1,279,318
2019	560,000	692,465	2,001,316	520,310	2,561,316	1,212,775
2020	435,000	676,175	1,739,113	463,509	2,174,113	1,139,684
2021	450,000	663,125	1,740,394	413,552	2,190,394	1,076,677
2022-2026	2,465,000	3,102,050	7,791,890	1,377,126	10,256,890	4,479,176
2027-2031	2,935,000	2,627,225	4,990,000	343,328	7,925,000	2,970,553
2032-2036	3,565,000	1,998,425	530,000	15,800	4,095,000	2,014,225
2037-2041	10,900,000	1,363,000			10,900,000	1,363,000
Total	<u>\$ 22,400,000</u>	<u>\$ 12,539,675</u>	<u>\$ 22,612,874</u>	<u>\$ 4,337,221</u>	<u>\$ 45,012,874</u>	<u>\$ 16,876,896</u>

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements - Continued

LOANS PAYABLE

The following is a schedule of loans payable outstanding at December 31, 2016:

Proprietary Funds

\$3,546,650 Sewer Improvement Interim Certificate 2015, Series A, due in annual installments of \$215,000 to \$295,000 through, September 1, 2031; interest at 2%	<u>3,546,650</u>
	<u>\$ 3,546,650</u>

Debt service requirements to maturity on loans payable are summarized below:

Year Ending December 31	Business-type Activities	
	Principal	Interest
2017	\$ 215,000	\$ 70,933
2018	220,000	66,633
2019	225,000	62,233
2020	230,000	57,733
2021	235,000	53,133
2022-2026	1,265,000	192,865
2027-2031	1,156,650	59,965
Total	<u>\$ 3,546,650</u>	<u>\$ 563,495</u>

Current Refunding

The City issued Refunding Improvement Bonds of 2016, Series A for the purpose of refunding \$1,015,000 of Refunding Improvement Bonds of 2007, Series C, \$2,910,000 of Refunding Improvement Bonds of 2007 Series D and \$1,105,000 of Refunding Improvement Bonds of 2008 Series B. Refunding was undertaken to reduce total future debt service payments. The transaction resulted in a total net present value benefit of \$398,333 and a reduction of \$398,526 in future debt service payments.

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2016, are summarized as follows:

Governmental Activities	Balance	Additions	Reductions	Balance	Due Within
	1-1-16			12-31-16	One Year
Compensated Absences	\$ 378,658	\$ 527,205	\$ (468,606)	\$ 437,257	\$ 276,024
Capital Lease	252,752	442,367	(82,583)	612,536	79,785
General Obligation Bonds	590,000		(40,000)	550,000	45,000
Special Assessment Bonds	38,418,732	3,888,190	(8,188,999)	34,117,923	4,449,256
Revenue Bonds	510,000	22,275,000	(385,000)	22,400,000	540,000
Plus unamortized premium	-	535,781	(20,607)	515,174	20,607
Total	<u>\$ 40,150,142</u>	<u>\$ 27,668,543</u>	<u>\$ (9,185,795)</u>	<u>\$ 58,632,890</u>	<u>\$ 5,410,672</u>

Business-type Activities	Balance	Additions	Reductions	Balance	Due Within
	1-1-16			12-31-16	One Year
Compensated Absences	\$ 109,885	\$ 185,130	\$ (154,027)	\$ 140,988	\$ 78,889
Capital Lease	191,541	501,200	(93,098)	599,643	\$ 78,158
Special Assessment Bonds	7,382,070	1,141,810	(2,268,951)	6,254,929	1,039,521
Revenue Bonds	22,254,271	2,382,963	(2,024,360)	22,612,874	1,875,410
Loans Payable	5,350,710	578,903	(2,382,963)	3,546,650	215,000
Total	<u>\$ 35,288,477</u>	<u>\$ 4,790,006</u>	<u>\$ (6,923,399)</u>	<u>\$ 33,155,084</u>	<u>\$ 3,286,978</u>

DEBT COMMITMENT

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2016.

H. CONDUIT DEBT

MUNICIPAL INDUSTRIAL DEVELOPMENT BONDS

From time to time, the City has approved issuance of Municipal Industrial Development (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the bonds. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, there was one series of MIDA Bonds outstanding; the aggregate principal amount payable was \$1,320,000. Neither the State nor the City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval. The amount is most often in excess of the actual amount issued. When completely paid or called, they must notify the City of this event.

COMMUNITY DEVELOPMENT BLOCK GRANTS

From time to time, the City has obtained Community Development Block Grants (CDBG) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by the financed property and are payable solely from payments received on the underlying mortgage grants. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the grants. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the grants.

Accordingly, the grants are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, there were six CDBG loans outstanding, with an aggregate principal amount payable of \$566,447.

NOTE 4 – EMPLOYEE PENSION PLAN

DEFINED CONTRIBUTION PLAN

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible City employees. The Defined Contribution Plan had 188 participants as of December 31, 2016.

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

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

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

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

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 8% of regular compensation. On December 16, 2014 the City ordinance was amended effective January 1, 2015. This amendment allowed Sworn Police Officers and Career Firefighters to be eligible for a 10% employer contribution if the employee contributes 4% or greater. The employer's required contributions for the years ended December 31, 2016, 2015, and 2014, were \$612,323, \$733,955, and \$595,948, respectively.

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

NDPERS LAW ENFORCEMENT RETIREMENT SYSTEM (LAW ENFORCEMENT SYSTEM)

Effective July 1, 2016 all sworn police officers were eligible to enroll in the North Dakota Public Employees Retirement System Law Enforcement Retirement Plan. The eligible officers were allowed to purchase years of service credits.

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service	5.50%	9.81%
Law Enforcement without previous servious	5.50%	7.93%

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

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

The employer's required contributions for the year ended December 31, 2016 was \$85,684.

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

At December 31, 2016, the City is not reporting a proportionate share of the net pension liability. The net pension liability along with the deferred outflows of resources and deferred inflows of resources specific to the plan were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Since the City enrolled in the plan subsequent to the valuation date, they are not required to report those items as of December 31, 2016. The Employer's proportion of the net pension liability will be based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers.

The City does report \$85,684 as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

NOTE 5 – RESTRICTED ASSETS

The balances of the restricted asset accounts for cash and cash equivalents are as follows:

Governmental Funds

Revenue Bond Debt Service Account	\$	141,500
Cash with Fiscal Agent - .75% Sales Tax		<u>18,353,729</u>
Total	\$	<u><u>18,495,229</u></u>

Proprietary Funds

Special Assessment Bond Debt Service Accounts	\$	607,885
Revenue Bond Debt Service Accounts		<u>2,041,103</u>
Total	\$	<u><u>2,648,988</u></u>

NOTE 6 – RISK MANAGEMENT

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

GENERAL LIABILITY

The Mandan Airport Authority pays an annual premium to Old Republic Insurance Company for its general liability insurance coverage. The coverage by Old Republic Insurance Company is limited to losses of \$1,000,000 per aggregate and occurrence.

NORTH DAKOTA INSURANCE RESERVE FUND

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and public asset insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 per accident for automobile coverage and to \$4,368,568 for public assets (mobile equipment and portable property) coverage.

MACHINERY AND EQUIPMENT

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

STATE FIRE AND TORNADO FUND

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

STATE BONDING FUND

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

WORKFORCE SAFETY & INSURANCE

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

PERS UNIFORM GROUP INSURANCE PROGRAM

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

NOTE 7 – REMEDIATION TRUST

The City is one of the beneficiaries of the Mandan Remediation Trust. As a beneficiary of the Trust, the City has no legal title, claim or right to the Trust Estate and does not have any authority to transact business on behalf of the Trust. The Trust is irrevocable and will terminate when the North Dakota Department of Health determines that no further remediation is required of the contamination and the purposes of the Trust have been fully executed and fulfilled. Upon termination of the Trust, any residue of the Trust money shall be paid to the Mandan Special Environmental Projects Trust, a governmental fund of the City. The Trust had a net position of \$6,602,051 at December 31, 2015, the most recent year audited.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

FINANCIAL SUBSIDY COMMITMENTS

The City has financial subsidy commitments of \$656,222 as of December 31, 2016.

LITIGATION

Various suits and claims are pending against the City as of December 31, 2016. Although the outcome of such suits and claims cannot be predicted with certainty, the City believes the final outcome of these matters will not materially affect the financial statements of the City and that adequate insurance coverage exists in most cases to cover any potential settlement.

NOTE 9 – COST SHARING AGREEMENT

The City of Mandan entered into a charter agreement for the Combined Communications Center merger with the City of Bismarck and Burleigh County effective January 1, 2016. Central Dakota Communications Center (CenCom) replaces the Combined Communications Center. CenCom will dispatch all emergency calls for law enforcement, fire and emergency medical services in Bismarck, Mandan and Burleigh County.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to December 31, 2016 the City issued Refunding Improvement Bonds of 2017, Series A for the purpose of refunding \$2,010,000 of Refunding Improvement Bonds of 2008, Series C. Refunding was undertaken to reduce total future debt service payments. The transaction resulted in a total net present value benefit of \$122,899 and a reduction of \$121,516 in future debt service payments.

Subsequent to December 31, 2016, the City issued \$191,574 and \$538,600 of Sewer Improvement Interim Certificate of 2015, Series A (No. R-5 and R-6) to finance the Wastewater Treatment Facility Interim Optimization Project. The interest rate on the Loan is 2% and the maturity date is September 1, 2035.

Subsequent to December 31, 2016 the city received a grant of \$1,500,000 from the Mandan Supplemental Environmental Projects Trust which was used to purchase two buildings on Main Street for \$1,467,455

NOTE 11 – RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after 2016:

GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*” was issued on June 2015. This statement provides guidance for reporting information for other postemployment benefits (OPEB) other than pensions. This statement replaces GASB 43 for financial reporting and GASB 57 for OPEB measurements. This statement also established the criteria for defined benefit and defined contribution OPEB plans and replaces those requirements in GASB 25. The requirements of this statement will enhance the note disclosures and schedules of required supplementary information and improve the measurements of net liabilities of OPEB plans. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” was issued on June 2015. This statement improves the accounting and reporting information of financial support by other entities for postemployment benefits other than pensions (OPEB). This statement replaces GASB 45 for accounting and financial reporting and GASB 57 for OPEB measurements. This statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows and expenses. The statement also identifies the methods and assumptions requirements for determining the liability for benefits to provide a more comprehensive measurement of OPEB and the requirements for note disclosures and the required supplementary information to improve the decision-usefulness and accountability. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.

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

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

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

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

GASB Statement No. 84, “*Fiduciary Activities*” was issued on January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2018.

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

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

GASB Statement No. 87, “Leases” was issued on June 2017. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,262,600	\$ 3,258,267	\$ 3,250,379	\$ (7,888)
Licenses and Permits	965,350	961,726	935,278	(26,448)
Intergovernmental	2,544,750	2,324,816	2,041,436	(283,380)
Charges for Services	165,600	165,600	165,112	(488)
Fines and Forfeits	205,550	205,550	198,380	(7,170)
Special Assessments	15,000	43,683	37,860	(5,823)
Interest	7,850	7,850	12,934	5,084
Rent	11,000	17,000	13,500	(3,500)
Miscellaneous	31,650	31,650	21,668	(9,982)
Total Revenues	\$ 7,209,350	\$ 7,016,142	\$ 6,676,547	\$ (339,595)
EXPENDITURES				
Current:				
General Government	\$ 3,062,800	\$ 3,060,855	\$ 2,803,490	\$ 257,365
Public Safety	5,918,600	6,110,832	6,125,260	(14,428)
Public Works	1,464,100	1,671,612	1,622,222	49,390
Debt Service				
Principal	17,950	32,938	32,925	13
Interest	7,200	7,200	7,169	31
Capital Outlay	433,250	1,942,695	430,846	1,511,849
Total Expenditures	\$ 10,903,900	\$ 12,826,132	\$ 11,021,912	\$ 1,804,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,694,550)	\$ (5,809,990)	\$ (4,345,365)	\$ 1,464,625
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$	\$ 65,000	\$ 73,936	\$ 8,936
Capital Lease		179,250	179,250	-
Transfers In	3,326,250	4,563,050	3,094,820	(1,468,230)
Transfers Out	(170,200)	(170,200)	(253,710)	(83,510)
Total Other Financing Sources (Uses)	\$ 3,156,050	\$ 4,637,100	\$ 3,094,296	\$ (1,542,804)
Net Change in Fund Balances	\$ (538,500)	\$ (1,172,890)	\$ (1,251,069)	\$ (78,179)
Fund Balances - January 1	\$ 5,048,499	\$ 5,048,499	\$ 5,048,499	
Fund Balances - December 31	\$ 4,509,999	\$ 3,875,609	\$ 3,797,430	\$ (78,179)

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 135,350	\$ 133,778	\$ 133,875	\$ 97
Intergovernmental	3,150	3,150	3,568	418
Charges for Services	55,300	55,300	50,200	(5,100)
Cemetery Lots	28,500	28,500	31,800	3,300
Rent	50	50	-	(50)
Miscellaneous	50	50	150	100
Total Revenues	\$ 222,400	\$ 220,828	\$ 219,593	\$ (1,235)
EXPENDITURES				
Current:				
Cemetery	\$ 159,050	\$ 181,550	\$ 156,842	\$ 24,708
Total Expenditures	\$ 159,050	\$ 181,550	\$ 156,842	\$ 24,708
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 63,350	\$ 39,278	\$ 62,751	\$ 23,473
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 19,522	\$ 19,522
Transfers Out	(62,600)	(62,600)	(173,797)	(111,197)
Total Other Financing Sources (uses)	\$ (62,600)	\$ (62,600)	\$ (154,275)	\$ (91,675)
Net Change in Fund Balances	\$ 750	\$ (23,322)	\$ (91,524)	\$ (68,202)
Fund Balances - January 1	\$ 119,500	\$ 119,500	\$ 119,500	\$
Fund Balances - December 31	\$ 120,250	\$ 96,178	\$ 27,976	\$ (68,202)

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
0.75% CITY SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,959,850	\$ 1,864,000	\$ 1,759,914	\$ (104,086)
Interest	-	-	2,983	2,983
Total Revenues	\$ 1,959,850	\$ 1,864,000	\$ 1,762,897	\$ (101,103)
EXPENDITURES				
Current:				
Culture and Recreation		\$ 22,000,000	\$ 5,676,795	\$ 16,323,205
Debt Service:				
Principal	1,959,850		265,000	(265,000)
Interest		117,433	117,741	(308)
Service Charges			1,567	(1,567)
Issuance Costs		427,879	423,400	4,479
Total Expenditures	\$ 1,959,850	\$ 22,545,312	\$ 6,484,503	\$ 16,060,809
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ (20,681,312)	\$ (4,721,606)	\$ 15,959,706
OTHER FINANCING SOURCES (USES)				
Sale of Bonds		\$ 22,275,000	\$ 22,275,000	-
Bond Premiums		535,781	535,781	-
Investment Discounts			15,629	15,629
Total Other Financing Sources (Uses)	\$ -	\$ 22,810,781	\$ 22,826,410	\$ 15,629
Net Change in Fund Balances	\$ -	\$ 2,129,469	\$ 18,104,804	\$ 15,975,335
Fund Balances - January 1	\$ 248,926	\$ 248,926	\$ 248,926	
Fund Balances - December 31	\$ 248,926	\$ 2,378,395	\$ 18,353,730	\$ 15,975,335

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
1% CITY SALES TAX/MANDAN GROWTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,613,100	\$ 2,613,100	\$ 2,346,552	\$ (266,548)
Intergovernmental	9,000	9,500	9,500	-
Charges for Services	2,400	2,400	1,705	(695)
Loan Repayments	12,000	12,000	149,233	137,233
Rent	6,000	6,000	6,000	-
Miscellaneous	500	500	500	-
Total Revenues	\$ 2,643,000	\$ 2,643,500	\$ 2,513,490	\$ (130,010)
EXPENDITURES				
Current:				
Culture and Recreation	\$ 45,000	\$ 45,000	\$ 45,000	-
Economic Development and Assistance	106,250	908,482	515,994	392,488
Capital Outlay	315,700	154,813	100,714	54,099
Total Expenditures	\$ 466,950	\$ 1,108,295	\$ 661,708	\$ 446,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,176,050	\$ 1,535,205	\$ 1,851,782	\$ 316,577
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 250,000	\$ 250,000	\$	(250,000)
Transfers Out	(2,218,850)	(2,307,542)	(1,611,866)	695,676
Total Other Financing Sources (Uses)	\$ (1,968,850)	\$ (2,057,542)	\$ (1,611,866)	\$ 445,676
Net Change in Fund Balances	\$ 207,200	\$ (522,337)	\$ 239,916	\$ 762,253
Fund Balances - January 1	\$ 3,280,067	\$ 3,280,067	\$ 3,280,067	\$
Fund Balances - December 31	\$ 3,487,267	\$ 2,757,730	\$ 3,519,983	\$ 762,253

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
MORTON MANDAN PUBLIC LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 473,800	\$ 473,800	\$ 468,565	\$ (5,235)
Intergovernmental	239,137	239,137	237,698	(1,439)
Charges for Services	3,650	3,650	4,849	1,199
Fines and Forfeits	6,000	6,000	4,635	(1,365)
Interest	180	180	210	30
Rent	36,000	36,000	35,400	(600)
Miscellaneous	9,150	9,150	11,667	2,517
Total Revenues	\$ 767,917	\$ 767,917	\$ 763,024	\$ (4,893)
EXPENDITURES				
Current:				
Culture and Recreation	\$ 746,567	\$ 746,567	\$ 665,582	\$ 80,985
Capital outlay	2,000	2,000	14,311	(12,311)
Total Expenditures	\$ 746,567	\$ 748,567	\$ 679,893	\$ 68,674
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 21,350	\$ 19,350	\$ 83,131	\$ 63,781
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 10,650	\$ 10,650	\$ 10,650	
Total Other Financing Sources (Uses)	\$ 10,650	\$ 10,650	\$ 10,650	
Net Change in Fund Balances	\$ 32,000	\$ 30,000	\$ 93,781	\$ 63,781
Fund Balances - January 1	\$ 404,142	\$ 404,142	\$ 404,142	
Fund Balances - December 31	\$ 436,142	\$ 434,142	\$ 497,923	\$ 63,781

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

NOTE 1 – GENERAL BUDGETARY POLICIES AND PROCEDURES

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

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

The appropriated budget is prepared by fund and function. The City's department heads may make transfers of appropriations for operations and maintenance expenditures within a fund. Transfers of appropriations for salaries and benefits, capital outlay, or between funds require the approval of the City's commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City's commission made several supplemental budgetary appropriations throughout the year.

**CITY OF MANDAN, NORTH DAKOTA
SCHEDULE OF PENSION CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2016**

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions Percentage of Covered- Employee Payroll (b/d)
NDPERS	12/31/2016	85,684	85,684	-	873,435	9.81%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full information for those years for which information is available.

**CITY OF MANDAN, NORTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,394,547	\$ 44,971	\$ 953,552	\$ 3,393,070
Taxes Receivable	5,868	1,746		7,614
Accounts Receivable (net of allowance)	8,677			8,677
Special Assessments Receivable	170,339		171,042	341,381
Intergovernmental Receivable	552,424		74,416	626,840
Interfund Receivable	3,244,072		82,954	3,327,026
Prepaid Expenses	2,282		974	3,256
Cash and Cash Equivalents-Restricted		141,500		141,500
Total Assets	\$ 6,378,209	\$ 188,217	\$ 1,282,938	\$ 7,849,364
LIABILITIES				
Salaries and Benefits Payable	\$ 1,066	\$	\$	\$ 1,066
Accounts Payable	15,393		7,862	23,255
Retainage Payable			8,694	8,694
Interfund Payable	174,820		171,042	345,862
Prepaid Revenues	275		-	275
Total Liabilities	\$ 191,554	\$ -	\$ 187,598	\$ 379,152
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Property Taxes	\$ 5,022	\$ 1,496	\$	\$ 6,518
Unavailable Revenue-Special Assessments	140,681		169,931	310,612
Unavailable Revenue-Revenue not Collected within 60 days	1,066			1,066
Total Deferred Inflows of Resources	\$ 146,769	\$ 1,496	\$ 169,931	\$ 318,196
FUND BALANCES				
Nonspendable:				
Prepaid Items	\$ 2,282	\$	\$ 974	\$ 3,256
Restricted for:				
Public Works	3,376,067			3,376,067
Culture and Recreation	48,950			48,950
Urban Redevelopment and Housing	1,582,730			1,582,730
Debt Service		186,721		186,721
Capital Projects			1,094,366	1,094,366
Committed for:				
General Government	396,161			396,161
Public Safety	306,726			306,726
Urban Redevelopment and Housing	467,457			467,457
Unassigned	(140,487)		(169,931)	(310,418)
Total Fund Balances	\$ 6,039,886	\$ 186,721	\$ 925,409	\$ 7,152,016
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,378,209	\$ 188,217	\$ 1,282,938	\$ 7,849,364

CITY OF MANDAN, NORTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2016

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Transportation System	Fire Equipment Reserve	Narcotics Task Force Grants	Abused Adult Resource Center Grant	BNSF Settlement	Mandan SEP Trust	Downtown Redevelopment	Flood Control	Health and Safety	Total Nonmajor Special Revenue Funds
ASSETS															
Cash and Cash Equivalents	\$	\$	\$	\$ 42,136	\$ 50,603	\$	\$ 259,254	\$	\$	\$ 466,468	\$ 1,576,086	\$	\$	\$	\$ 2,394,547
Taxes Receivable			2,580			3,288									5,868
Accounts Receivable (net of allowance)					495				8,182						8,677
Special Assessments Receivable			5,477		1,260									163,602	170,339
Intergovernmental Receivable	195,615	333,334		11,198								12,277			552,424
Interfund Receivable		2,847,118	390,310								6,644				3,244,072
Prepaid Expenses												2,282			2,282
Cash and Cash Equivalents-Restricted															-
Total Assets	\$ 195,615	\$ 3,180,452	\$ 398,367	\$ 53,334	\$ 52,358	\$ 3,288	\$ 259,254	\$ -	\$ 8,182	\$ 466,468	\$ 1,582,730	\$ 14,559	\$ -	\$ 163,602	\$ 6,378,209
LIABILITIES															
Salaries and Benefits Payable	\$	\$	\$	\$ 4,384	\$ 2,966	\$ 472	\$ 585	\$	\$ 1,066	\$	\$	\$ 4,444	\$	\$ 2,500	\$ 1,066
Accounts Payable									42			6,644		161,102	15,393
Interfund Payable									7,074						174,820
Prepaid Revenues					75					200					275
Total Liabilities	\$ -	\$ -	\$ -	\$ 4,384	\$ 3,041	\$ 472	\$ 585	\$ -	\$ 8,182	\$ 200	\$ -	\$ 11,088	\$ -	\$ 163,602	\$ 191,554
DEFERRED INFLOWS OF RESOURCES															
Unavailable Revenue-Property Taxes	\$	\$	2,206	\$	\$ 1,260	\$ 2,816	\$	\$	\$	\$	\$	\$	\$	\$ 139,421	\$ 5,022
Unavailable Revenue-Special Assessments															140,681
Unavailable Revenue-Revenue not Collected within 60 days									1,066						1,066
Total Deferred Inflows of Resources	\$ -	\$ -	\$ 2,206	\$ -	\$ 1,260	\$ 2,816	\$ -	\$ -	\$ 1,066	\$ -	\$ -	\$ -	\$ -	\$ 139,421	\$ 146,769
FUND BALANCES															
Nonspendable:															
Prepaid Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,282	\$	\$	\$ 2,282
Restricted for:															
Public Works	195,615	3,180,452													3,376,067
Culture and Recreation				48,950											48,950
Urban Redevelopment and Housing										1,582,730					1,582,730
Committed for:															
General Government			396,161												396,161
Public Safety					48,057		258,669								306,726
Urban Redevelopment and Housing										466,268		1,189			467,457
Unassigned									(1,066)					(139,421)	(140,487)
Total Fund Balances	\$ 195,615	\$ 3,180,452	\$ 396,161	\$ 48,950	\$ 48,057	\$ -	\$ 258,669	\$ -	\$ (1,066)	\$ 466,268	\$ 1,582,730	\$ 3,471	\$ -	\$ (139,421)	\$ 6,039,886
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 195,615	\$ 3,180,452	\$ 398,367	\$ 53,334	\$ 52,358	\$ 3,288	\$ 259,254	\$ -	\$ 8,182	\$ 466,468	\$ 1,582,730	\$ 14,559	\$ -	\$ 163,602	\$ 6,378,209

**CITY OF MANDAN, NORTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2016**

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$	\$ 44,971	\$ 44,971
Taxes Receivable		1,746	1,746
Cash and Cash Equivalents-Restricted	141,500		141,500
Total Assets	\$ 141,500	\$ 46,717	\$ 188,217
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$	\$ 1,496	\$ 1,496
Total Liabilities	\$ -	\$ 1,496	\$ 1,496
FUND BALANCES			
Restricted for:			
Debt Service	\$ 141,500	\$ 45,221	\$ 186,721
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 141,500	\$ 46,717	\$ 188,217

**CITY OF MANDAN, NORTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2016**

	Bike Path Construction	City Visitor's Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and Cash Equivalents	\$	\$ 953,552	\$	\$ 953,552
Intergovernmental Receivable		74,416		74,416
Interfund Receivable		82,954		82,954
Special Assessment Receivable	82,954		88,088	171,042
Prepaid Expenses		974		974
Total Assets	\$ 82,954	\$ 1,111,896	\$ 88,088	\$ 1,282,938
LIABILITIES				
Accounts Payable	\$	\$ 7,862	\$	\$ 7,862
Retainage Payable		8,694		8,694
Interfund Payable	82,954		88,088	171,042
Total Liabilities	\$ 82,954	\$ 16,556	\$ 88,088	\$ 187,598
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- Special Assessments	\$ 82,954	\$	\$ 86,977	\$ 169,931
Total Deferred Inflows of Resources	\$ 82,954	\$ -	\$ 86,977	\$ 169,931
FUND BALANCES				
Nonspendable:				
Prepaid Items	\$	\$ 974	\$	\$ 974
Restricted for:				
Capital Projects		1,094,366		1,094,366
Unassigned	(82,954)		(86,977)	(169,931)
Total Fund Balances	\$ (82,954)	\$ 1,095,340	\$ (86,977)	\$ 925,409
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 82,954	\$ 1,111,896	\$ 88,088	\$ 1,282,938

CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 307,995	\$ 69,122	\$ 463,154	\$ 840,271
Intergovernmental	3,417,620	1,858		3,419,478
Charges for Services	27,973		15,195	43,168
Fines and Forfeits	578			578
Special Assessments	111,404		2,678	114,082
Interest	3,717			3,717
Rent	2,400		12,480	14,880
Miscellaneous	49,619			49,619
Total Revenues	\$ 3,921,306	\$ 70,980	\$ 493,507	\$ 4,485,793
EXPENDITURES				
Current:				
General Government	\$ 237,610	\$	\$	237,610
Public Safety	194,656			194,656
Public Works	60,179		148	60,327
Culture and Recreation	59,030		260,777	319,807
Urban Redevelopment and Housing	54,618			54,618
Debt Service:				
Principal	49,658	160,000		209,658
Interest	7,630	44,803		52,433
Service Charges		2,198		2,198
Capital Outlay	503,117		243,103	746,220
Total Expenditures	\$ 1,166,498	\$ 207,001	\$ 504,028	\$ 1,877,527
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,754,808	\$ (136,021)	\$ (10,521)	\$ 2,608,266
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 20,000	\$	\$	20,000
Capital Lease	263,117			263,117
Transfers In		141,634	8,293	149,927
Transfers Out	(1,294,473)			(1,294,473)
Total Other Financing Sources and Uses	\$ (1,011,356)	\$ 141,634	\$ 8,293	\$ (861,429)
Net Change in Fund Balances	\$ 1,743,452	\$ 5,613	\$ (2,228)	\$ 1,746,837
Fund Balances - January 1 - As Restated	\$ 4,296,434	\$ 181,108	\$ 927,637	\$ 5,405,179
Fund Balances - December 31	\$ 6,039,886	\$ 186,721	\$ 925,409	\$ 7,152,016

CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Transportation System	Fire Equipment Reserve	Narcotics Task Force Grants	Abused Adult Resource Center Grant	BNSF Settlement	Mandan SEP Trust	Downtown Redevelopment	Flood Control	Health and Safety	Total Nonmajor Special Revenue Funds
REVENUES															
Taxes			\$ 104,600	\$ 69,521		\$ 133,874									\$ 307,995
Intergovernmental	\$ 1,076,628	\$ 2,125,000	\$ 2,794			\$ 3,568	\$ 177,665	\$ 19,610					\$ 12,355		\$ 3,417,620
Charges for Services					15,055				7,116					5,802	\$ 27,973
Fines and Forfeits								578							\$ 578
Special Assessments			56,432		1,056									53,916	\$ 111,404
Interest											3,717				\$ 3,717
Rent										2,400					\$ 2,400
Miscellaneous												49,619			\$ 49,619
Total Revenues	\$ 1,076,628	\$ 2,125,000	\$ 163,826	\$ 69,521	\$ 16,111	\$ 137,442	\$ 177,665	\$ 20,188	\$ 7,116	\$ 2,400	\$ 3,717	\$ 49,619	\$ 12,355	\$ 59,718	\$ 3,921,306
EXPENDITURES															
Current:															
General Government			\$ 100,168			\$ 137,442									\$ 237,610
Public Safety					34,795		2,766	148,913	8,182						\$ 194,656
Public Works														60,179	\$ 60,179
Culture and Recreation				59,030											\$ 59,030
Urban Redevelopment and Housing										4,358	1,515	48,745			\$ 54,618
Debt Service:															
Principal							49,658								\$ 49,658
Interest							7,630								\$ 7,630
Capital Outlay							503,117								\$ 503,117
Total Expenditures	\$ -	\$ -	\$ 100,168	\$ 59,030	\$ 34,795	\$ 137,442	\$ 563,171	\$ 148,913	\$ 8,182	\$ 4,358	\$ 1,515	\$ 48,745	\$ -	\$ 60,179	\$ 1,166,498
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,076,628	\$ 2,125,000	\$ 63,658	\$ 10,491	\$ (18,684)	\$ -	\$ (385,506)	\$ (128,725)	\$ (1,066)	\$ (1,958)	\$ 2,202	\$ 874	\$ 12,355	\$ (461)	\$ 2,754,808
OTHER FINANCING SOURCES (USES)															
Sale of Capital Assets							20,000								\$ 20,000
Capital Lease							263,117								\$ 263,117
Transfers Out	(1,103,560)	(69,548)	(17,772)				(84,471)	(1,768)						(17,354)	(1,294,473)
Total Other Financing Sources and Uses	\$ (1,103,560)	\$ (69,548)	\$ (17,772)	\$ -	\$ -	\$ -	\$ 198,646	\$ (1,768)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (17,354)	\$ (1,011,356)
Net Change in Fund Balances	\$ (26,932)	\$ 2,055,452	\$ 45,886	\$ 10,491	\$ (18,684)	\$ -	\$ (186,860)	\$ (130,493)	\$ (1,066)	\$ (1,958)	\$ 2,202	\$ 874	\$ 12,355	\$ (17,815)	\$ 1,743,452
Fund Balances - January 1 - As Restated	\$ 222,547	\$ 1,125,000	\$ 350,275	\$ 38,459	\$ 66,741	\$ -	\$ 445,529	\$ 130,493	\$ -	\$ 468,226	\$ 1,580,528	\$ 2,597	\$ (12,355)	\$ (121,606)	\$ 4,296,434
Fund Balances - December 31	\$ 195,615	\$ 3,180,452	\$ 396,161	\$ 48,950	\$ 48,057	\$ -	\$ 258,669	\$ -	\$ (1,066)	\$ 466,268	\$ 1,582,730	\$ 3,471	\$ -	\$ (139,421)	\$ 6,039,886

CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
REVENUES			
Taxes	\$	\$ 69,122	\$ 69,122
Intergovernmental		1,858	1,858
Total Revenues	\$ -	\$ 70,980	\$ 70,980
EXPENDITURES			
Debt Service:			
Principal	\$ 120,000	\$ 40,000	\$ 160,000
Interest	20,548	24,255	44,803
Service Charges	1,086	1,112	2,198
Total Expenditures	\$ 141,634	\$ 65,367	\$ 207,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (141,634)	\$ 5,613	\$ (136,021)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 141,634	\$	\$ 141,634
Total Other Financing Sources (Uses)	\$ 141,634	\$ -	\$ 141,634
Net Change in Fund Balances	\$ -	\$ 5,613	\$ 5,613
Fund Balances - January 1	\$ 141,500	\$ 39,608	\$ 181,108
Fund Balances - December 31	\$ 141,500	\$ 45,221	\$ 186,721

CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Bike Path Construction	City Visitors' Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Total Nonmajor Capital Projects Funds
REVENUES				
Taxes	\$	\$ 463,154	\$	\$ 463,154
Intergovernmental				-
Charges for Services			15,195	15,195
Special Assessments			2,678	2,678
Rent		12,480		12,480
Total Revenues	\$ -	\$ 475,634	\$ 17,873	\$ 493,507
EXPENDITURES				
Current:				
Public Works	\$	\$	\$ 148	\$ 148
Culture and Recreation	67,150	193,627		260,777
Capital Outlay		175,657	67,446	243,103
Total Expenditures	\$ 67,150	\$ 369,284	\$ 67,594	\$ 504,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (67,150)	\$ 106,350	\$ (49,721)	\$ (10,521)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$	\$	\$ 8,293	\$ 8,293
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 8,293	\$ 8,293
Net Change in Fund Balances	\$ (67,150)	\$ 106,350	\$ (41,428)	\$ (2,228)
Fund Balances - January 1 - As Restated	\$ (15,804)	\$ 988,990	\$ (45,549)	\$ 927,637
Fund Balances - December 31	\$ (82,954)	\$ 1,095,340	\$ (86,977)	\$ 925,409



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

City of Mandan

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 <i>Government Auditing Standards</i>	1
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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*

The Honorable Mayor and Board of
City Commissioners
City of Mandan
Mandan, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mandan as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Mandan's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mandan'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 Mandan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mandan'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 a material weakness 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, 2016-C, to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs, 2016-A and 2016-B, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mandan'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 Mandan's Response to Findings

City of Mandan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mandan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Bismarck, North Dakota
September 29, 2017



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

The Honorable Mayor and Board of
City Commissioners
City of Mandan
Mandan, North Dakota

Report on Compliance for the Major Federal Program

We have audited City of Mandan’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the of City of Mandan’s major federal program for the year ended December 31, 2016. City of Mandan’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 for the City of Mandan’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 Mandan’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 Mandan’s compliance.

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of City of Mandan 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 Mandan'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 each 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 Mandan'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 Mandan as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Mandan's basic financial statements. We issued our report thereon dated September 29, 2017, 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 Bailly LLP

Bismarck, North Dakota
September 29, 2017

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Amounts Passed- Through to Subrecipients
<u>Department of Agriculture</u>				
<u>Passed through ND Forest Service</u>				
Cooperative Forestry Assistance	10.664	14-DG-11010000-011	\$ 10,000	\$ -
Total Department of Agriculture			<u>10,000</u>	<u>-</u>
<u>Department of Justice</u>				
Grants to Encourage Arrest and Enforcement of Protection Orders Program	16.590		8,182	-
Bulletproof Vest Partnership	16.607		<u>3,613</u>	<u>-</u>
Total Department of Justice			<u>11,795</u>	<u>-</u>
<u>Department of Transportation</u>				
Airport Improvement Program	20.106		236,090	-
<u>Passed through ND Department of Transportation</u>				
		SU-1-988(040)051		
		SU-1-094(170)919, NHU-1-094(180)917		
		SS-9-999(307), TAU-LCT-1-806(049)068		
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	TAU-LCT-1-988(041)052, SU-1-988(033)044	3,595,873	210,114
		PHSPOP1705-05-14		
Highway Safety Cluster: National Priority Safety Programs	20.616	PHSPOP1605-05-12, PHSPID1610-02-14	<u>6,968</u>	<u>-</u>
Total Department of Transportation			<u>3,838,931</u>	<u>210,114</u>
<u>Environmental Protection Agency</u>				
<u>Passed through ND Department of Health</u>				
Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds	66.458	381019-01, 380951-01	<u>785,761</u>	<u>-</u>
Total Environmental Protection Agency			<u>785,761</u>	<u>-</u>
<u>Executive Office of the President</u>				
<u>Passed through ND Office of Attorney General</u>				
Metro Area Safe Trails Task Force	95.001	594-MANTF	<u>94</u>	<u>-</u>
Total Executive Office of the President			<u>94</u>	<u>-</u>
<u>Department of Homeland Security</u>				
<u>Passed through ND Department of Emergency Services</u>				
Hazard Mitigation Grant Program	97.039	FEMA-DR-4190-ND	<u>188,186</u>	<u>-</u>
Total Department of Homeland Security			<u>188,186</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 4,834,767</u>	<u>\$ 210,114</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Mandan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City of Mandan received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the City of Mandan's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City of Mandan's summary of significant accounting policies is presented in Note 1 in the City of Mandan's basic financial statements.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	Yes

Section II – Financial Statement Findings

**2016-A Payroll Processes and Controls
 Significant Deficiency**

Criteria: Effective internal controls include defined processes, responsibilities and controls over key accounting functions such as payroll.

Condition: Eide Baily’s forensic accounting group completed an internal controls examination over the City’s payroll processes and controls and issued a report dated April 25, 2016 which identified the items noted below. The examination also identified additional concerns that are not specifically noted below. The City of Mandan’s payroll process and Human Resources function is outsourced to a third party service provider. The outsourcing of these items has resulted in a lack of controls in some areas and inconsistencies in the application of internal controls over certain aspects of the payroll process in departments across the City. This process includes several manual steps in accounting for and paying vacation/sick leave, compensatory time, overtime and regular time. It lacks defined controls to ensure that these are properly recorded and tracked which has resulted in inconsistencies and errors in the accounting and tracking of this time. Additionally, there is not a defined process related to the review and approval of employees’ timesheets prior to payroll being processed by the third party or defined controls related to the review and approval of payroll reports after they have been processed.

Cause: The outside consultant’s role and responsibilities along with the City’s oversight of those duties have not been clearly defined. There are also challenges inherent in the process by not having a dedicated employee available onsite to perform the assigned duties.

Effect: This has resulted in errors in payments to employees and errors in the records for payroll and related items, such as vacation and sick leave accruals, compensatory time, and overtime.

Recommendation: We recommend the City review the controls related to the payroll process and Human Resources function and identify additional controls that can be implemented by the City related to those processes, including a formal policy related to the review and approval of timesheets and payroll reports. We also recommend the City evaluate if any of the processes or functions that are currently being outsourced would be more effective and efficient if they were performed in-house and assess the cost-benefit of performing certain activities in-house versus outsourcing the activities.

Views of Responsible Officials: Management agrees with the finding and has planned corrective action to address the finding.

**2016-B Time Records in the Public Works Department
 Significant Deficiency**

Criteria: Effective internal controls over time records include limiting who has access to enter time or to make manual changes to time records and controls over review and approval of time records.

Condition: There is a lack of controls over the time records submitted for certain areas in the Public Works Department. It was noted that entering time for other employees or clocking other employees in or out of the time system has occurred within the department. Supervisors in this department were aware of this and allowed it to continue as common practice in the department.

Cause: Employees shared usernames and passwords allowing them to clock in and out for each other. This was done with the knowledge and approval of the supervisors in the department.

Effect: This has resulted in incorrect time records for employees and in employees being paid for time that they did not actually work.

Recommendation: We recommend the City review the controls in place related to the entering of time and the review and approval of time records. The payroll and time keeping systems should periodically require employees to change their password and passwords should not be shared among employees. Employees with administrative rights in the time keeping system should be reviewed to ensure that their access is appropriate. Department heads and supervisors should also review time records prior to payroll being processed to make sure records are accurate and reflect time actually worked.

Views of Responsible Officials: Management agrees with the finding and has planned corrective action to address the finding.

**2016-C Recording of Transactions
 Material Weakness**

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: There were misstatements related to revenue recognition from sales tax and other state revenue in the City's financial statements causing us to propose restatements to prior periods.

Cause: The City's internal controls relied on an outdated interpretation related to the recording of certain transactions.

Effect: The need for these adjustments indicates the City's interim financial information is not correct; however, there is minimal effect on appropriations and management's decisions.

Recommendation: We recommend the City implement a corrective action plan and make adjustments for any differences noted.

Views of Responsible Officials: Management agrees with the finding and is implementing corrective action to address it.

Section III – Federal Award Findings and Questioned Costs

No federal award findings reported in the current year.