



Financial Statements  
December 31, 2017  
**City of Mandan**

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Elected Officials

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

Appointed Officials

Malcolm Brown	City Attorney
Jim Neubauer	City Administrator
Ellen Huber	Business Development and Communications Director
Greg Welch	Finance
Melanie Aeschliman	Assessing
Justin Froseth	Planning and Engineering
Jason Ziegler	Police
Steve Nardello	Fire
Shawn Ouradnik	Building Inspection
Jeff Wright	Public Works
Duane Friesz	Water Treatment
Steve Himmelspach	Wastewater Treatment



## 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, North Dakota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and schedules of required pension information on pages 5 through 17 and 73 through 79 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 28, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mandan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mandan's internal control over financial reporting and compliance.

*Eide Sallee LLP*

Bismarck, North Dakota  
September 28, 2018

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, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 18 - 72 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 \$162,435,619 (net position).
- The government's total net position decreased by \$6,143,339 (3.6%) during the current fiscal year due to a decrease of \$8,674,876 from governmental activities and an increase of \$2,531,537 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 \$18,855,778 a decrease of \$10,186,155 (35%) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,599,581 which is 48% of total General Fund revenues and 33% of total General Fund expenditures.
- Revenue from all sources totaled \$41,138,493 which was an increase of \$5,404,380 (15%) during the current fiscal year due to an increase of \$5,069,959 from governmental activities and an increase of \$334,421 from business-type activities. Expenses from all activities totaled \$47,281,832 which was an increase of \$11,094,543 (31%) during the current fiscal year due to an increase of \$10,631,351 from governmental activities and an increase of \$463,192 from business-type activities.
- The City of Mandan's total capital assets decrease by \$8,374 (0%) during the current fiscal year due to a decrease of \$50,718 from governmental activities and an increase of \$42,344 from business-type activities.
- The City of Mandan's total debt increased by \$2,562,105 (3%) during the current fiscal year due to an increase of \$4,176,748 from governmental activities and an increase of \$1,614,643 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.

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 18 - 19 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 20 - 24 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.

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 25 - 30 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 31 - 32 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 33 - 72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 80 - 87 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 \$162,435,619 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, 2017 and December 31, 2016.

Table I  
Net Position  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and Other Assets	\$ 55,211,290	\$ 16,239,713	\$ 71,451,003
Capital Assets	96,415,291	91,085,357	187,500,648
Total Assets	151,626,581	107,325,070	258,951,651
Deferred Outflows of Resources	966,289	-	966,289
<b>Liabilities</b>			
Long-term Liabilities Outstanding	57,658,417	28,222,207	85,880,624
Other Liabilities	6,933,485	4,532,644	11,466,129
Total Liabilities	64,591,902	32,754,851	97,346,753
Deferred Inflows of Resources	135,568	-	135,568
<b>Net Position</b>			
Net Investment in Capital Assets	56,058,735	59,679,896	115,738,631
Restricted	47,938,122	2,759,403	50,697,525
Unrestricted	(16,131,457)	12,130,920	(4,000,537)
Total Net Position	\$ 87,865,400	\$ 74,570,219	\$ 162,435,619

Table I  
Net Position  
December 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current and Other Assets	\$ 60,605,960	\$ 15,279,146	\$ 75,885,106
Capital Assets	96,466,009	91,043,013	187,509,022
<b>Total Assets</b>	<b>157,071,969</b>	<b>106,322,159</b>	<b>263,394,128</b>
Deferred Outflows of Resources	85,684	-	85,684
<b>Liabilities</b>			
Long-term Liabilities Outstanding	53,242,825	29,868,106	83,110,931
Other Liabilities	7,374,552	4,415,370	11,789,922
<b>Total Liabilities</b>	<b>60,617,377</b>	<b>34,283,476</b>	<b>94,900,853</b>
Deferred Inflows of Resources	-	-	-
<b>Net Position</b>			
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
<b>Total Net Position</b>	<b>\$ 96,540,276</b>	<b>\$ 72,038,682</b>	<b>\$ 168,578,958</b>

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 46%. 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 (31%) represents resources that are subject to external restrictions on how they may be used.

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 2.36 and for the business-type activities is 3.28 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, 2017 and December 31, 2016.

Table II  
Changes in Net Position  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$ 1,827,145	\$ 11,229,599	\$ 13,056,744
Operating Grants and Contributions	621,755	-	621,755
Capital Grants and Contributions	11,460,094	2,124,946	13,585,040
<b>General Revenues:</b>			
Property, Delinquent, Mobile Home Taxes	4,061,853	313,588	4,375,441
Cable TV Franchise Fees	355,789	-	355,789
State Aid Distribution	1,485,728	-	1,485,728
Cigarette Taxes	52,738	-	52,738
Gaming Taxes	11,352	-	11,352
Disabled Veterans Credit	23,757	-	23,757
Homestead Credit	58,269	-	58,269
Morton County E911 Fees	217,519	-	217,519
Telecommunications Taxes	82,220	-	82,220
Highway Tax Distribution	1,156,670	-	1,156,670
Occupancy Taxes	55,143	-	55,143
Oil and Gas Production Taxes	1,000,000	-	1,000,000
1% City Sales Taxes	2,385,451	-	2,385,451
0.75% City Sales Tax	1,789,088	-	1,789,088
Fire Insurance Taxes	155,122	-	155,122
Restaurant and Lodging Taxes	457,190	-	457,190
Special Assessments	-	-	-
Interest	24,585	357	24,942
Sale of Meters and Parts	-	93,094	93,094
Other	24,412	71,029	95,441
Total Revenues	<u>27,305,880</u>	<u>13,832,613</u>	<u>41,138,493</u>
<b>Expenses:</b>			
General Government	3,474,187	-	3,474,187
Public Safety	6,015,471	-	6,015,471
Public Works	6,190,434	-	6,190,434
Cemetery	184,196	-	184,196
Culture and Recreation	17,647,910	-	17,647,910
Urban Redevelopment and Housing	61,666	-	61,666
Economic Development and Assistance	683,439	-	683,439
Interest on Long-term Debt	1,649,333	-	1,649,333
Debt Service Charges and Costs	49,304	-	49,304
Water and Sewer Utility	-	7,663,633	7,663,633
Solid Waste Utility	-	2,270,955	2,270,955
Street Light Utility	-	446,687	446,687
Mandan Airport Authority	-	944,617	944,617
Total Expenses	<u>35,955,940</u>	<u>11,325,892</u>	<u>47,281,832</u>
Change in Net Position before Transfers	(8,650,060)	2,506,721	(6,143,339)
Transfers	(24,816)	24,816	-
Change in Net Position	<u>(8,674,876)</u>	<u>2,531,537</u>	<u>(6,143,339)</u>
Net Position - January 1	<u>96,540,276</u>	<u>72,038,682</u>	<u>168,578,958</u>
Net Position - December 31	<u>\$ 87,865,400</u>	<u>\$ 74,570,219</u>	<u>\$ 162,435,619</u>

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	<u>22,235,921</u>	<u>13,498,192</u>	<u>35,734,113</u>
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	<u>25,324,589</u>	<u>10,862,700</u>	<u>36,187,289</u>
Change in Net Position before Transfers	(3,088,668)	2,635,492	(453,176)
Transfers	(66,112)	66,112	-
Change in Net Position	<u>(3,154,780)</u>	<u>2,701,604</u>	<u>(453,176)</u>
Net Position - January 1	<u>99,695,056</u>	<u>69,337,078</u>	<u>169,032,134</u>
Net Position - December 31	<u>\$ 96,540,276</u>	<u>\$ 72,038,682</u>	<u>\$ 168,578,958</u>

### **Governmental Activities**

Governmental activities decreased the City of Mandan's net position by \$8,674,876 (9%). During the year, revenues increased by \$5,069,959 (23%) primarily due to capital grants and contributions, and expenses increased by \$10,631,351 (42%) primarily due to culture and recreation.

### **Business-type Activities**

Business-type activities increased the City of Mandan's net position by \$2,531,537 (4%). During the year, revenues increased by \$334,421 (2%) primarily due to charges for services, and expenses increased by \$463,192 (4%) primarily due to the Water and Sewer 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 \$18,855,778, a decrease of \$10,186,555 in comparison with the prior year. Fund balances have been classified as follows: nonspendable \$49,502, restricted \$14,068,333, committed \$3,775,651, assigned \$700,855, and unassigned \$261,437.

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 \$3,599,581, while total fund balance reached \$4,024,383. The fund balance of the City of Mandan's General Fund increased by \$226,953 (6%) during the current fiscal year primarily due transfers from other funds.

### **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 \$12,130,920. The net position of the proprietary funds increased by \$2,531,537 (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:

- \$309,256 increase in revenues or 4.3% of the original budget primarily due to intergovernmental revenues and licenses and permits.
- \$1,806,010 increase in expenditures or 17% of the original budget primarily due to capital outlay.
- The original budget anticipated a decrease in fund balance by \$265,950.
- The net effect of the budget amendments was estimated to decrease fund balance by \$1,496,754.

During the year, revenues were less than budgetary estimates by \$26,709, expenditures were less than budgetary estimates by \$1,466,869 and other financing sources and uses were more than budgetary estimates by \$549,497, and ending fund balance exceeded budgetary estimates by \$1,989,657.

**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, 2017 amounts to \$115,738,631 (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 decrease in capital assets during the current fiscal year was \$8,374 (0%) primarily due to depreciation and limited additions.

Table III  
Capital Assets (Net of Depreciation)  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,861,062	\$ 693,105	\$ 4,554,167
Construction Work in Progress	7,052,465	3,683,617	10,736,082
Buildings and Improvements	5,386,625	-	5,386,625
Buildings and Infrastructure	79,103,104	85,676,391	164,779,495
Machinery and Equipment	1,012,035	1,032,244	2,044,279
	<b>\$ 96,415,291</b>	<b>\$ 91,085,357</b>	<b>\$ 187,500,648</b>

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
<b>Total</b>	<b>\$ 96,466,009</b>	<b>\$ 91,043,013</b>	<b>\$ 187,509,022</b>

Additional information on the City of Mandan's capital assets can be found in Note 3E on pages 51 – 52 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 \$94,350,079. Of this amount, \$45,125,420 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 \$2,562,105 (3%) primarily due to an increase in Special Assessment 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 \$505,000 of outstanding general obligation debt.

Table IV  
Outstanding Debt  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 393,515	\$ 134,980	\$ 528,495
Capital Lease	532,751	521,486	1,054,237
General Obligation Bonds	505,000	-	505,000
Special Assessments Bonds, Net	39,823,805	5,301,615	45,125,420
Revenue Bonds, Net	21,554,567	24,832,464	46,387,031
Loans	-	749,896	749,896
<b>Total</b>	<b>\$ 62,809,638</b>	<b>\$ 31,540,441</b>	<b>\$ 94,350,079</b>

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, Net	34,117,923	6,254,929	40,372,852
Revenue Bonds, Net	22,915,174	22,612,874	45,528,048
Loans	-	3,546,650	3,546,650
<b>Total</b>	<b>\$ 58,632,890</b>	<b>\$ 33,155,084</b>	<b>\$ 91,787,974</b>

Additional information on the City of Mandan's long-term debt can be found in Note 3G on pages 54 - 60 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 decreased by \$14,378 or 21% in comparison with the prior year.
- The City of Mandan's 1% city restaurant and lodging tax revenues decreased by \$5,964 or 1% in comparison with the prior year.
- The City of Mandan's taxable sales and purchases decreased by \$6,147,465 or 2% in comparison with the prior year, and the 1% city sales tax revenues increased by \$38,899 or 2% in comparison with the prior year.
- The City of Mandan's Water and Sewer Utility Fund indicated an increase in the total gallons of water sold by 63,949,383 gallons or 6.8% in comparison with the prior year. The total gallons of sewer treated increased by 2,527,101 gallons or 0.5% in comparison with the prior year.
- The City of Mandan's Solid Waste Utility Fund indicated an increase in the tons of garbage hauled from the transfer station by 407 tons or 5.3% in comparison with the prior year. Inert material received at the landfill increased by 2,362 tons or 21.9% in comparison with the prior year.
- The City of Mandan's taxable valuation increased by \$5,911,942 or 7.3% in comparison with the prior year. The City of Mandan's share of 1 mill is 22% percent. For the 2018 Budget, the annual increase in property taxes for an existing \$250,000 residential home with an average valuation increase of zero (Board of Equalization), excluding special assessments, is projected to be \$61.
- For the 2018 Budget, the City of Mandan increased the monthly water and sewer base rates by \$.90. The City did not increase monthly water and sewer service rates. The City increased the solid waste base right by \$.55 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 2<sup>nd</sup> Avenue NW, City of Mandan, ND 58554 or visit the City's web site at [www.cityofmandan.com](http://www.cityofmandan.com).

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 14,943,584	\$ 6,250,259	\$ 21,193,843
Taxes Receivable	137,806	2,019	139,825
Accounts Receivable (net of allowance)	79,249	988,234	1,067,483
Special Assessments Receivable	36,567,541	5,038,425	41,605,966
Intergovernmental Receivable	1,512,759	779,499	2,292,258
Loans Receivable (net of allowance)	319,473	-	319,473
Internal Balances	(186,977)	186,977	-
Due from Agency Funds	3,632	-	3,632
Inventories	17,421	154,150	171,571
Prepaid Expenses	49,502	80,747	130,249
<b>Restricted Assets</b>			
Cash and cash equivalents	1,767,300	2,759,403	4,526,703
<b>Capital Assets, not being depreciated</b>			
Land	3,861,062	693,105	4,554,167
Construction work in progress	7,052,465	3,683,617	10,736,082
<b>Capital Assets (net of accumulated depreciation)</b>			
Buildings and improvements	5,386,625	-	5,386,625
Buildings and infrastructure	79,103,104	85,676,391	164,779,495
Machinery and equipment	1,012,035	1,032,244	2,044,279
Total capital assets	<u>96,415,291</u>	<u>91,085,357</u>	<u>187,500,648</u>
Total assets	<u>151,626,581</u>	<u>107,325,070</u>	<u>258,951,651</u>
<b>Deferred Outflows of Resources</b>			
Derived from Pensions	<u>966,289</u>	<u>-</u>	<u>966,289</u>

See Notes to Financial Statements

City of Mandan  
Statement of Net Position  
December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Salaries and Benefits Payable	\$ 149,316	\$ 42,494	\$ 191,810
Accounts Payable	838,940	646,152	1,485,092
Retainage Payable	-	212,103	212,103
Interest Payable	419,699	258,904	678,603
Prepaid Revenues	75,927	54,757	130,684
<b>Noncurrent Liabilities</b>			
Due within one year			
Compensated absences	130,212	63,363	193,575
Capital lease payable	82,086	80,964	163,050
General obligation bonds payable	45,000	-	45,000
Special assessments bonds payable, net of premium	4,621,698	986,155	5,607,853
Revenue bonds payable, net of premium	570,607	2,129,752	2,700,359
Loans payable	-	58,000	58,000
Due after one year			
Compensated absences	263,303	71,617	334,920
Capital lease payable	450,665	440,522	891,187
General obligation bonds payable	460,000	-	460,000
Special assessments bonds payable, net of premium	35,202,107	4,315,460	39,517,567
Revenue bonds payable, net of premium	20,983,960	22,702,712	43,686,672
Loans payable	-	691,896	691,896
Net pension liability	298,382	-	298,382
<b>Total liabilities</b>	<b>64,591,902</b>	<b>32,754,851</b>	<b>97,346,753</b>
<b>Deferred Inflows of Resources</b>			
Derived from Pensions	135,568	-	135,568
<b>Net Position</b>			
Net investment in capital assets	56,058,735	59,679,896	115,738,631
<b>Restricted for</b>			
Public Works	3,718,498	-	3,718,498
Culture and Recreation	48,770	-	48,770
Urban Redevelopment and Housing	83,230	-	83,230
Economic Redevelopment and Assistance	2,667,130	-	2,667,130
Debt service	40,048,898	2,759,403	42,808,301
Capital projects	1,371,596	-	1,371,596
Unrestricted	(16,131,457)	12,130,920	(4,000,537)
<b>Total net position</b>	<b>\$ 87,865,400</b>	<b>\$ 74,570,219</b>	<b>\$ 162,435,619</b>

City of Mandan  
Statement of Activities  
Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 3,474,187	\$ 940,107	\$ -	\$ -	\$ (2,534,080)	\$ -	\$ (2,534,080)
Public Safety	6,015,471	619,607	163,920	37,936	(5,194,008)	-	(5,194,008)
Public Works	6,190,434	108,876	80,783	11,391,034	5,390,259	-	5,390,259
Cemetery	184,196	87,870	-	-	(96,326)	-	(96,326)
Culture and Recreation	17,647,910	58,600	239,670	31,124	(17,318,516)	-	(17,318,516)
Urban Redevelopment and Housing	61,666	2,400	49,540	-	(9,726)	-	(9,726)
Economic Development and Housing	683,439	9,685	87,842	-	(585,912)	-	(585,912)
Interest on Long-Term Debt	1,649,333	-	-	-	(1,649,333)	-	(1,649,333)
Debt Service Charges and Costs	49,304	-	-	-	(49,304)	-	(49,304)
<b>Total governmental activities</b>	<b>35,955,940</b>	<b>1,827,145</b>	<b>621,755</b>	<b>11,460,094</b>	<b>(22,046,946)</b>	<b>-</b>	<b>(22,046,946)</b>
<b>Business-type Activities</b>							
Water and Sewer Utility	7,663,633	8,006,532	-	2,066,876	-	2,409,775	2,409,775
Solid Waste Utility	2,270,955	2,374,004	-	-	-	103,049	103,049
Street Light Utility	446,687	456,736	-	-	-	10,049	10,049
Mandan Airport Authority	944,617	392,327	-	58,070	-	(494,220)	(494,220)
<b>Total business-type activities</b>	<b>11,325,892</b>	<b>11,229,599</b>	<b>-</b>	<b>2,124,946</b>	<b>-</b>	<b>2,028,653</b>	<b>2,028,653</b>
<b>Total primary government</b>	<b>\$ 47,281,832</b>	<b>\$ 13,056,744</b>	<b>\$ 621,755</b>	<b>\$ 13,585,040</b>	<b>(22,046,946)</b>	<b>2,028,653</b>	<b>(20,018,293)</b>
<u>General revenues</u>							
Property, Delinquent, Mobile Home Taxes					4,061,853	313,588	4,375,441
Cable TV Franchise Fees					355,789	-	355,789
State Aid Distribution					1,485,728	-	1,485,728
Cigarette Taxes					52,738	-	52,738
Gaming Taxes					11,352	-	11,352
Disabled Veterans Credit					23,757	-	23,757
Homestead Credit					58,269	-	58,269
Morton County E911 Fees					217,519	-	217,519
Telecommunications Taxes					82,220	-	82,220
Highway Tax Distribution					1,156,670	-	1,156,670
Occupancy Taxes					55,143	-	55,143
Oil and Gas Production Taxes					1,000,000	-	1,000,000
City 1% Sales Taxes					2,385,451	-	2,385,451
City 0.75% Sales Tax					1,789,088	-	1,789,088
Fire Insurance Taxes					155,122	-	155,122
Restaurant and Lodging Taxes					457,190	-	457,190
Interest					24,585	357	24,942
Sale of Meters and Parts					-	93,094	93,094
Other					24,412	71,029	95,441
					<u>13,396,886</u>	<u>478,068</u>	<u>13,874,954</u>
Transfers					(24,816)	24,816	-
<b>Total General Revenues and Transfers</b>					<u>13,372,070</u>	<u>502,884</u>	<u>13,874,954</u>
Change in net position					<u>(8,674,876)</u>	<u>2,531,537</u>	<u>(6,143,339)</u>
Net position - January 1					<u>96,540,276</u>	<u>72,038,682</u>	<u>168,578,958</u>
Net position - December 31					<u>\$ 87,865,400</u>	<u>\$ 74,570,219</u>	<u>\$ 162,435,619</u>

City of Mandan  
Balance Sheet – Governmental Funds  
December 31, 2017

	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
<b>Assets</b>									
Cash and equivalents	\$ 3,527,841	\$ 35,105	\$ 2,053,412	\$ -	\$ 504,094	\$ 3,206,297	\$ -	\$ 5,616,835	\$ 14,943,584
Taxes receivable	105,758	4,889	-	-	15,447	1,421	-	10,291	137,806
Accounts receivable (net of allowance)	45,575	4,500	50	-	2,605	-	-	17,388	70,118
Special assessments receivable	43,062	-	-	-	-	36,018,715	-	505,764	36,567,541
Intergovernmental receivable	520,520	-	394,211	293,783	-	-	-	303,968	1,512,482
Loans receivable (net of allowance)	-	-	319,473	-	-	-	-	-	319,473
Interfund receivable	459,059	-	876,710	-	-	1,403,793	-	460,598	3,200,160
Due from agency funds	3,632	-	-	-	-	-	-	-	3,632
Prepaid expenses	26,692	200	3,007	-	16,332	-	-	3,271	49,502
Cash and equivalents - restricted	29,087	-	-	1,596,713	-	-	-	141,500	1,767,300
<b>Total assets</b>	<b>\$ 4,761,226</b>	<b>\$ 44,694</b>	<b>\$ 3,646,863</b>	<b>\$ 1,890,496</b>	<b>\$ 538,478</b>	<b>\$ 40,630,226</b>	<b>\$ -</b>	<b>\$ 7,059,615</b>	<b>\$ 58,571,598</b>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Salaries and benefits payable	\$ 128,105	\$ 2,012	\$ 2,666	\$ -	\$ 8,296	\$ -	\$ -	\$ 6,934	\$ 148,013
Accounts payable	407,446	4,036	61,382	293,783	7,165	-	51,869	7,847	833,528
Interfund payable	-	-	-	-	53,959	-	2,874,424	451,688	3,380,071
Prepaid revenue	70,667	-	-	-	-	-	-	5,260	75,927
<b>Total liabilities</b>	<b>\$ 606,218</b>	<b>\$ 6,048</b>	<b>\$ 64,048</b>	<b>\$ 293,783</b>	<b>\$ 69,420</b>	<b>\$ -</b>	<b>\$ 2,926,293</b>	<b>\$ 471,729</b>	<b>\$ 4,437,539</b>
<b>Deferred Inflows of Resources</b>									
Unavailable revenue - property taxes	\$ 96,477	\$ 4,460	\$ -	\$ -	\$ 13,945	\$ 1,296	\$ -	\$ 9,387	\$ 125,565
Unavailable revenue - special assessments	32,952	-	-	-	-	34,640,897	-	476,239	35,150,088
Unavailable revenue - revenue not collected within 60 Days	1,196	-	-	-	-	-	-	1,432	2,628
<b>Total deferred inflows of resources</b>	<b>\$ 130,625</b>	<b>\$ 4,460</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,945</b>	<b>\$ 34,642,193</b>	<b>\$ -</b>	<b>\$ 487,058</b>	<b>\$ 35,278,281</b>
<b>Fund Balances</b>									
<b>Nonspendable:</b>									
Prepaid items	\$ 26,692	\$ 200	\$ 3,007	\$ -	\$ 16,332	\$ -	\$ -	\$ 3,271	\$ 49,502
<b>Restricted for:</b>									
Public works	-	-	-	-	-	-	-	3,718,498	3,718,498
Culture and recreation	-	-	-	-	-	-	-	48,770	48,770
Urban development and housing	-	-	-	-	-	-	-	83,230	83,230
Economic development and assistance	-	-	2,667,130	-	-	-	-	-	2,667,130
Debt service	-	-	-	-	-	5,988,033	-	191,076	6,179,109
Capital projects	-	-	-	-	-	-	-	1,371,596	1,371,596
<b>Committed for:</b>									
General government	-	-	-	-	-	-	-	464,632	464,632
Public safety	43,160	-	-	-	-	-	-	319,378	362,538
Cemetery	-	33,986	-	-	-	-	-	-	33,986
Culture and recreation	-	-	-	1,596,713	92,876	-	-	-	1,689,589
Urban development and housing	-	-	-	-	-	-	-	312,228	312,228
Economic development and assistance	-	-	912,678	-	-	-	-	-	912,678
<b>Assigned for:</b>									
Culture and recreation	-	-	-	-	345,905	-	-	-	345,905
Subsequent year's budget: appropriation of Fund Balances	354,950	-	-	-	-	-	-	-	354,950
Unassigned	3,599,581	-	-	-	-	-	(2,926,293)	(411,851)	261,437
<b>Total fund balances</b>	<b>4,024,383</b>	<b>34,186</b>	<b>3,582,815</b>	<b>1,596,713</b>	<b>455,113</b>	<b>5,988,033</b>	<b>(2,926,293)</b>	<b>6,100,828</b>	<b>18,855,778</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,761,226</b>	<b>\$ 44,694</b>	<b>\$ 3,646,863</b>	<b>\$ 1,890,496</b>	<b>\$ 538,478</b>	<b>\$ 40,630,226</b>	<b>\$ -</b>	<b>\$ 7,059,615</b>	<b>\$ 58,571,598</b>

City of Mandan  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
December 31, 2017

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Total Fund Balances for Governmental Funds \$ 18,855,778

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	\$ 3,861,062	
Buildings and Improvements (net of depreciation)	5,386,625	
Buildings and Infrastructure (net of depreciation)	79,103,104	
Machinery and Equipment (net of depreciation)	1,012,035	
Construction Work in Progress	<u>7,052,465</u>	
Total capital assets		96,415,291

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore are not reported in the governmental funds

Deferred outflows of resources	966,289	
Deferred inflows of resources	(135,568)	
Net pension liability	<u>(298,382)</u>	532,339

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

Unavailable Revenue-Property Taxes	125,565	
Unavailable Revenue-Special Assessments	35,150,088	
Unavailable Revenue-Revenue not Collected within 60 Days	<u>2,628</u>	
Total long-term assets		35,278,281

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.

13,048

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

Interest Payable	(419,699)	
Compensated Absences	(393,515)	
Capital Lease Payable	(532,751)	
General Obligation Bonds Payable	(505,000)	
Special Assessments Bonds Payable, Net of Premium	(39,823,805)	
Revenue Bonds Payable, net of premium	<u>(21,554,567)</u>	
Total long-term liabilities		<u>(63,229,337)</u>

Total net position of governmental activities		<u><u>\$ 87,865,400</u></u>
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City of Mandan  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended December 31, 2017

	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
<b>Revenues</b>									
Taxes	\$ 3,238,104	\$ 156,233	\$ 2,385,451	\$ 1,789,088	\$ 438,826	\$ 43,126	\$ -	\$ 2,986,763	\$ 11,037,591
Licenses and permits	950,688	-	-	-	-	1,096	-	-	951,784
Intergovernmental	2,384,793	3,928	2,500	-	277,628	-	-	163,166	2,832,015
Charges for services	152,885	54,100	1,185	-	5,507	-	5,723	86,813	306,213
Fines and forfeits	235,446	-	-	-	5,084	-	-	-	240,530
Special assessments	495,238	-	-	-	-	5,010,255	-	134,735	5,640,228
Interest	17,965	-	-	4,315	240	-	-	2,065	24,585
Cemetery lots	-	33,550	-	-	-	-	-	-	33,550
Loan repayments	-	-	87,341	-	-	-	-	-	87,341
Rent	10,600	-	6,000	-	31,200	-	-	18,814	66,614
Miscellaneous	14,978	220	500	-	10,062	-	-	49,841	75,601
Total revenues	<u>7,500,697</u>	<u>248,031</u>	<u>2,482,977</u>	<u>1,793,403</u>	<u>768,547</u>	<u>5,054,477</u>	<u>5,723</u>	<u>3,442,197</u>	<u>21,296,052</u>
<b>Expenditures</b>									
<b>Current</b>									
General government	2,925,566	-	-	-	-	-	-	325,586	3,251,152
Public safety	6,103,632	-	-	-	-	-	-	18,093	6,121,725
Public works	1,670,889	-	-	-	-	-	23,980	119,751	1,814,620
Cemetery	-	161,053	-	-	-	-	-	-	161,053
Culture and recreation	-	-	45,000	16,647,582	680,229	-	-	219,540	17,592,351
Urban redevelopment and housing	-	-	-	-	-	-	-	56,246	56,246
Economic development and assistance	-	-	683,439	-	-	-	-	-	683,439
<b>Debt Service</b>									
Principal	28,686	-	-	1,215,000	-	6,436,898	-	221,099	7,901,683
Interest	11,407	-	-	695,795	-	906,201	-	44,591	1,657,994
Service charges	-	-	-	3,500	-	22,067	-	2,265	27,832
Issuance costs	-	-	-	-	-	21,472	-	-	21,472
Capital outlay	248,261	10,968	23,918	-	141,778	-	2,270,656	1,517,081	4,212,662
Total expenditures	<u>10,988,441</u>	<u>172,021</u>	<u>752,357</u>	<u>18,561,877</u>	<u>822,007</u>	<u>7,386,638</u>	<u>2,294,636</u>	<u>2,524,252</u>	<u>43,502,229</u>
Excess (Deficiency) of Revenues over expenditures	<u>(3,487,744)</u>	<u>76,010</u>	<u>1,730,620</u>	<u>(16,768,474)</u>	<u>(53,460)</u>	<u>(2,332,161)</u>	<u>(2,288,913)</u>	<u>917,945</u>	<u>(22,206,177)</u>
<b>Other Financing Sources (Uses)</b>									
Sale of Bonds - Refunding	-	-	-	-	-	1,950,000	-	-	1,950,000
Sale of Bonds	-	-	-	-	-	475,306	9,178,884	-	9,654,190
Bond Premiums	-	-	-	-	-	34,000	508,840	-	542,840
Investment Discounts	-	-	-	11,457	-	-	-	-	11,457
Transfers in	3,871,181	10,000	300,000	-	10,650	66,240	106,282	1,732,611	6,096,964
Transfers out	(156,484)	(79,800)	(1,967,788)	-	-	(157,591)	(172,422)	(3,701,744)	(6,235,829)
Total other financing sources and uses	<u>3,714,697</u>	<u>(69,800)</u>	<u>(1,667,788)</u>	<u>11,457</u>	<u>10,650</u>	<u>2,367,955</u>	<u>9,621,584</u>	<u>(1,969,133)</u>	<u>12,019,622</u>
Net change in fund balances	<u>226,953</u>	<u>6,210</u>	<u>62,832</u>	<u>(16,757,017)</u>	<u>(42,810)</u>	<u>35,794</u>	<u>7,332,671</u>	<u>(1,051,188)</u>	<u>(10,186,555)</u>
Fund balances - January 1	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
Fund balances - December 31	<u>\$ 4,024,383</u>	<u>\$ 34,186</u>	<u>\$ 3,582,815</u>	<u>\$ 1,596,713</u>	<u>\$ 455,113</u>	<u>\$ 5,988,033</u>	<u>\$ (2,926,293)</u>	<u>\$ 6,100,828</u>	<u>\$ 18,855,778</u>

City of Mandan

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

---

Net Change in Fund Balances - Total Governmental Funds \$ (10,186,555)

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	\$ 4,212,662	
Depreciation	<u>(4,950,240)</u>	
Total		(737,578)

Various capital asset transactions effecting net position:

Contributions of Capital Assets	686,859
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Changes to the net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

446,655

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

Taxes Receivable (net)	35,585	
Intergovernmental	(205,248)	
Special Assessments Receivable (net)	<u>5,481,175</u>	
Total		5,311,512

City of Mandan

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

---

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:

Sale of Bonds	(11,604,190)	
Bond Premiums	(542,840)	
Debt Service-Principal	7,901,683	
Amortization of Bond Premiums	<u>24,857</u>	
Total		(4,220,490)

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)	(16,196)	
Compensated Absences (net)	<u>31,996</u>	
Total		15,800

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.

		<u>8,921</u>
Change in net position of governmental activities		<u><u>\$ (8,674,876)</u></u>

City of Mandan  
Statement of Net Position – Proprietary Funds  
December 31, 2017

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 3,114,523	\$ 2,093,576	\$ 416,074	\$ 626,086	\$ 6,250,259	\$ -
Taxes receivable	-	-	-	2,019	2,019	-
Accounts receivable (net of allowance)	694,699	229,982	59,929	3,624	988,234	9,131
Special assessments receivable	258,165	-	-	-	258,165	-
Intergovernmental receivable	779,094	70	-	335	779,499	277
Interfund receivable	355,605	-	-	-	355,605	-
Inventories	105,267	15,306	-	33,577	154,150	17,421
Prepaid expenses	70,177	1,611	10	8,949	80,747	-
<b>Total current assets</b>	<b>5,377,530</b>	<b>2,340,545</b>	<b>476,013</b>	<b>674,590</b>	<b>8,868,678</b>	<b>26,829</b>
<b>Noncurrent Assets</b>						
<b>Restricted Assets</b>						
Cash and cash equivalents	2,759,403	-	-	-	2,759,403	-
Special Assessments Receivable	4,780,260	-	-	-	4,780,260	-
<b>Capital Assets not being Depreciated</b>						
Land	162,974	88,360	-	441,771	693,105	-
Construction work in progress	3,647,315	-	-	36,302	3,683,617	-
<b>Capital Assets (Net of Accumulated depreciation)</b>						
Buildings and infrastructure	74,464,858	514,330	-	10,697,203	85,676,391	-
Machinery and equipment	357,001	464,023	31,331	179,889	1,032,244	-
<b>Total capital assets</b>	<b>78,632,148</b>	<b>1,066,713</b>	<b>31,331</b>	<b>11,355,165</b>	<b>91,085,357</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>86,171,811</b>	<b>1,066,713</b>	<b>31,331</b>	<b>11,355,165</b>	<b>98,625,020</b>	<b>-</b>
<b>Total assets</b>	<b>91,549,341</b>	<b>3,407,258</b>	<b>507,344</b>	<b>12,029,755</b>	<b>107,493,698</b>	<b>26,829</b>

City of Mandan  
Statement of Net Position – Proprietary Funds  
December 31, 2017

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Salaries and benefits payable	\$ 33,202	\$ 7,917	\$ 1,375	\$ -	\$ 42,494	\$ 1,303
Accounts payable	409,644	142,860	46,977	46,671	646,152	5,412
Compensated absences	47,305	13,424	2,202	432	63,363	-
Retainage payable	212,103	-	-	-	212,103	-
Interfund payable	158,713	-	-	9,915	168,628	7,066
Interest payable	242,553	10,255	-	6,096	258,904	-
Prepaid revenue	-	-	-	54,757	54,757	-
Special assessments bonds payable, net of premium	986,155	-	-	-	986,155	-
Revenue bonds payable	2,040,000	-	-	89,752	2,129,752	-
Capital lease payable	-	80,964	-	-	80,964	-
Loans payable	58,000	-	-	-	58,000	-
<b>Total current liabilities</b>	<b>4,187,675</b>	<b>255,420</b>	<b>50,554</b>	<b>207,623</b>	<b>4,701,272</b>	<b>13,781</b>
<b>Noncurrent Liabilities</b>						
Compensated absences	41,680	14,923	3,088	11,926	71,617	-
Special assessments bonds payable, net of premium	4,315,460	-	-	-	4,315,460	-
Revenue bonds payable	22,375,000	-	-	327,712	22,702,712	-
Capital lease payable	-	440,522	-	-	440,522	-
Loans payable	691,896	-	-	-	691,896	-
<b>Total noncurrent liabilities</b>	<b>27,424,036</b>	<b>455,445</b>	<b>3,088</b>	<b>339,638</b>	<b>28,222,207</b>	<b>-</b>
<b>Total liabilities</b>	<b>31,611,711</b>	<b>710,865</b>	<b>53,642</b>	<b>547,261</b>	<b>32,923,479</b>	<b>13,781</b>
<b>Net Position</b>						
Net investment in capital assets	48,165,637	545,227	31,331	10,937,701	59,679,896	-
Restricted for debt service	2,759,403	-	-	-	2,759,403	-
Unrestricted	9,012,590	2,151,166	422,371	544,793	12,130,920	13,048
<b>Total Net Position</b>	<b>\$ 59,937,630</b>	<b>\$ 2,696,393</b>	<b>\$ 453,702</b>	<b>\$ 11,482,494</b>	<b>\$ 74,570,219</b>	<b>\$ 13,048</b>

City of Mandan  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended December 31, 2017

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
<b>Operating Revenues</b>						
Charges for services	\$ 8,006,532	\$ 2,374,004	\$ 456,736	\$ 392,327	\$ 11,229,599	\$ 135,814
Total operating revenues	<u>8,006,532</u>	<u>2,374,004</u>	<u>456,736</u>	<u>392,327</u>	<u>11,229,599</u>	<u>135,814</u>
<b>Operating Expenses</b>						
Salaries and Benefits	1,771,177	438,555	71,344	90,928	2,372,004	72,941
Professional fees	106,090	1,468,212	2,360	3,375	1,580,037	-
Insurance	41,844	6,656	463	9,712	58,675	-
Rentals	-	-	-	-	-	-
Travel and training	6,330	672	285	5,482	12,769	-
Utilities	538,394	14,820	220,223	21,853	795,290	958
Publishing and printing	3,135	1,359	-	1,754	6,248	-
Dues and memberships	2,207	100	-	2,170	4,477	200
Supplies and maintenance	410,412	45,911	4,861	251,523	712,707	145,506
Repairs and maintenance	557,909	48,420	82,838	15,734	704,901	21,337
Depreciation	3,235,713	211,081	9,529	506,136	3,962,459	-
Miscellaneous	9,873	62	-	12,571	22,506	-
Total operating expenses	<u>6,683,084</u>	<u>2,235,848</u>	<u>391,903</u>	<u>921,238</u>	<u>10,232,073</u>	<u>240,942</u>
Operating Income (Loss)	<u>1,323,448</u>	<u>138,156</u>	<u>64,833</u>	<u>(528,911)</u>	<u>997,526</u>	<u>(105,128)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Taxes	6,750	-	-	306,838	313,588	-
Intergovernmental	1,835,948	-	-	58,070	1,894,018	-
Special assessments	230,928	-	-	-	230,928	-
Interest	-	-	-	357	357	-
Sale of meters and parts	93,094	-	-	-	93,094	-
Miscellaneous	47,363	839	15,061	7,766	71,029	-
Capital outlay (non-capitalized)	-	(16,117)	(54,784)	-	(70,901)	-
Debt Service:						
Interest	(829,019)	(18,990)	-	(23,379)	(871,388)	-
Service charges	(127,662)	-	-	-	(127,662)	-
Issuance costs	(23,868)	-	-	-	(23,868)	-
Total nonoperating revenues (expenses)	<u>1,233,534</u>	<u>(34,268)</u>	<u>(39,723)</u>	<u>349,652</u>	<u>1,509,195</u>	<u>-</u>

City of Mandan

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended December 31, 2017

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	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority		
Income (loss) before transfers	2,556,982	103,888	25,110	(179,259)	2,506,721	(105,128)
Transfers in	72,885	-	54,784	5,600	133,269	114,049
Transfers out	(108,453)	-	-	-	(108,453)	-
Change in net position	2,521,414	103,888	79,894	(173,659)	2,531,537	8,921
Net position - January 1	57,416,216	2,592,505	373,808	11,656,153	72,038,682	4,127
Net position - December 31	<u>\$ 59,937,630</u>	<u>\$ 2,696,393</u>	<u>\$ 453,702</u>	<u>\$ 11,482,494</u>	<u>\$ 74,570,219</u>	<u>\$ 13,048</u>

City of Mandan  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2017

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority		
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 8,016,335	\$ 2,376,262	\$ 448,618	\$ 393,441	\$ 11,234,656	\$ -
Receipts from interfund services provided	-	-	-	-	-	147,025
Payments to employees	(1,775,881)	(436,386)	(71,447)	(90,979)	(2,374,693)	(85,855)
Payments to suppliers	(1,690,314)	(1,585,762)	(296,733)	(326,123)	(3,898,932)	(190,354)
Net cash provided (used) by operating activities	4,550,140	354,114	80,438	(23,661)	4,961,031	(129,184)
<b>Cash Flows from Noncapital Financing Activities</b>						
Taxes	6,750	-	-	311,395	318,145	-
Intergovernmental	-	-	-	7,857	7,857	-
Special Assessments	13,126	-	-	-	13,126	-
Sale of Meters and Parts	93,094	-	-	-	93,094	-
Miscellaneous Receipts	47,363	839	15,061	7,766	71,029	-
Transfers In	-	-	-	5,600	5,600	114,049
Purchases of Noncapital Assets	-	(16,117)	(54,784)	-	(70,901)	-
Interfund Receivable	(121,158)	-	-	-	(121,158)	-
Interfund Payable	(248,925)	-	-	(745)	(249,670)	7,066
Net cash provided (used) by noncapital financing activities	(209,750)	(15,278)	(39,723)	331,873	67,122	121,115
<b>Cash Flows from Capital and Related Financing Activities</b>						
Intergovernmental	1,287,080	-	-	73,289	1,360,369	-
Special Assessments	1,007,176	-	-	-	1,007,176	-
Purchases of Capital Assets	(3,779,970)	(14,101)	(13,715)	(51,348)	(3,859,134)	-
Proceeds from Capital Debt	5,817,705	-	-	-	5,817,705	-
Bond Premiums	31,047	-	-	-	31,047	-
Principal Paid on Capital Debt	(7,290,527)	(78,157)	-	(85,410)	(7,454,094)	-
Interest Paid on Capital Debt	(831,977)	(20,534)	-	(24,717)	(877,228)	-
Service Charges Paid on Capital Debt	(127,662)	-	-	-	(127,662)	-
Miscellaneous Paid on Capital Debt	(23,868)	-	-	-	(23,868)	-
Transfers In	72,885	-	54,784	-	127,669	-
Transfers Out	(108,453)	-	-	-	(108,453)	-
Net cash provided (used by) capital and related financing activities	(3,946,564)	(112,792)	41,069	(88,186)	(4,106,473)	-
<b>Cash Flows from Investing Activities</b>						
Interest received	-	-	-	357	357	-
Net cash provided (used) by investing activities	-	-	-	357	357	-

City of Mandan  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2017

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority		
Net Increase (Decrease) in Cash and Cash Equivalents	393,826	226,044	81,784	220,383	922,037	(8,069)
Cash and Cash Equivalents - January 1	5,480,100	1,867,532	334,290	405,703	8,087,625	8,069
Cash and Cash Equivalents - December 31	<u>\$ 5,873,926</u>	<u>\$ 2,093,576</u>	<u>\$ 416,074</u>	<u>\$ 626,086</u>	<u>\$ 9,009,662</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 1,323,448	\$ 138,156	\$ 64,833	\$ (528,911)	\$ 997,526	\$ (105,128)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation Expense	3,235,713	211,081	9,529	506,136	3,962,459	-
(Increase) Decrease in Accounts Receivable (net)	12,559	1,439	(8,118)	3,415	9,295	10,621
(Increase) Decrease in Intergovernmental Receivable	(2,756)	819	-	-	(1,937)	590
(Increase) Decrease in Inventories	36,501	16,117	-	(18,969)	33,649	(5,820)
(Increase) Decrease in Prepaid Expenses	23,305	(46)	-	(108)	23,151	-
Increase (Decrease) in Salaries and Benefits Payable	5,438	(368)	190	(1,941)	3,319	(1,168)
Increase (Decrease) in Accounts Payable	(73,926)	(15,621)	14,297	17,128	(58,122)	(16,533)
Increase (Decrease) in Compensated Absences	(10,142)	2,537	(293)	1,890	(6,008)	(11,746)
Increase (Decrease) in Prepaid Revenues	-	-	-	(2,301)	(2,301)	-
Total adjustments	<u>3,226,692</u>	<u>215,958</u>	<u>15,605</u>	<u>505,250</u>	<u>3,963,505</u>	<u>(24,056)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,550,140</u>	<u>\$ 354,114</u>	<u>\$ 80,438</u>	<u>\$ (23,661)</u>	<u>\$ 4,961,031</u>	<u>\$ (129,184)</u>
Schedule of non-cash capital and related financing activities:						
Capital Assets included in Accounts Payable	\$ 322,696	\$ -	\$ -	\$ -	\$ 322,696	\$ -
Capital Assets included in Retainage Payable	212,103	-	-	-	212,103	-
Total non-cash capital and related financing activities	<u>\$ 534,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,799</u>	<u>\$ -</u>

City of Mandan  
Statement of Fiduciary Net Position  
December 31, 2017

	<u>Employee Retirement Plan and Trust Fund</u>	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 9,253	\$ 46,887
Investments, at fair value mutual funds	7,838,075	-	-
Accounts receivable	-	-	1,000
Intergovernmental receivable	-	-	3,632
Total assets	<u>7,838,075</u>	<u>9,253</u>	<u>\$ 51,519</u>
<b>Liabilities</b>			
Accounts payable			
Claims and judgements payable	-	-	\$ 16,460
Due to primary government	-	-	3,632
Due to other governments	-	-	31,427
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 51,519</u>
<b>Net Position</b>			
Held in trust for pension benefits	7,838,075	-	
Held in trust for police department	-	9,253	
Total net position	<u>\$ 7,838,075</u>	<u>\$ 9,253</u>	

City of Mandan  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2017

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	<u>Employee Retirement Plan and Trust Fund</u>	<u>Private- Purpose Trust Fund</u>
Additions		
Employer Contributions	\$ 540,530	\$ -
Investment Income		
Net increase in fair value of investments	1,046,189	
Total additions	<u>1,586,719</u>	<u>-</u>
Deductions		
Benefits	1,664,639	1,000
Total deductions	<u>1,664,639</u>	<u>1,000</u>
Change in Net Position	<u>(77,920)</u>	<u>(1,000)</u>
Net Position - January 1	<u>7,915,995</u>	<u>10,253</u>
Net Position - December 31	<u><u>\$ 7,838,075</u></u>	<u><u>\$ 9,253</u></u>

## **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, deferred outflows of resources liabilities, and deferred inflows of resources, 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. The General Fund also includes resources set aside for the police equipment reserve related to evidence that is classified as restricted on the balance sheet because its use is limited.

### **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, 2017, 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.

New and expanding business, NDCC Ch.40-57-1, allows for incentives in the form of property tax exemptions, payments in lieu of taxes, or a combination of both to a qualifying business. The incentives may be granted at the discretion of the city. State legislation requires certification that a project is a primary sector business from the ND Department of Commerce.

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, 2017 was as follows:

Tax abatement program	Tax abatement in 2017
New and expanding business	\$ 59,843
Residential new construction	32,971
Remodeling exemption - commercial	696
Remodeling exemption - residential	613
Tax incremental financing	28,293
Renaissance zone exemption	8,829
	\$ 131,245

## 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:

Buildings and improvements	50 years
Infrastructure	30 years
Machinery and equipment	5 years

**O. Prepaid Revenues**

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

**P. Deferred Outflows and Deferred Inflows of Resources**

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

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

**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 240 hours as of the date of the employee’s anniversary. The amount of annual leave earned ranges between eight and eighteen hours per month.

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 discounts 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**

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

## **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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 have 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, 2017 was \$1,823,344.

## V. Change in Accounting Principles

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

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

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

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

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

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

The 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, 2017:

Fund	Amounts
0.75% City Sales Tax	\$ (17,442,277)
Morton Mandan Public Library	(38,906)
Public Transportation System	(511)
Abused Adult Resource Center Grant	(6,747)
BNSF Settlement	(1,035)
Health and Safety	(36,415)
Solid Waste Utility	(156,705)
Street Light Utility	(4,822)
Internal Service Fund	(442)

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, 2017:

Fund	Amounts
Abused Adult Resource Center Grant	\$ (1,431)
Health and Safety	(219,526)
Sidewalk, Curb and Gutter Construction	(190,894)
Street Construction	(2,926,293)

**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, 2017, the carrying amount of the City's deposits was \$24,178,673 and the bank balance was \$26,454,835. The 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 \$1,596,713. 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, 2017, are as follows:

<u>Primary Government</u>	
Cash and cash equivalents	\$ 21,193,843
Restricted cash and cash equivalents	4,526,703
Less: Cash held with fiscal agent	(1,596,713)
Less: Petty cash	(1,300)
	<u>24,122,533</u>
 <u>Fiduciary Funds</u>	
Cash and cash equivalents	<u>56,140</u>
 Total deposits	 <u><u>\$ 24,178,673</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, 2017, the City held mutual funds for the City's Employee Retirement Plan and Trust in the amount of \$7,838,075. 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, 2017, the City had investments totaling \$7,838,075 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, 2017, consist of the following:

<u>BBCS Properties</u> \$49,979 loan with \$25,937 advanced as of December 31, 2017, due in monthly installments of \$1,193 starting December 2020 through November 2024; interest at 3%	\$ 25,937
<u>Coffees and Kitchens</u> \$50,000 loan due in monthly installments of \$189 until paid in full; interest at 0%	29,353
<u>Developers, LLC</u> \$53,846 loan due in monthly installments of \$2,288 starting February 2019 through January 2021; interest at 0%	53,846
<u>E-C Investments</u> \$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
<u>Fore 5 Sweet Boyz</u> \$42,500 loan due in monthly installments of \$486 through August 1, 2017	42,500
<u>Huff Hills Ski Area</u> \$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%	39,765
<u>NISC</u> \$71,264 loan with \$31,104 advanced as of December 31, 2017, due in monthly installments of \$1,188 starting November 2021 through October 2026; interest at 0%	31,104
<u>Pletan Properties</u> \$53,846 loan due in monthly installments of \$2,287 through February 1, 2019; interest at 2%	33,560
<u>SSWII, LLP</u> \$53,846 loan with \$52,519 advanced as of December 31, 2017, due in monthly installments of \$2,359 starting December 2018 through December 1, 2021; interest at 2%	52,519
Total	361,973
Less allowance for uncollectible accounts	(42,500)
Net loans receivable	\$ 319,473

**D. Interfund Accounts and Transfers**

Interfund balances at December 31, 2017, consist of the following:

Due from Other Funds/Due to Other Funds

<u>Due to General Fund</u>	
Due from Abused Adult Resource Center Grant	\$ 15,505
Due from Health and Safety	235,244
Due from Morton Mandan Public Library	53,959
Due from Sidewalk, Curb and Gutter Construction	137,370
Due from City Shop	7,066
Due from Mandan Airport Authority	9,915
	<u>459,059</u>
Total due to General Fund	\$ 459,059
<u>Due to Refunding Improvements Bonds Fund</u>	
Due from Sidewalk, Curb and Gutter Construction Fund	\$ 63,569
Due from Street Construction Fund	1,340,224
	<u>1,403,793</u>
Total due to Refunding Improvements Bonds Fund	\$ 1,403,793
<u>Due to City Sales Tax/ Mandan Growth Fund</u>	
Due from Street Construction Fund	\$ 717,997
Due from Water and Sewer Utility	158,713
	<u>876,710</u>
Total due to City Sales Tax/ Mandan Growth Fund	\$ 876,710
<u>Due to NonMajor Governmental Funds</u>	
Due from Street Construction Fund	\$ 460,598
	<u>460,598</u>
Total due to Nonmajor Governmental Funds	\$ 460,598
<u>Due to Water and Sewer Utility Fund</u>	
Due from Street Construction	\$ 355,605
	<u>355,605</u>
Total due to Water and Sewer Utility Fund	\$ 355,605

These balances are a result of cash deficits in funds. The interfund balances will be repaid in 2018.

Interfund Transfers

A summary of interfund transfers for the fiscal year ended December 31, 2017, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 3,871,181	\$ 156,484
Cemetery	10,000	79,800
City Sales Tax/ Mandan Growth	300,000	1,967,788
Morton Mandan Public Library	10,650	-
Refunding Improvement Bonds	66,240	157,591
Street Construction	106,282	172,422
Nonmajor Governmental	1,732,611	3,701,744
Water and Sewer Utility	72,885	108,453
Street Light Utility	54,784	-
Mandan Airport Authority	5,600	-
Internal Service	114,049	-
Total	<u>\$ 6,344,282</u>	<u>\$ 6,344,282</u>

Transfers are used for various budgetary and financial management purposes.

**E. Capital Assets**

The following is a summary of capital assets:

	<u>Balance 1-1-17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance 12-31-17</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 2,823,343	\$ 1,037,719	\$ -	\$ -	\$ 3,861,062
Construction work in progress	13,511,374	3,132,569	-	(9,591,478)	7,052,465
Total capital assets, not being depreciated	<u>16,334,717</u>	<u>4,170,288</u>	<u>-</u>	<u>(9,591,478)</u>	<u>10,913,527</u>
Capital assets, being depreciated					
Buildings and improvements	7,238,164	586,515	-	-	7,824,679
Buildings and infrastructure	129,512,955	-	-	9,591,478	139,104,433
Machinery and equipment	8,506,673	142,718	(313,846)	(21,234)	8,314,311
Total capital assets, being depreciated	<u>145,257,792</u>	<u>729,233</u>	<u>(313,846)</u>	<u>9,570,244</u>	<u>155,243,423</u>
Less accumulated depreciation for					
Buildings and improvements	2,282,573	155,481	-	-	2,438,054
Buildings and infrastructure	55,869,729	4,131,600	-	-	60,001,329
Machinery and equipment	6,974,197	663,159	(313,846)	(21,234)	7,302,276
Total accumulated depreciation	<u>65,126,499</u>	<u>4,950,240</u>	<u>(313,846)</u>	<u>(21,234)</u>	<u>69,741,659</u>
Total capital assets being depreciated, net	<u>80,131,293</u>	<u>(4,221,007)</u>	<u>-</u>	<u>9,591,478</u>	<u>85,501,764</u>
Governmental activities - capital assets, net	<u>\$ 96,466,010</u>	<u>\$ (50,719)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,415,291</u>

	Balance 1-1-17	Increases	Decreases	Transfers	Balance 12-31-17
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 693,105	\$ -	\$ -	\$ -	\$ 693,105
Construction work in progress	5,991,322	3,744,669	(8,241)	(6,044,133)	3,683,617
Total capital assets, not being depreciated	<u>6,684,427</u>	<u>3,744,669</u>	<u>(8,241)</u>	<u>(6,044,133)</u>	<u>4,376,722</u>
Capital assets, being depreciated					
Buildings and infrastructure	137,590,504	228,658	-	5,715,407	143,534,569
Machinery and equipment	3,924,179	39,717	(8,749)	349,960	4,305,107
Total capital assets, being depreciated	<u>141,514,683</u>	<u>268,375</u>	<u>(8,749)</u>	<u>6,065,367</u>	<u>147,839,676</u>
Less accumulated depreciation for					
Buildings and infrastructure	54,301,965	3,556,213	-	-	57,858,178
Machinery and equipment	2,854,132	406,246	(8,749)	21,234	3,272,863
Total accumulated depreciation	<u>57,156,097</u>	<u>3,962,459</u>	<u>(8,749)</u>	<u>21,234</u>	<u>61,131,041</u>
Total capital assets being depreciated, net	<u>84,358,586</u>	<u>(3,694,084)</u>	<u>-</u>	<u>6,044,133</u>	<u>86,708,635</u>
Business-type activities - capital assets, net	<u>\$ 91,043,013</u>	<u>\$ 50,585</u>	<u>\$ (8,241)</u>	<u>\$ -</u>	<u>\$ 91,085,357</u>

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

Governmental Activities

General Government	\$ 149,903
Public Safety	340,401
Public Works	4,375,814
Cemetery	23,143
Culture and Recreation	55,559
Urban Redevelopment and Housing	<u>5,420</u>
Total depreciation expense - governmental activities	<u>\$ 4,950,240</u>

Business-type Activities

Water and Sewer Utility	\$ 3,235,713
Solid Waste Utility	211,081
Street Light Utility	9,529
Mandan Airport Authority	<u>506,136</u>
Total depreciation expense - business type activities	<u>\$ 3,962,459</u>

Contract Commitments

The City has active contract project commitments of \$1,668,504 as of December 31, 2017.

**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>Governmental Activities</u>	<u>Remaining Balance</u>
Asset	
(2) CAT 924K Wheel Loaders	\$ 216,370
(1) CAT 938 Wheel Loader	154,021
(1) Pierce Enforcer Pumper	<u>162,360</u>
Total	<u><u>\$ 532,751</u></u>
<u>Business-type Activities</u>	
Asset	
(1) 2015 Volvo L150H Front-end Loader	\$ 179,014
(1) Bomag Compactor	<u>342,472</u>
Total	<u><u>\$ 521,486</u></u>

The assets acquired through the capital leases are as follows:

Asset	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 977,667	\$ 713,508
Less: Accumulated depreciation	<u>(509,187)</u>	<u>(326,065)</u>
Total	<u><u>\$ 468,480</u></u>	<u><u>\$ 387,443</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017 were as follows:

Year Ending December 31,	Governmental Activities	Business-type Activities
2018	\$ 97,382	\$ 98,691
2019	275,277	98,691
2020	72,277	257,507
2021	125,000	115,000
Total minimum lease payments	<u>569,936</u>	<u>569,889</u>
Less: Amount representing interest	<u>(37,185)</u>	<u>(48,403)</u>
Present value of	<u>\$ 532,751</u>	<u>\$ 521,486</u>

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
2018	\$ 82,086	\$ 15,296	\$ 80,964	\$ 17,727	\$ 163,050	\$ 33,023
2019	262,348	12,929	83,872	14,819	346,220	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
	<u>\$ 532,751</u>	<u>\$ 37,185</u>	<u>\$ 521,486</u>	<u>\$ 48,403</u>	<u>\$ 1,054,237</u>	<u>\$ 85,588</u>

### G. Long-Term Debt

Debt authorized is generally limited by the state constitution. Bonds and loans payable at December 31, 2017, 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:

##### General Obligations Bond Payable

\$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%

\$ 505,000

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 45,000	\$ 20,688
2019	50,000	18,740
2020	50,000	16,665
2021	55,000	14,460
2022	55,000	12,122
2023 - 2026	250,000	22,410
Totals	<u>\$ 505,000</u>	<u>\$ 105,085</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:

<u>Issue</u>	<u>Amount of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Refunding 2004, Series A	360,000	1/1/2004	5/1/2018	4.20%	\$ 25,000
Refunding 2008, Series SCG-2008	335,000	12/1/2008	5/1/2018	4.15%	35,000
Refunding 2009, Series A	4,420,000	12/15/2009	5/1/2024	3.13% - 4%	2,100,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	3.50%	40,000
Refunding 2010, Series A	4,020,000	2/15/2010	5/1/2019	3.20%	270,000
Street#160	109,611	12/23/2010	5/1/2025	4%	68,472
Sidewalk, Curb and Gutter 2010	159,187	12/23/2010	5/1/2020	3.25%	56,184
Refunding 2011, Series A	960,000	3/1/2011	5/1/2020	2.35% - 3.25%	300,000
Refunding 2012, Series A	1,490,000	4/1/2012	5/1/2020	1.05% - 1.55%	275,000
Refunding 2012, Series B	5,155,000	11/15/2012	5/1/2028	2% - 2.15%	3,820,000
Refunding 2012, Series SCG-2012	480,000	12/15/2012	5/1/2022	.9% - 1.35%	215,000
Refunding 2013, Series A	1,675,000	4/10/2013	5/1/2021	.8% - 1.75%	780,000
Refunding 2013, Series B	1,400,000	4/10/2013	5/1/2018	1.35% - 2%	260,000
Refunding 2013, Series C	4,015,000	12/15/2013	5/1/2028	2% - 3.5%	2,990,000
Sidewalk, Curb and Gutter 2013	136,630	12/17/2013	5/1/2023	2.75%	84,420
Refunding 2014, Series A	2,490,000	8/15/2014	5/1/2021	2% - 4%	1,365,000
Refunding 2014, Series B	6,095,000	12/15/2014	5/1/2029	1% - 4%	4,995,000
Refunding 2015, Series A	4,405,000	4/1/2015	5/1/2022	1.5% - 3%	3,070,000
Refunding 2015, Series B	9,025,000	12/30/2015	5/1/2030	2% - 5%	7,985,000
Refunding 2016, Series A	5,030,000	5/25/2016	5/1/2023	2% - 3%	4,185,000
Refunding 2016, Series B	420,000	1/12/2017	5/1/2031	2.15% - 3.5%	395,000
Refunding 2017, Series A	1,950,000	5/18/2017	5/1/2024	2% - 3%	1,950,000
Refunding 2017, Series B	9,295,000	12/13/2017	5/1/2037	2% - 5%	9,295,000
Total special assessments bonds payable					<u>\$ 44,559,076</u>

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
2018	\$ 4,592,006	\$ 1,097,575	\$ 982,627	\$ 124,135	\$ 5,574,633	\$ 1,221,710
2019	4,417,019	966,855	888,501	100,038	5,305,520	1,066,893
2020	4,232,701	841,178	833,737	79,274	5,066,438	920,452
2021	3,995,681	709,057	751,748	58,386	4,747,429	767,443
2022	3,479,906	593,879	657,857	38,802	4,137,763	632,681
2023 - 2027	11,245,239	1,824,846	932,054	70,294	12,177,293	1,895,140
2028 - 2032	6,072,663	520,262	227,337	4,129	6,300,000	524,391
2033 - 2037	1,250,000	97,641	-	-	1,250,000	97,641
Totals	\$ 39,285,215	\$ 6,651,293	\$ 5,273,861	\$ 475,058	\$ 44,559,076	\$ 7,126,351

#### 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 \$281,470. Principal and interest paid for the current year and total net revenues were \$140,868 and \$2,385,451, 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 \$32,077,025. Principal and interest paid for the current year and total net revenues were \$1,910,795 and \$1,789,088, 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 2035. 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 \$28,894,215. Principal and interest paid for the current year and total net revenues were \$2,657,314 and \$4,340,390, 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 \$477,661. Principal and interest paid for the current year and total net revenues were \$110,127 and \$308,569, respectively.

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%	\$ 265,000
\$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%	585,000
\$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>4,935,000</u>
Total Governmental Funds	<u><u>\$ 21,060,000</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%	\$ 640,000
\$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%	1,065,000
\$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%	515,000
\$1,545,663 Sewer Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$80,000 to \$110,000 through September 1, 2028; interest at 2.5%	1,040,000
\$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%	620,000
\$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%	2,780,000

\$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%	4,995,000
\$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%	4,965,000
\$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%	1,720,000
\$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%	540,000
\$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%	1,440,000
\$4,276,824 Sewer Improvement Revenue Bonds of 2015, Series A, due in annual installments of \$181,824 to \$270,000 through, September 1, 2035; interest at 2%	4,095,000
\$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%	168,768
\$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>248,696</u>
Total Proprietary Funds	<u>\$ 24,832,464</u>
Total Revenue Bonds	<u>\$ 45,892,464</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
2018	\$ 550,000	\$ 682,030	\$ 2,129,752	\$ 657,188	\$ 2,679,752	\$ 1,339,218
2019	560,000	670,465	2,191,316	598,510	2,751,316	1,268,975
2020	435,000	654,175	1,934,111	537,910	2,369,111	1,192,085
2021	450,000	641,125	1,935,394	484,052	2,385,394	1,125,177
2022	465,000	627,625	1,699,719	430,500	2,164,719	1,058,125
2023 - 2027	2,540,000	2,912,950	9,017,172	1,427,158	11,557,172	4,340,108
2028 - 2032	3,055,000	2,399,825	4,860,000	366,594	7,915,000	2,766,419
2033 - 2037	3,695,000	1,760,875	1,065,000	37,500	4,760,000	1,798,375
2038 - 2041	9,310,000	949,425	-	-	9,310,000	949,425
Totals	<u>\$ 21,060,000</u>	<u>\$ 11,298,495</u>	<u>\$ 24,832,464</u>	<u>\$ 4,539,412</u>	<u>\$ 45,892,464</u>	<u>\$ 15,837,907</u>

Loans Payable

The following is a schedule of loans payable outstanding at December 31, 2017:

Proprietary Funds

\$1,363,000 Water Improvement Interim Certificate 2017, Series B,  
due in annual installments of \$58,000 to \$80,000 through,  
September 1, 2037; interest at 1.5%

\$ 749,896

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

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 58,000	\$ 20,446
2019	55,000	19,576
2020	60,000	18,750
2021	60,000	17,850
2022	60,000	16,950
2023 - 2027	320,000	70,802
2028 - 2029	136,896	67,446
Totals	<u>\$ 749,896</u>	<u>\$ 231,820</u>

Current Refunding

The City issued Refunding Improvement Bonds of 2017, Series A for the purpose of refunding \$1,965,000 of Refunding Improvement Bonds of 2008, Series C. The 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 \$121,819 in future debt service payments.

Changes in Long-term Liabilities

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

Governmental Activities	Balance 1-1-17	Additions	Reductions	Balance 12-31-17	Due Within One Year
Compensated Absences	\$ 437,257	\$ 395,029	\$ (438,771)	\$ 393,515	\$ 130,212
Capital Lease	612,536	-	(79,785)	532,751	82,086
General Obligation Bonds	550,000	-	(45,000)	505,000	45,000
Special Assessment Bonds	34,117,923	11,604,190	(6,436,898)	39,285,215	4,592,006
Plus unamortized premium	-	542,840	(4,250)	538,590	29,692
Revenue Bonds	22,400,000	-	(1,340,000)	21,060,000	550,000
Plus unamortized premium	515,174	-	(20,607)	494,567	20,607
<b>Total</b>	<b>\$ 58,632,890</b>	<b>\$ 12,542,059</b>	<b>\$ (8,365,311)</b>	<b>\$ 62,809,638</b>	<b>\$ 5,449,603</b>
Business-type Activities	Balance 1-1-17	Additions	Reductions	Balance 12-31-17	Due Within One Year
Compensated Absences	\$ 140,988	\$ 124,862	\$ (130,870)	\$ 134,980	\$ 63,363
Capital Lease	599,643	-	(78,157)	521,486	80,964
Special Assessment Bonds	6,254,929	60,811	(1,041,879)	5,273,861	982,627
Plus unamortized premium	-	31,047	(3,293)	27,754	3,528
Revenue Bonds	22,612,874	4,276,824	(2,057,234)	24,832,464	2,129,752
Loans Payable	3,546,650	1,480,070	(4,276,824)	749,896	58,000
<b>Total</b>	<b>\$ 33,155,084</b>	<b>\$ 5,973,614</b>	<b>\$ (7,588,257)</b>	<b>\$ 31,540,441</b>	<b>\$ 3,318,234</b>

Compensated absences are liquidated in the fund in which the service is received, which would be the fund in which the employee's salary is charged. This includes the general fund, cemetery fund, Mandan growth fund, Morton Mandan Public Library fund, Abused Adult Resource Center grant fund, water and sewer utility fund, solid waste utility fund, street light utility fund, Mandan Airport Authority fund and the internal service fund.

Long-term liabilities related to pension obligations are liquidated in the general fund.

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, 2017.

## **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, 2017, there was one series of MIDA Bonds outstanding; the aggregate principal amount payable was \$1,100,000. 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, 2017, there were five CDBG loans outstanding, with an aggregate principal amount payable of \$466,477.

## **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 194 participants as of December 31, 2017.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the 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, 2017, 2016, and 2015, were \$540,530, \$612,323, and \$733,955, 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 nine 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, one member elected by the retired public employees and 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 service	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

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

At December 31, 2017, the City reported a liability of \$298,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City'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. At December 31, 2017, The City's proportion was 30.483228%.

For the year ended December 31, 2017, the City recognized pension revenue of \$178,129. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 60,586	\$ 17,176
Change in assumptions	833,788	36,321
Net differences between projected and actual earnings on pension plan investments	-	1,196
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	80,875
Employer contributions subsequent to the measurement date	71,915	-
	<u>71,915</u>	<u>-</u>
Total	<u>\$ 966,289</u>	<u>\$ 135,568</u>

\$71,915 reported 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, 2018.

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

Year ended December 31			
2018		\$	201,878
2019			207,789
2020			201,113
2021			148,026
			<u>148,026</u>
		<u>\$</u>	<u>758,806</u>

**Actuarial Assumptions.**

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary Increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

\* Age-based salary increase rates apply for employees with three or more years of service

Investment Rate of Return	7.75%, net of investment expenses
Cost of Living Adjustment	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31%	6.05%
International equity	21%	6.70%
Private equity	5%	10.20%
Domestic fixed income	17%	1.43%
International fixed income	5%	-0.45%
Global real assets	20%	5.16%
Cash equivalents	1%	0.00%

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employers' net pension liability (asset)	\$ 688,826	\$ 298,382	\$ (3,169)

**Pension Plan Fiduciary Net Position.**

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

**Note 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
Police Equipment Reserve - Evidence	29,087
Cash with Fiscal Agent - 0.75% Sales Tax	<u>1,596,713</u>
Total	<u><u>\$ 1,767,300</u></u>

Proprietary Funds

Special Assessment Bond Debt Service Accounts	\$ 380,627
Revenue Bond Service Accounts	<u>2,378,776</u>
Total	<u><u>\$ 2,759,403</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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and public asset insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$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 damages 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 \$6,243,460 at December 31, 2016, the most recent year audited.

### **Note 8 - Commitments and Contingencies**

#### **Financial Subsidy Commitments**

The City has financial subsidy commitments of \$416,749 as of December 31, 2017.

## **Litigation**

Various suits and claims are pending against the City as of December 31, 2017. 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. The City incurred operating expenditures of \$586,402 related to costs of CenCom during the year ended December 31, 2017.

## **Note 10 - Subsequent Events**

Subsequent to December 31, 2017, the City issued \$242,819 of Water Improvement Interim Certificates of 2017, Series B (No. R-2).

Subsequent to December 31, 2017, the City issued \$820,281 of Water Improvement Bonds of 2017, Series A.

Subsequent to December 31, 2017, the City issued \$9,691 of Water Improvement Interim Certificates of 2017, Series A (No. R-2).

Subsequent to December 31, 2017, the City obtained a loan through the Bank of North Dakota's Infrastructure Revolving Loan Fund for \$322,896.

Subsequent to December 31, 2017, the City entered into a cost-share agreement with the State Water Commission for the 30 inch Water Transmission Line Replacement project. The State Water Commission will provide a 35% cost share for pre-construction costs and a 60% cost share for construction costs not to exceed total estimated costs for the State Water Commission's share of \$3,135,000.

## Note 11 - Recent Pronouncements

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

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

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

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

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

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

GASB Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. This statement provides clarity as to which liabilities governments should include when disclosing information related to debt. It also requires additional essential information related to debt be disclosed in the notes to the financial statements such as unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. This statement establishes accounting requirements for interest cost incurred before the end of a construction period and requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this statement are effective for financial statements for fiscal years beginning after December 15, 2019.

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



Required Supplementary Information  
December 31, 2017

# City of Mandan

City of Mandan  
Budgetary Comparison Schedule – General Fund  
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 3,267,650	\$ 3,260,305	\$ 3,238,104	\$ (22,201)
Licenses and Permits	990,600	1,081,195	950,688	(130,507)
Intergovernmental	2,059,500	2,157,258	2,384,793	227,535
Charges for Services	166,750	181,495	152,885	(28,610)
Fines and Forfeits	178,750	178,750	235,446	56,696
Special Assessments	519,850	633,353	495,238	(138,115)
Interest	8,750	8,750	17,965	9,215
Rent	11,000	11,000	10,600	(400)
Miscellaneous	15,300	15,300	14,978	(322)
Total revenues	<u>7,218,150</u>	<u>7,527,406</u>	<u>7,500,697</u>	<u>(26,709)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,959,500	3,097,683	2,925,566	172,117
Public Safety	6,171,000	6,171,880	6,103,632	68,248
Public Works	1,451,000	1,757,445	1,670,889	86,556
<b>Debt Service</b>				
Principal	28,700	28,700	28,686	14
Interest	11,400	11,400	11,407	(7)
Capital Outlay	27,700	1,388,202	248,261	1,139,941
Total Expenditures	<u>10,649,300</u>	<u>12,455,310</u>	<u>10,988,441</u>	<u>1,466,869</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,431,150)</u>	<u>(4,927,904)</u>	<u>(3,487,744)</u>	<u>1,440,160</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	3,297,150	3,297,150	3,871,181	574,031
Transfers Out	<u>(131,950)</u>	<u>(131,950)</u>	<u>(156,484)</u>	<u>(24,534)</u>
Total Other Financing Sources and Uses	<u>3,165,200</u>	<u>3,165,200</u>	<u>3,714,697</u>	<u>549,497</u>
Net Change in Fund Balance	<u>\$ (265,950)</u>	<u>\$ (1,762,704)</u>	<u>226,953</u>	<u>\$ 1,989,657</u>
Fund Balances - January 1			<u>3,797,430</u>	
Fund Balances - December 31			<u>\$ 4,024,383</u>	

City of Mandan  
 Budgetary Comparison Schedule – Cemetery Fund  
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 156,500	\$ 157,286	\$ 156,233	\$ (1,053)
Intergovernmental	3,150	3,150	3,928	778
Charges for Services	61,650	61,650	54,100	(7,550)
Cemetery lots	40,650	40,650	33,550	(7,100)
Miscellaneous	50	50	220	170
Total revenues	<u>262,000</u>	<u>262,786</u>	<u>248,031</u>	<u>(14,755)</u>
<b>Expenditures</b>				
<b>Current</b>				
Cemetery	152,850	152,850	161,053	(8,203)
Capital Outlay	10,000	10,000	10,968	(968)
Total Expenditures	<u>162,850</u>	<u>162,850</u>	<u>172,021</u>	<u>(9,171)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>99,150</u>	<u>99,936</u>	<u>76,010</u>	<u>(23,926)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	10,000	10,000	10,000	-
Transfers Out	<u>(109,150)</u>	<u>(109,150)</u>	<u>(79,800)</u>	<u>29,350</u>
Total Other Financing Sources and Uses	<u>(99,150)</u>	<u>(99,150)</u>	<u>(69,800)</u>	<u>29,350</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 786</u>	<u>6,210</u>	<u>\$ 5,424</u>
Fund Balances - January 1			<u>27,976</u>	
Fund Balances - December 31			<u>\$ 34,186</u>	

City of Mandan  
 Budgetary Comparison Schedule – 0.75% Sales Tax Fund  
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 1,771,650	\$ 1,771,650	\$ 1,789,088	\$ 17,438
Interest	-	-	4,315	4,315
Total revenues	<u>1,771,650</u>	<u>1,771,650</u>	<u>1,793,403</u>	<u>21,753</u>
Expenditures				
Current				
Culture and Recreation	-	-	16,647,582	(16,647,582)
Debt Service				
Principal	415,000	415,000	1,215,000	(800,000)
Interest	704,600	704,600	695,795	8,805
Service charges	-	-	3,500	(3,500)
Total Expenditures	<u>1,119,600</u>	<u>1,119,600</u>	<u>18,561,877</u>	<u>(17,442,277)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>652,050</u>	<u>652,050</u>	<u>(16,768,474)</u>	<u>(17,420,524)</u>
Other Financing Sources (Uses)				
Investment Discounts	-	-	11,457	11,457
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>11,457</u>	<u>11,457</u>
Net Change in Fund Balance	<u>\$ 652,050</u>	<u>\$ 652,050</u>	<u>(16,757,017)</u>	<u>\$ (17,409,067)</u>
Fund Balances - January 1			<u>18,353,730</u>	
Fund Balances - December 31			<u>\$ 1,596,713</u>	

City of Mandan  
 Budgetary Comparison Schedule – City Sales Tax/Mandan Growth Fund  
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes	\$ 2,362,200	\$ 2,362,200	\$ 2,385,451	\$ 23,251
Intergovernmental	2,500	2,500	2,500	-
Charges for Services	2,400	2,400	1,185	(1,215)
Loan repayments	76,150	76,150	87,341	11,191
Rent	6,000	6,000	6,000	-
Miscellaneous	500	500	500	-
Total revenues	<u>2,449,750</u>	<u>2,449,750</u>	<u>2,482,977</u>	<u>33,227</u>
<b>Expenditures</b>				
<b>Current</b>				
Culture and Recreation	45,000	45,000	45,000	-
Economic Development and Assistance	349,900	848,138	683,439	164,699
Capital Outlay	20,100	129,003	23,918	105,085
Total Expenditures	<u>415,000</u>	<u>1,022,141</u>	<u>752,357</u>	<u>269,784</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,034,750</u>	<u>1,427,609</u>	<u>1,730,620</u>	<u>303,011</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	300,000	300,000	300,000	-
Transfers Out	<u>(1,879,400)</u>	<u>(1,879,400)</u>	<u>(1,967,788)</u>	<u>(88,388)</u>
Total Other Financing Sources and Uses	<u>(1,579,400)</u>	<u>(1,579,400)</u>	<u>(1,667,788)</u>	<u>(88,388)</u>
Net Change in Fund Balance	<u>\$ 455,350</u>	<u>\$ (151,791)</u>	<u>62,832</u>	<u>\$ 214,623</u>
Fund Balances - January 1			<u>3,519,983</u>	
Fund Balances - December 31			<u>\$ 3,582,815</u>	

City of Mandan  
Budgetary Comparison Schedule – Morton Mandan Public Library  
Year Ended December 31, 2017

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

**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.

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

Pension Plan	Measurement Date	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS Law Enforcement System	06/30/17	30.483228%	\$ 298,382	\$ 1,797,528	16.6%	69.86%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

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

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
NDPERS	12/31/17	\$ 164,836	\$ 164,836	\$ -	\$ 1,680,285	9.81%
Law Enforcement System	12/31/16	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 ten year trend is compiled, the City will present information for those years for which information is available

**Notes to the Schedules of Required Pension Information**

**Changes of Assumptions**

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

City of Mandan  
Combining Balance Sheet – Nonmajor Governmental Funds  
December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,265,059	\$ 49,373	\$ 1,302,403	\$ 5,616,835
Taxes receivable	7,984	2,307	-	10,291
Accounts receivable (net of allowance)	17,388	-	-	17,388
Special assessments receivable	324,822	-	180,942	505,764
Intergovernmental receivable	233,013	-	70,955	303,968
Interfund receivable	460,598	-	-	460,598
Prepaid expenses	2,315	-	956	3,271
Cash and cash equivalents - restricted	-	141,500	-	141,500
<b>Total assets</b>	<b>\$ 5,311,179</b>	<b>\$ 193,180</b>	<b>\$ 1,555,256</b>	<b>\$ 7,059,615</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Salaries and benefits payable	\$ 6,934	\$ -	\$ -	\$ 6,934
Accounts payable	6,085	-	1,762	7,847
Interfund payable	250,749	-	200,939	451,688
Prepaid revenues	5,260	-	-	5,260
<b>Total liabilities</b>	<b>269,028</b>	<b>-</b>	<b>202,701</b>	<b>471,729</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	7,283	2,104	-	9,387
Unavailable revenue - special assessments	305,342	-	170,897	476,239
Unavailable revenue - revenue not collected within 60 days	1,432	-	-	1,432
<b>Total deferred inflows of resources</b>	<b>314,057</b>	<b>2,104</b>	<b>170,897</b>	<b>487,058</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Prepaid items	2,315	-	956	3,271
<b>Restricted for</b>				
Public works	3,718,498	-	-	3,718,498
Culture and recreation	48,770	-	-	48,770
Urban redevelopment and housing	83,230	-	-	83,230
Debt service	-	191,076	-	191,076
Capital projects	-	-	1,371,596	1,371,596
<b>Committed for</b>				
General government	464,632	-	-	464,632
Public safety	319,378	-	-	319,378
Urban redevelopment and housing	312,228	-	-	312,228
Unassigned	(220,957)	-	(190,894)	(411,851)
<b>Total fund balances</b>	<b>4,728,094</b>	<b>191,076</b>	<b>1,181,658</b>	<b>6,100,828</b>
<b>Total liabilities, deferred inflows resources, and fund balances</b>	<b>\$ 5,311,179</b>	<b>\$ 193,180</b>	<b>\$ 1,555,256</b>	<b>\$ 7,059,615</b>

City of Mandan  
Combining Balance Sheet – Nonmajor Special Revenue Funds  
December 31, 2017

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Transportation System	Fire Equipment Reserve	Abused Adult Resource Center Grant	BNSF Settlement	Mandan SEP Trust	Downtown Redevelopment	Health and Safety	Total Nonmajor Special Revenue Funds
<b>Assets</b>													
Cash and cash equivalents	\$ -	\$ 3,500,941	\$ -	\$ 48,158	\$ 47,964	\$ -	\$ 272,147	\$ -	\$ 298,783	\$ 83,230	\$ 13,836	\$ -	\$ 4,265,059
Taxes Receivable	-	-	3,095	-	-	4,889	-	-	-	-	-	-	7,984
Accounts Receivable (Net)	-	-	-	-	450	-	-	16,938	-	-	-	-	17,388
Special Assessments Receivable	-	-	121,913	-	-	-	-	-	-	-	-	202,909	324,822
Intergovernmental Receivable	217,557	-	-	6,114	-	-	-	-	-	-	9,342	-	233,013
Interfund Receivable	-	-	460,598	-	-	-	-	-	-	-	-	-	460,598
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	2,315	-	2,315
<b>Total assets</b>	<b>\$ 217,557</b>	<b>\$ 3,500,941</b>	<b>\$ 585,606</b>	<b>\$ 54,272</b>	<b>\$ 48,414</b>	<b>\$ 4,889</b>	<b>\$ 272,147</b>	<b>\$ 16,938</b>	<b>\$ 298,783</b>	<b>\$ 83,230</b>	<b>\$ 25,493</b>	<b>\$ 202,909</b>	<b>\$ 5,311,179</b>
<b>Liabilities and Fund Balances</b>													
<b>Liabilities</b>													
Salaries and Benefits Payable	\$ -	\$ -	\$ -	\$ 5,502	\$ -	\$ -	\$ -	\$ 1,432	\$ -	\$ -	\$ -	\$ -	\$ 6,934
Accounts Payable	-	-	-	-	1,123	429	-	-	-	-	4,533	-	6,085
Interfund Payable	-	-	-	-	-	-	-	15,505	-	-	-	235,244	250,749
Prepaid Revenue	-	-	-	-	60	-	-	-	5,200	-	-	-	5,260
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,502</b>	<b>1,183</b>	<b>429</b>	<b>-</b>	<b>16,937</b>	<b>5,200</b>	<b>-</b>	<b>4,533</b>	<b>235,244</b>	<b>269,028</b>
<b>Deferred Inflows of Resources</b>													
Unavailable Revenue - Property Taxes	-	-	2,823	-	-	4,460	-	-	-	-	-	-	7,283
Unavailable Revenue - Special Assessments	-	-	118,151	-	-	-	-	-	-	-	-	187,191	305,342
Unavailable Revenue - Revenue not Collected within 60 days	-	-	-	-	-	-	-	1,432	-	-	-	-	1,432
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>120,974</b>	<b>-</b>	<b>-</b>	<b>4,460</b>	<b>-</b>	<b>1,432</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,191</b>	<b>314,057</b>
<b>Fund Balances</b>													
<b>Nonspendable</b>													
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	2,315	-	2,315
<b>Restricted for</b>													
Public Works	217,557	3,500,941	-	-	-	-	-	-	-	-	-	-	3,718,498
Culture and Recreation	-	-	-	48,770	-	-	-	-	-	-	-	-	48,770
Urban Redevelopment and Housing	-	-	-	-	-	-	-	-	-	83,230	-	-	83,230
<b>Committed for</b>													
General Government	-	-	464,632	-	-	-	-	-	-	-	-	-	464,632
Public Safety	-	-	-	-	47,231	-	272,147	-	-	-	-	-	319,378
Urban Redevelopment and Housing	-	-	-	-	-	-	-	-	293,583	-	18,645	-	312,228
Unassigned	-	-	-	-	-	-	-	(1,431)	-	-	-	(219,526)	(220,957)
<b>Total fund balances</b>	<b>217,557</b>	<b>3,500,941</b>	<b>464,632</b>	<b>48,770</b>	<b>47,231</b>	<b>-</b>	<b>272,147</b>	<b>(1,431)</b>	<b>293,583</b>	<b>83,230</b>	<b>20,960</b>	<b>(219,526)</b>	<b>4,728,094</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Liabilities</b>	<b>\$ 217,557</b>	<b>\$ 3,500,941</b>	<b>\$ 585,606</b>	<b>\$ 54,272</b>	<b>\$ 48,414</b>	<b>\$ 4,889</b>	<b>\$ 272,147</b>	<b>\$ 16,938</b>	<b>\$ 298,783</b>	<b>\$ 83,230</b>	<b>\$ 25,493</b>	<b>\$ 202,909</b>	<b>\$ 5,311,179</b>

City of Mandan  
Combining Balance Sheet – Nonmajor Debt Service Funds  
December 31, 2017

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 49,373	\$ 49,373
Taxes receivable	-	2,307	2,307
Cash and cash equivalents - restricted	141,500	-	141,500
<b>Total assets</b>	<b>\$ 141,500</b>	<b>\$ 51,680</b>	<b>\$ 193,180</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	\$ -	\$ 2,104	\$ 2,104
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 2,104</b>	<b>\$ 2,104</b>
<b>Fund Balances</b>			
Restricted for Debt service	\$ 141,500	\$ 49,576	\$ 191,076
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 141,500</b>	<b>\$ 51,680</b>	<b>\$ 193,180</b>

City of Mandan  
Combining Balance Sheet – Nonmajor Capital Projects Funds  
December 31, 2017

	Bike Path Construction	City Visitor's Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Total Nonmajor Capital Projects Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 1,302,403	\$ -	\$ 1,302,403
Intergovernmental receivable	-	70,955	-	70,955
Special assessments receivable	-	-	180,942	180,942
Prepaid expenses	-	956	-	956
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,374,314</b>	<b>\$ 180,942</b>	<b>\$ 1,555,256</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,762	\$ -	\$ 1,762
Interfund payable	-	-	200,939	200,939
<b>Total liabilities</b>	<b>-</b>	<b>1,762</b>	<b>200,939</b>	<b>202,701</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	170,897	170,897
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>170,897</b>	<b>170,897</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Prepaid items	-	956	-	956
<b>Restricted for</b>				
Capital projects	-	1,371,596	-	1,371,596
Unassigned	-	-	(190,894)	(190,894)
<b>Total fund balances</b>	<b>-</b>	<b>1,372,552</b>	<b>(190,894)</b>	<b>1,181,658</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ 1,374,314</b>	<b>\$ 180,942</b>	<b>\$ 1,555,256</b>

City of Mandan  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental  
Funds  
Year Ended December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,458,307	\$ 71,266	\$ 457,190	\$ 2,986,763
Intergovernmental	161,361	1,805	-	163,166
Charges for services	86,813	-	-	86,813
Special assessments	116,404	-	18,331	134,735
Interest	2,065	-	-	2,065
Rent	2,400	-	16,414	18,814
Miscellaneous	49,841	-	-	49,841
<b>Total revenues</b>	<u>2,877,191</u>	<u>73,071</u>	<u>491,935</u>	<u>3,442,197</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	325,586	-	-	325,586
Public safety	18,093	-	-	18,093
Public works	83,315	-	36,436	119,751
Culture and recreation	55,323	-	164,217	219,540
Urban redevelopment and housing	56,246	-	-	56,246
<b>Debt service</b>				
Principal	51,099	170,000	-	221,099
Interest	6,190	38,401	-	44,591
Service charges	-	2,265	-	2,265
Capital outlay	1,482,456	-	34,625	1,517,081
<b>Total expenditures</b>	<u>2,078,308</u>	<u>210,666</u>	<u>235,278</u>	<u>2,524,252</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>798,883</u>	<u>(137,595)</u>	<u>256,657</u>	<u>917,945</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,505,257	141,950	85,404	1,732,611
Transfers out	<u>(3,615,932)</u>	<u>-</u>	<u>(85,812)</u>	<u>(3,701,744)</u>
<b>Total Other Financing Sources and Uses</b>	<u>(2,110,675)</u>	<u>141,950</u>	<u>(408)</u>	<u>(1,969,133)</u>
<b>Net Change in Fund Balances</b>	<u>(1,311,792)</u>	<u>4,355</u>	<u>256,249</u>	<u>(1,051,188)</u>
<b>Fund Balances - January 1</b>	<u>6,039,886</u>	<u>186,721</u>	<u>925,409</u>	<u>7,152,016</u>
<b>Fund Balances - December 31</b>	<u>\$ 4,728,094</u>	<u>\$ 191,076</u>	<u>\$ 1,181,658</u>	<u>\$ 6,100,828</u>

City of Mandan  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds  
Year Ended December 31, 2017

	Highway Distribution	Hub City	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Reserve	Public Transportation System	Fire Equipment Reserve	Abused Adult Resource Center Grant	BNSF Settlement	Mandan SEP Trust	Downtown Redevelopment	Health and Safety	Total Nonmajor Special Revenue Funds
<b>Revenues</b>													
Taxes	\$ 1,156,670	\$ 1,000,000	\$ 90,261	\$ 55,143	\$ -	\$ 156,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,458,307
Intergovernmental	-	-	2,311	-	-	3,928	155,122	-	-	-	-	-	161,361
Charges for services	-	-	-	-	16,755	-	-	70,058	-	-	-	-	86,813
Special assessments	-	-	83,416	-	512	-	-	-	-	-	-	32,476	116,404
Interest	-	-	-	-	-	-	-	-	-	2,065	-	-	2,065
Rent	-	-	-	-	-	-	-	-	2,400	-	-	-	2,400
Miscellaneous	-	-	-	-	-	-	300	-	-	-	49,541	-	49,841
Total revenues	<u>1,156,670</u>	<u>1,000,000</u>	<u>175,988</u>	<u>55,143</u>	<u>17,267</u>	<u>160,161</u>	<u>155,422</u>	<u>70,058</u>	<u>2,400</u>	<u>2,065</u>	<u>49,541</u>	<u>32,476</u>	<u>2,877,191</u>
<b>Expenditures</b>													
<b>Current</b>													
General government	-	-	89,745	-	-	160,161	-	75,680	-	-	-	-	325,586
Public Safety	-	-	-	-	18,093	-	-	-	-	-	-	-	18,093
Public Works	-	-	-	-	-	-	-	-	-	-	-	83,315	83,315
Culture and Recreation	-	-	-	55,323	-	-	-	-	-	-	-	-	55,323
Urban redevelopment and housing	-	-	-	-	-	-	-	-	5,085	1,565	49,596	-	56,246
<b>Debt Service</b>													
Principal	-	-	-	-	-	-	51,099	-	-	-	-	-	51,099
Interest	-	-	-	-	-	-	6,190	-	-	-	-	-	6,190
Capital Outlay	-	-	-	-	-	-	-	-	-	-	1,482,456	-	1,482,456
Total expenditures	<u>-</u>	<u>-</u>	<u>89,745</u>	<u>55,323</u>	<u>18,093</u>	<u>160,161</u>	<u>57,289</u>	<u>75,680</u>	<u>5,085</u>	<u>1,565</u>	<u>1,532,052</u>	<u>83,315</u>	<u>2,078,308</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,156,670</u>	<u>1,000,000</u>	<u>86,243</u>	<u>(180)</u>	<u>(826)</u>	<u>-</u>	<u>98,133</u>	<u>(5,622)</u>	<u>(2,685)</u>	<u>500</u>	<u>(1,482,511)</u>	<u>(50,839)</u>	<u>798,883</u>
<b>Other Financing Sources (Uses)</b>													
Transfers in	-	-	-	-	-	-	-	5,257	-	-	1,500,000	-	1,505,257
Transfers out	(1,134,728)	(679,511)	(17,772)	-	-	-	(84,655)	-	(170,000)	(1,500,000)	-	(29,266)	(3,615,932)
Total Other Financing Sources and Uses	<u>(1,134,728)</u>	<u>(679,511)</u>	<u>(17,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,655)</u>	<u>5,257</u>	<u>(170,000)</u>	<u>(1,500,000)</u>	<u>1,500,000</u>	<u>(29,266)</u>	<u>(2,110,675)</u>
Net Change in Fund Balances	<u>21,942</u>	<u>320,489</u>	<u>68,471</u>	<u>(180)</u>	<u>(826)</u>	<u>-</u>	<u>13,478</u>	<u>(365)</u>	<u>(172,685)</u>	<u>(1,499,500)</u>	<u>17,489</u>	<u>(80,105)</u>	<u>(1,311,792)</u>
Fund Balances - January 1	<u>195,615</u>	<u>3,180,452</u>	<u>396,161</u>	<u>48,950</u>	<u>48,057</u>	<u>-</u>	<u>258,669</u>	<u>(1,066)</u>	<u>466,268</u>	<u>1,582,730</u>	<u>3,471</u>	<u>(139,421)</u>	<u>6,039,886</u>
Fund Balances - December 31	<u>\$ 217,557</u>	<u>\$ 3,500,941</u>	<u>\$ 464,632</u>	<u>\$ 48,770</u>	<u>\$ 47,231</u>	<u>\$ -</u>	<u>\$ 272,147</u>	<u>\$ (1,431)</u>	<u>\$ 293,583</u>	<u>\$ 83,230</u>	<u>\$ 20,960</u>	<u>\$ (219,526)</u>	<u>\$ 4,728,094</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds  
Year Ended December 31, 2017

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
Revenues			
Taxes	\$ -	\$ 71,266	\$ 71,266
Intergovernmental	-	1,805	1,805
Total revenues	<u>-</u>	<u>73,071</u>	<u>73,071</u>
Expenditures			
Debt service			
Principal	125,000	45,000	170,000
Interest	15,868	22,533	38,401
Service charges	1,082	1,183	2,265
Total expenditures	<u>141,950</u>	<u>68,716</u>	<u>210,666</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(141,950)</u>	<u>4,355</u>	<u>(137,595)</u>
Other Financing Sources (Uses)			
Transfers in	<u>141,950</u>	<u>-</u>	<u>141,950</u>
Total Other Financing Sources and Uses	<u>141,950</u>	<u>-</u>	<u>141,950</u>
Net Change in Fund Balances	<u>-</u>	<u>4,355</u>	<u>4,355</u>
Fund Balances - January 1	<u>141,500</u>	<u>45,221</u>	<u>186,721</u>
Fund Balances - December 31	<u>\$ 141,500</u>	<u>\$ 49,576</u>	<u>\$ 191,076</u>

City of Mandan  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects  
Funds  
Year Ended December 31, 2017

	<u>Bike Path Construction</u>	<u>City Visitors' Promotion Capital Construction</u>	<u>Sidewalk, Curb and Gutter Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 457,190	\$ -	\$ 457,190
Special assessments	-	-	18,331	18,331
Rent	-	16,414	-	16,414
<b>Total revenues</b>	<u>-</u>	<u>473,604</u>	<u>18,331</u>	<u>491,935</u>
<b>Expenditures</b>				
<b>Current</b>				
Public Works	-	-	36,436	36,436
Culture and recreation	2,450	161,767	-	164,217
Capital Outlay	-	34,625	-	34,625
<b>Total expenditures</b>	<u>2,450</u>	<u>196,392</u>	<u>36,436</u>	<u>235,278</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(2,450)</u>	<u>277,212</u>	<u>(18,105)</u>	<u>256,657</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	85,404	-	-	85,404
Transfers out	-	-	(85,812)	(85,812)
<b>Total other financing sources and uses</b>	<u>85,404</u>	<u>-</u>	<u>(85,812)</u>	<u>(408)</u>
<b>Net Change in Fund Balances</b>	<u>82,954</u>	<u>277,212</u>	<u>(103,917)</u>	<u>256,249</u>
<b>Fund Balance - January 1</b>	<u>(82,954)</u>	<u>1,095,340</u>	<u>(86,977)</u>	<u>925,409</u>
<b>Fund Balances - December 31</b>	<u>\$ -</u>	<u>\$ 1,372,552</u>	<u>\$ (190,894)</u>	<u>\$ 1,181,658</u>



Federal Awards Report in Accordance  
with the Uniform Guidance  
December 31, 2017

# 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  
*Government Auditing Standards*..... 1

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  
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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, 2017, 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 28, 2018.

**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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency which is described in the accompanying schedule of findings and questioned costs as item 2017-A.

**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 Finding**

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 28, 2018



**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 City of Mandan’s major federal program for the year ended December 31, 2017. 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 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, 2017.

### **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 the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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, 2017, 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 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Bismarck, North Dakota  
September 28, 2018

City of Mandan  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
<u>Department of Justice</u>			
Grants to Encourage Arrest and Enforcement of Protection Orders Program	16.590		\$ 70,424
Bulletproof Vest Partnership	16.607		<u>6,078</u>
Total Department of Justice			<u>76,502</u>
<u>Department of Transportation</u>			
Airport Improvement Program	20.106		25,227
<u>Passed through ND Department of Transportation</u>			
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	SU-1-988(040)051, SU-1-988(042)53 SU-1-094(170)919, NHU-1-094(180)917 SS-9-999(307), TAU-LCT-1-806(049)068 TAU-LCT-1-988(041)052, SHE-9-999(367)	527,142
Highway Safety Cluster: National Priority Safety Programs	20.616	PHSPOP1705-05-14, PHSPID1710-02-13 PHSPDD1711-02-07, PHSPOP1805-05-11	<u>10,361</u>
Total Department of Transportation			<u>562,730</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	380951-01	18,617
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	66.468	30000596-07, 30000596-06	<u>1,912,946</u>
Total Environmental Protection Agency			<u>1,931,563</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>3,592</u>
Total Executive Office of the President			<u>3,592</u>
<u>Department of Homeland Security</u>			
<u>Passed through ND Department of Emergency Services</u>			
Disaster Grants - Public Assistance	97.036	FEMA-DR-1981-ND	79,783
Hazard Mitigation Grant Program	97.039	FEMA-DR-4190-ND	<u>4,947</u>
Total Department of Homeland Security			<u>84,730</u>
Total Expenditures of Federal Awards			<u>\$ 2,659,117</u>

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Mandan under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Mandan, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of the City of Mandan.

**Note B – Significant Accounting Policies**

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

**Note C - Indirect Cost Rate**

The City does not draw for indirect administrative expenses and has not elected to use the 10% de 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	No
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>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

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**Section II – Financial Statement Findings**

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**2017-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: The City of Mandan’s payroll process and Human Resources function was outsourced to a third-party service provider during part of 2017. The outsourcing of these items 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. Processes included several manual steps in accounting for and paying vacation/sick leave, compensatory time, overtime and regular time. There was a lack of defined controls to ensure that these items were properly recorded and tracked which resulted in inconsistencies and errors in the accounting and tracking of this time. Additionally, there was 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 had been processed.

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

Effect: This 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: During 2017, the City started performing its payroll processes in-house versus outsourcing the activities. We recommend the City continue to review the controls related to the payroll process and Human Resources function that the City is now performing to identify if all necessary controls have been implemented to address the issues.

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

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**Section III – Federal Award Findings and Questioned Costs**

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No federal award findings reported in the current year.