

CITY OF THOMPSON  
THOMPSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016

## TABLE OF CONTENTS

	Page
<b>LIST OF OFFICIALS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds	9
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance to the Statement of Activities	10
Statement of Net Position - Enterprise Funds	11
Statement of Revenue, Expenses and Changes in Net Position - Enterprise Funds	12
Statement of Cash Flows - Enterprise Funds	13
Notes to the Basic Financial Statements	14
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - Budget and Actual - General Fund	34
Budgetary Comparison Schedule - Budget and Actual - Highway Fund	35
Notes to the Budgetary Comparison Schedules	36
Schedule of Employer's Share of Net Pension Liability	38
Schedule of Employer Contributions to the ND Public Employees Retirement System	39
Note to the Required Supplementary Information	40
<b>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</b>	<b>41</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>43</b>

CITY OF THOMPSON, NORTH DAKOTA  
LIST OF OFFICIALS  
AS OF DECEMBER 31, 2016

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Karyn Hippen	Mayor	6/20
Wayne Wilson	Council Member	6/18
Dean Larimer	Council Member	6/20
Desmond Sporbert	Council Member	6/18
Jeremy Hughes	Council Member	6/20
Barb Robinson	Auditor	Appointed
Richard Olson	Attorney	Appointed
Gayle Bergeron	Municipal Judge	6/18
David Kurtz	Police Officer	Appointed
Terri Herbert	City Administrator	Appointed



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Thompson  
Thompson, North Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's share of net pension liability and schedule of employer contributions to North Dakota Public Employee Retirement System as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

The list of 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017, on our consideration of the City of Thompson, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Thompson, North Dakota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

August 10, 2017

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,396,608	\$ 476,914	\$ 1,873,522
Investments	37,546	-	37,546
Receivables:			
Accounts receivable	-	27,841	27,841
Taxes	2,078	-	2,078
Special assessments	2,620,665	-	2,620,665
Capital assets-not being depreciated			
Land	18,947	105,236	124,183
Capital assets-being depreciated			
Buildings and improvements	479,044	573,940	1,052,984
Infrastructure	3,122,221	-	3,122,221
Vehicles and equipment	245,870	103,138	349,008
Less: accumulated depreciation	(721,931)	(522,837)	(1,244,768)
Net capital assets	<u>3,144,151</u>	<u>259,477</u>	<u>3,403,628</u>
<b>TOTAL ASSETS</b>	<u>7,201,048</u>	<u>764,232</u>	<u>7,965,280</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan	<u>26,759</u>	<u>5,643</u>	<u>32,402</u>
<b>LIABILITIES</b>			
Accounts payable	4,099	8,491	12,590
Accrued salaries and benefits	11,436	575	12,011
Accrued interest payable	16,537	-	16,537
Notes payable-due within one year	24,881	-	24,881
Bonds payable-due within one year	225,000	-	225,000
Non-current liabilities			
Notes payable-non-current portion	57,076	-	57,076
Bonds payable-non-current portion	2,938,084	-	2,938,084
Net pension liability	93,043	19,620	112,663
<b>TOTAL LIABILITIES</b>	<u>3,370,156</u>	<u>28,686</u>	<u>3,398,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost sharing defined benefit pension plan	<u>15,557</u>	<u>3,280</u>	<u>18,837</u>
<b>NET POSITION</b>			
Net investment in capital assets	(117,427)	259,477	142,050
Restricted-debt service	762,138	-	762,138
Restricted-highway and streets	194,983	-	194,983
Unrestricted (deficit)	<u>3,002,400</u>	<u>478,432</u>	<u>3,480,832</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,842,094</u>	<u>\$ 737,909</u>	<u>\$ 4,580,003</u>

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Governmental Activities</b>						
General government	\$ 179,555	\$ -	\$ -	\$ (163,781)	\$ -	\$ (163,781)
Public safety	57,224	-	-	(54,130)	-	(54,130)
Public works	357,186	71,974	520,623	235,411	-	235,411
Culture and recreation	3,000	-	-	(3,000)	-	(3,000)
Interest	95,484	-	-	(95,484)	-	(95,484)
Other debt service charges	1,775	-	-	(1,775)	-	(1,775)
<b>Total Governmental Activities</b>	<b>694,224</b>	<b>71,974</b>	<b>520,623</b>	<b>(82,759)</b>	<b>-</b>	<b>(82,759)</b>
<b>Business-Type Activities</b>						
Sewer maintenance	65,163	-	-	-	3,623	3,623
Sanitation	115,904	-	-	-	40,732	40,732
Pest Control	15,280	-	-	-	(550)	(550)
<b>Total Business-Type Activities</b>	<b>196,347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,805</b>	<b>43,805</b>
<b>Total Primary Government</b>	<b>\$ 890,571</b>	<b>\$ 71,974</b>	<b>\$ 520,623</b>	<b>(82,759)</b>	<b>43,805</b>	<b>(38,954)</b>
<b>General Receipts:</b>						
Property taxes				173,550	-	173,550
Special assessments-interest				93,443	-	93,443
Intergovernmental (not restricted for specific program)				81,683	-	81,683
Interest				681	-	681
Other general revenues				19,909	-	19,909
<b>Total General Revenues</b>				<b>369,266</b>	<b>-</b>	<b>369,266</b>
Changes in Net Position				286,507	43,805	330,312
Net Position, Beginning of Year				3,555,587	694,104	4,249,691
<b>Net Position, End of Year</b>				<b>\$ 3,842,094</b>	<b>\$ 737,909</b>	<b>\$ 4,580,003</b>

See Notes to the Basic Financial Statements



**CITY OF THOMPSON, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2016**

	General	Debt Service Funds					Capital Projects	
		Highway	Street Paving Project 2012-1	Street Paving Project 2009-1	Street Paving Project 2013-1	Street Paving Project 2015-1	Street Paving Projects	Total
<b>Assets</b>								
Cash and cash equivalents	\$ 436,517	\$ 79,127	\$ 251,324	\$ 134,711	\$ 363,025	\$ 13,078	\$ 118,826	\$ 1,396,608
Investments	37,546	-	-	-	-	-	-	37,546
Receivables:								
Taxes	2,078	-	-	-	-	-	-	2,078
Special assessments	-	-	815,284	423,376	915,524	466,481	-	2,620,665
<b>Total Assets</b>	<u>\$ 476,141</u>	<u>\$ 79,127</u>	<u>\$ 1,066,608</u>	<u>\$ 558,087</u>	<u>\$ 1,278,549</u>	<u>\$ 479,559</u>	<u>\$ 118,826</u>	<u>\$ 4,056,897</u>
<b>Liabilities:</b>								
Accounts payable	\$ 1,129	\$ 2,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,099
Accrued salaries and benefits	11,436	-	-	-	-	-	-	11,436
<b>Total Liabilities</b>	<u>12,565</u>	<u>2,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,535</u>
<b>Deferred Inflows of Resources:</b>								
Unavailable revenue-property taxes	2,078	-	-	-	-	-	-	2,078
Uncertified special assessments	-	-	815,284	423,376	915,524	466,481	-	2,620,665
<b>Total Deferred Inflows of resources</b>	<u>2,078</u>	<u>-</u>	<u>815,284</u>	<u>423,376</u>	<u>915,524</u>	<u>466,481</u>	<u>-</u>	<u>2,622,743</u>
<b>Fund Balance</b>								
Restricted								
Debt service	-	-	251,324	134,711	363,025	13,078	-	762,138
Highway	-	76,157	-	-	-	-	-	76,157
Streets	-	-	-	-	-	-	118,826	118,826
<b>Total Restricted</b>	<u>-</u>	<u>76,157</u>	<u>251,324</u>	<u>134,711</u>	<u>363,025</u>	<u>13,078</u>	<u>118,826</u>	<u>957,121</u>
Unrestricted	461,498	-	-	-	-	-	-	461,498
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<u>461,498</u>	<u>76,157</u>	<u>251,324</u>	<u>134,711</u>	<u>363,025</u>	<u>13,078</u>	<u>118,826</u>	<u>1,418,619</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 476,141</u>	<u>\$ 79,127</u>	<u>\$ 1,066,608</u>	<u>\$ 558,087</u>	<u>\$ 1,278,549</u>	<u>\$ 479,559</u>	<u>\$ 118,826</u>	<u>\$ 4,056,897</u>

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2016**

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

Total fund balance-governmental funds		\$ 1,418,619
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 3,866,082	
Accumulated Depreciation	(721,931)	
Net		3,144,151
Net deferred outflows/inflows of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/inflows of resources in the governmental funds.		
		11,202
Property tax and special assessments receivable will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Property taxes unavailable	2,078	
Special assessments uncertified	2,620,665	
		2,622,743
Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(16,537)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:		
Notes payable	(81,957)	
Bonds payable	(3,170,000)	
Bond discount	6,916	
Net pension liability	(93,043)	
		(3,338,084)
Total net position-governmental activities		\$ 3,842,094

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Debt Service Funds				Capital Projects		
	General	Highway	Street Paving Project 2012-1	Street Paving Project 2009-1	Street Paving Project 2013-1	Street Paving Project 2015-1	Total
<b>Revenues:</b>							
Taxes	\$ 173,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,224
Special assessments	-	-	87,599	37,407	90,131	57,320	272,457
Licenses, permits and fees	10,853	-	-	-	-	-	10,853
Intergovernmental revenues	89,800	71,974	-	-	-	-	161,774
Fines and forfeits	3,084	-	-	-	-	-	3,084
Interest	681	-	-	-	-	-	681
Other	16,575	138	-	-	-	-	16,713
<b>Total revenues</b>	<b>294,227</b>	<b>72,112</b>	<b>87,599</b>	<b>37,407</b>	<b>90,131</b>	<b>57,320</b>	<b>538,786</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	185,992	-	-	-	-	-	185,992
Public safety	55,828	-	-	-	-	-	55,828
Public works	29,268	71,275	-	-	-	136,040	236,583
Culture and recreation	3,000	-	-	-	-	-	3,000
Capital outlay	27,395	9,153	-	-	-	-	36,548
Debt service:							
Principal	5,384	19,484	95,000	25,000	65,000	30,000	239,848
Interest	97	2,098	25,975	17,889	34,483	13,792	94,334
Service charges	-	-	450	450	425	450	1,775
<b>Total expenditures</b>	<b>306,764</b>	<b>101,990</b>	<b>121,425</b>	<b>43,339</b>	<b>99,908</b>	<b>44,242</b>	<b>853,708</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(12,537)</b>	<b>(29,878)</b>	<b>(33,826)</b>	<b>(5,932)</b>	<b>(9,777)</b>	<b>13,078</b>	<b>(214,912)</b>
<b>Other Financing Sources (Uses):</b>							
Operating transfers in	(2,043)	-	-	-	2,043	-	2,043
Operating transfers out	-	-	-	-	-	-	(2,043)
<b>Total other financing sources (uses)</b>	<b>(2,043)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,043</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(14,580)</b>	<b>(29,878)</b>	<b>(33,826)</b>	<b>(5,932)</b>	<b>(7,734)</b>	<b>13,078</b>	<b>(214,912)</b>
<b>Fund Balance, Beginning of Year</b>	<b>476,078</b>	<b>106,035</b>	<b>338,774</b>	<b>156,996</b>	<b>406,893</b>	<b>-</b>	<b>1,633,531</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>(53,824)</b>	<b>(16,353)</b>	<b>(36,134)</b>	<b>-</b>	<b>106,111</b>
<b>Fund Balance, Beginning of Year as restated</b>	<b>476,078</b>	<b>106,035</b>	<b>285,150</b>	<b>140,643</b>	<b>370,759</b>	<b>-</b>	<b>1,633,531</b>
<b>Fund Balance, End of Year</b>	<b>\$ 461,498</b>	<b>\$ 76,157</b>	<b>\$ 251,324</b>	<b>\$ 134,711</b>	<b>\$ 363,025</b>	<b>\$ 13,078</b>	<b>\$ 1,418,619</b>

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Net change in fund balance- total governmental funds \$ (214,912)

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. In the current period, these amounts are:

Capital Outlay	\$ 36,548	
Depreciation Expense	<u>(129,273)</u>	
Excess of capital outlay over depreciation expense		(92,725)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Retirement of long-term debt	239,848
Amortization of bond discount	(247)

Changes in deferred outflows/inflows of resources related to net pension liability 20,271

Changes in net pension liability (6,760)

Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable property taxes	326
Net change in uncertified special assessments	341,609

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(903)

Net change in net position of governmental activities \$ 286,507

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF NET POSITION – ENTERPRISE FUNDS**  
**AS OF DECEMBER 31, 2016**

	<u>Sewer Maintenance</u>	<u>Sanitation</u>	<u>Pest Control</u>	<u>Total</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 241,601	\$ 235,313	\$ -	\$ 476,914
Accounts receivable	7,795	18,932	1,114	27,841
Due from other funds	-	7,571	-	7,571
Total Current Assets	<u>249,396</u>	<u>261,816</u>	<u>1,114</u>	<u>512,326</u>
Capital assets-not being depreciated				
Land	100,736	4,500	-	105,236
Capital assets				
Buildings and improvements	573,940	-	-	573,940
Vehicles and equipment	93,926	-	9,212	103,138
Less: accumulated depreciation	(522,453)	-	(384)	(522,837)
Net Capital Assets	<u>246,149</u>	<u>4,500</u>	<u>8,828</u>	<u>259,477</u>
<b>TOTAL ASSETS</b>	<u>495,545</u>	<u>266,316</u>	<u>9,942</u>	<u>771,803</u>
<b>Deferred Outflows of Resources</b>				
Cost sharing defined benefit pension plan-NDPERS	<u>2,854</u>	<u>1,834</u>	<u>955</u>	<u>5,643</u>
<b>Liabilities</b>				
Current liabilities				
Due to other funds	-	-	7,571	7,571
Accounts payable	371	8,120	-	8,491
Accounts salaries and benefits	364	211	-	575
Total current liabilities	<u>735</u>	<u>8,331</u>	<u>7,571</u>	<u>16,637</u>
Long-term liabilities				
Net pension liability	<u>9,923</u>	<u>6,376</u>	<u>3,321</u>	<u>19,620</u>
<b>TOTAL LIABILITIES</b>	<u>10,658</u>	<u>14,707</u>	<u>10,892</u>	<u>36,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost sharing defined benefit pension plan-NDPERS	<u>1,659</u>	<u>1,066</u>	<u>555</u>	<u>3,280</u>
<b>Net Position</b>				
Net investment in capital assets	246,149	4,500	8,828	259,477
Unrestricted	239,933	247,877	(9,378)	478,432
<b>TOTAL NET POSITION</b>	<u>\$ 486,082</u>	<u>\$ 252,377</u>	<u>\$ (550)</u>	<u>\$ 737,909</u>

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Sewer Maintenance</u>	<u>Sanitation</u>	<u>Pest Control</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Sewage collections	\$ 68,786	\$ -	\$ -	\$ 68,786
Garbage collections	-	156,636	-	156,636
Pest control collection	-	-	14,730	14,730
Total operating revenues	<u>68,786</u>	<u>156,636</u>	<u>14,730</u>	<u>240,152</u>
<b>Operating expenses:</b>				
Salaries and benefits	22,953	14,748	7,682	45,383
Utilities	3,850	-	-	3,850
Repairs and maintenance	17,015	-	-	17,015
Refuse collections	-	101,156	-	101,156
Miscellaneous	-	-	7,214	7,214
Depreciation	21,345	-	384	21,729
Total operating expenses	<u>65,163</u>	<u>115,904</u>	<u>15,280</u>	<u>196,347</u>
Operating Income	3,623	40,732	(550)	43,805
Net Position, Beginning of Year	<u>482,459</u>	<u>211,645</u>	<u>-</u>	<u>694,104</u>
Net Position, End of Year	<u>\$ 486,082</u>	<u>\$ 252,377</u>	<u>\$ (550)</u>	<u>\$ 737,909</u>

See Notes to the Basic Financial Statements

**CITY OF THOMPSON, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Sewer Maintenance</u>	<u>Sanitation</u>	<u>Pest Control</u>	<u>Total</u>
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 70,440	\$ 154,463	\$ 13,616	\$ 238,519
Cash payments to suppliers	(20,806)	(99,381)	(7,214)	(127,401)
Cash payments to employees for services	(14,225)	(9,140)	(4,761)	(28,126)
Net cash provided by operating activities	<u>35,409</u>	<u>45,942</u>	<u>1,641</u>	<u>82,992</u>
<b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES:</b>				
Cash received from other funds	-	-	7,571	7,571
Cash (paid) to other funds	-	(7,571)	-	(7,571)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(7,571)</u>	<u>7,571</u>	<u>-</u>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of property and equipment	-	-	(9,212)	(9,212)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>-</u>	<u>(9,212)</u>	<u>(9,212)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>35,409</b>	<b>38,371</b>	<b>-</b>	<b>73,780</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>206,192</b>	<b>196,942</b>	<b>-</b>	<b>403,134</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 241,601</u></b>	<b><u>\$ 235,313</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 476,914</u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 3,623	\$ 40,732	\$ (550)	\$ 43,805
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	21,345	-	384	21,729
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	1,654	(2,173)	(1,114)	(1,633)
(Increase) Decrease in deferred outflows of resources	(2,854)	(1,834)	(955)	(5,643)
Increase (Decrease) in accounts payable	59	1,775	-	1,834
Increase (Decrease) in deferred inflows of resources	1,659	1,066	555	3,280
Increase (Decrease) in net pension liability	9,923	6,376	3,321	19,620
Net cash provided by operating activities	<u>\$ 35,409</u>	<u>\$ 45,942</u>	<u>\$ 1,641</u>	<u>\$ 82,992</u>

See Notes to the Basic Financial Statements

CITY OF THOMPSON, NORTH DAKOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Thompson complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City of Thompson is a municipality in which citizens elect the mayor at large and four council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or financial accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The City uses the criteria established by the governmental accounting standards board in determining financial accountability. The criteria include, but are not limited to, appointing a voting majority of an organization's governing board, and 1) the ability of the entity 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 entity. The City has determined that no component units meet the above criteria and, therefore, none have been included as discretely presented component units in the City's financial statements.

**Basis of Presentation**

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows/inflows of resources, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5 percent of the corresponding total for the total of all governmental and enterprise funds combined.



**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

*Governmental Funds*

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

The Highway fund is used for the maintenance and improvement of the City's highway and roads. The fund's major revenue source is state money received from the state highway tax.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

*Proprietary Funds*

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector. The City includes all of the enterprise funds as major, which consist of the Sewer Maintenance, Sanitation and the Pest Control Funds.

*Fiduciary Funds*

The reporting focus of fiduciary funds is on net assets. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Currently, the City of Thompson has no fiduciary funds.

**Measurement Focus and Basis of Accounting**

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

*Measurement Focus*

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budgets**

The governing body of each municipality, annually on or before September 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the municipality for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared the city auditor shall give notice that the preliminary budget is on file in the office of the auditor and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the auditor shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**Cash and Cash Equivalents**

In accordance with the governmental accounting standards board, the City considers cash equivalents to be temporary investments, which are readily convertible to cash, such as certificates of deposit, commercial paper, and treasury bills of less than three months.

**Investments**

Investments consist of certificates of deposit.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column and in the proprietary fund statements. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value at the time of donation.

Depreciation on exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Building and improvements	7 – 50 years
Equipment and vehicles	5 – 20 years

**Long-Term Debt**

In the government-wide 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 or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Uses" and "Expenditures", respectively, in the fund financial statements.

**Net Position**

In the government-wide financial statements, equity is classified as "net position" and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

3. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

The difference between assets, deferred outflows/inflows and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that 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 fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority which is the Council through a resolution.

Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

**Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

**Encumbrances**

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Significant Group Concentrations of Credit Risk**

As of December 31, 2016, the City's receivables consist of amounts owed from the local area businesses and individuals for utility services. The City does not require collateral or other security.

**Inter-fund Balances**

In the process of aggregating the fund information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities are eliminated in the statement of activities.

**Revenues**

The City has the following program revenues; fees, fines and charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, special assessments, intergovernmental revenues and investment income.

Operating revenues and expenses in the proprietary funds consist of user fees, sales, charges for services and the related income and expenses associated with providing those sales and services. Non-operating revenues and expenses consist of contributions, grants, rents, interest and other miscellaneous items not associated with the services the fund is providing.

**Revenues-Exchange and Non-Exchange Transactions**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Non-exchange transactions include transactions in which the City receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the City.

### **Property Taxes**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> of the year collectible. A 5% reduction is allowed if paid by February 15<sup>th</sup>. Penalty and interest are added March 1<sup>st</sup> unless the first half of the taxes have been paid. Additional penalties are added October 15<sup>th</sup> if taxes are not paid.

Property taxes are all considered susceptible to accrual and so have been recognized as revenues in the current fiscal period. However, delinquent taxes may not be collected soon enough in the following year to be available for current expenditures, therefore offset by deferred inflows of resources.

### **Unearned Revenue**

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plans as well as amounts paid to the plans after the measurement date. See Note 5 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, *unavailable property taxes* and *uncertified special assessments* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS pension plans. See Note 5 for more details.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**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.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City maintains a cash pool of which each fund's portion is displayed on their respective balance sheet as cash and cash equivalents for the general fund, highway fund and the business type activities. The City maintains separate accounts for each of its debt service funds.

The City's investments consist of certificates o deposits.

In accordance with North Dakota laws, the City maintains deposits at a depository authorized by the city council. The depository is a member of the Federal Reserve System.

**Interest Rate Risk**

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

**Custodial Risk**

State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. The City's cash and investments are held by the designated depository.

**Credit Risk**

State statutes authorize local governments to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d) Obligations of the state.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**NOTE 3 - CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not depreciated				
Land	\$ 18,947	\$ -	\$ -	\$ 18,947
Capital assets depreciated				
Buildings and improvements	455,271	23,773	-	479,044
Infrastructure	3,122,221	-	-	3,122,221
Vehicles and equipment	233,095	12,775	-	245,870
<b>Total Capital Assets</b>	<u>3,829,534</u>	<u>36,548</u>	<u>-</u>	<u>3,866,082</u>
<b>Accumulated Depreciation</b>				
Buildings and improvements	145,509	11,819	-	157,328
Infrastructure	332,402	106,001	-	438,403
Vehicles and equipment	114,747	11,453	-	126,200
<b>Total Accumulated Depreciation</b>	<u>592,658</u>	<u>129,273</u>	<u>-</u>	<u>721,931</u>
<b>Net Capital Assets - Gov't Activities</b>	<u>\$ 3,236,876</u>	<u>\$ (92,725)</u>	<u>\$ -</u>	<u>\$ 3,144,151</u>



**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Changes in capital assets for the business-type activities for the year ended December 31, 2016 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Sewer Maintenance</b>				
Land	\$ 100,736	\$ -	\$ -	\$ 100,736
Buildings and improvements	573,940	-	-	573,940
Vehicles and equipment	93,926	-	-	93,926
Total Sewer Maint. Capital Assets	<u>768,602</u>	<u>-</u>	<u>-</u>	<u>768,602</u>
Sewer Maint. Accum. Depreciation				
Buildings and improvements	429,291	15,426	-	444,717
Vehicles and equipment	71,817	5,919	-	77,736
Total Accumulated Depreciation	<u>501,108</u>	<u>21,345</u>	<u>-</u>	<u>522,453</u>
Net Capital Assets - Sewer Maint.	<u>\$ 267,494</u>	<u>\$ (21,345)</u>	<u>\$ -</u>	<u>\$ 246,149</u>
<b>Sanitation</b>				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Total Sanitation Capital Assets	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
Total Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets - Sanitation	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>
<b>Pest Control</b>				
Vehicles and equipment	\$ -	\$ 9,212	\$ -	\$ 9,212
Total Pest Control Capital Assets	<u>-</u>	<u>9,212</u>	<u>-</u>	<u>9,212</u>
Pest Control Accum. Depreciation				
Vehicles and equipment	-	384	-	384
Total Accumulated Depreciation	<u>-</u>	<u>384</u>	<u>-</u>	<u>384</u>
Net Capital Assets - Pest Control	<u>\$ -</u>	<u>\$ 8,828</u>	<u>\$ -</u>	<u>\$ 8,828</u>

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Depreciation expenses charged to the various functions in the Statement of Activities are as follows:

<b>Governmental Activities</b>	
General government	\$ 7,074
Public safety	1,596
Public works	<u>120,603</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 129,273</u></b>
<b>Business-Type Activities</b>	
Sewer Maintenance	\$ 21,345
Pest Control	<u>384</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 21,729</u></b>

**NOTE 4 - LONG-TERM DEBT**

The following is a summary of changes in the long-term debt by individual issue for the year ended December 31, 2016:

Governmental Activities	Interest Rate	Beginning Balance	New Issues	Reductions	Other	Ending Balance	Due within One Year
First State Bank	2.55%	\$ 80,945	\$ -	\$ 19,464		\$ 61,481	\$ 19,973
First State Bank	2.75%	25,859	-	5,383		20,476	4,908
\$1,200,000 Refunding Improvement Bonds, Series 2013	1.1% - 4%	1,135,000	-	65,000		1,070,000	70,000
\$1,500,000 Refunding Improvement Bonds, Series 2012	.75% - 3%	1,240,000	-	95,000		1,145,000	95,000
\$565,000 Refunding Improvement Bonds, Series 2009	2.50% - 4.65%	440,000	-	25,000		415,000	25,000
\$570,000 Refunding Improvement Bonds, Series 2015	1.4%-3.25%	570,000	-	30,000		540,000	35,000
Discount on Bond		(7,163)	-	(247)		(6,916)	-
Net Pension Liability		86,283	-	-	6,760	93,043	-
		<u>\$ 3,570,924</u>	<u>\$ -</u>	<u>\$ 239,600</u>	<u>\$ 6,760</u>	<u>\$ 3,338,084</u>	<u>\$ 249,881</u>
Business Type Activities	Interest Rate	Beginning Balance	New Issues	Reductions	Other	Ending Balance	Due within One Year
Net Pension Liability		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,620</u>	<u>\$ 19,620</u>	<u>\$ -</u>

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

The amount of future payments on the above governmental activities long-term debt is as follows:

	<u>\$1,500,000 Refunding Improvement</u>			<u>\$565,000 Refunding Improvement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 24,930	\$ 119,930	\$ 25,000	\$ 17,076	\$ 42,076
2018	95,000	23,885	118,885	25,000	16,264	41,264
2019	95,000	22,531	117,531	25,000	15,358	40,358
2020	100,000	20,825	120,825	25,000	14,358	39,358
2021	100,000	19,075	119,075	30,000	13,258	43,258
2022-2026	545,000	56,450	601,450	165,000	46,661	211,661
2027-2031	115,000	1,725	116,725	120,000	8,370	128,370
<b>Total</b>	<b>\$ 1,145,000</b>	<b>\$ 169,421</b>	<b>\$ 1,314,421</b>	<b>\$ 415,000</b>	<b>\$ 131,344</b>	<b>\$ 546,344</b>

	<u>\$1,200,000 Refunding Improvement</u>			<u>\$570,000 Refunding Improvement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 70,000	\$ 33,478	\$ 103,478	\$ 35,000	\$ 13,338	\$ 48,338
2018	70,000	32,183	102,183	35,000	12,848	47,848
2019	70,000	30,695	100,695	35,000	12,253	47,253
2020	75,000	28,955	103,955	35,000	11,553	46,553
2021	75,000	27,005	102,005	35,000	10,853	45,853
2022-2026	420,000	97,528	517,528	190,000	40,923	230,923
2027-2031	290,000	17,600	307,600	175,000	25,541	200,541
<b>Total</b>	<b>\$ 1,070,000</b>	<b>\$ 267,443</b>	<b>\$ 1,337,443</b>	<b>\$ 540,000</b>	<b>\$ 127,306</b>	<b>\$ 667,306</b>

	<u>First State Bank</u>			<u>First State Bank</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,973	\$ 1,590	\$ 21,563	\$ 4,908	\$ 572	\$ 5,480
2018	20,489	1,073	21,562	5,047	434	5,481
2019	21,019	543	21,562	5,187	293	5,480
2020	-	-	-	5,334	149	5,483
<b>Total</b>	<b>\$ 61,481</b>	<b>\$ 3,206</b>	<b>\$ 64,687</b>	<b>\$ 20,476</b>	<b>\$ 1,448</b>	<b>\$ 21,924</b>

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Combined Debt Payments Governmental Activities			
	Principal	Interest	Total
2017	\$ 249,881	\$ 90,983	\$ 340,864
2018	250,536	86,686	337,222
2019	251,206	81,672	332,878
2020	240,334	75,839	316,173
2021	240,000	70,190	310,190
2022-2026	1,320,000	241,562	1,561,562
2027-2031	700,000	53,235	753,235
	\$ 3,251,957	\$ 700,168	\$ 3,952,125

**NOTE 5 - PENSION PLAN**

**North Dakota Public Employees' Retirement System (Main System)**

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

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck, ND 58502-1214.

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

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

**Pension Benefits**

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

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

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

At December 31, 2016, the City reported a liability of \$112,663 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the City's proportion was 0.011560 percent which was a decrease of 0.001129 from its proportion measured June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$12,206. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,692	\$ 1,043
Changes in actuarial assumptions	10,386	5,597
Difference between projected and actual investment earnings	15,719	-
Changes in proportion	-	12,197
Contributions paid to NDPERS subsequent to the measurement date	4,605	-
Total	<u>\$ 32,402</u>	<u>\$ 18,837</u>

\$4,605 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 ending December 31, 2017.

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

<u>Year Ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 1,065
2018	1,065
2019	4,494
2020	1,922
2021	414

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**Actuarial Assumptions**

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

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

	1% Decrease in Discount Rate 7.00%	Discount Rate 8.00%	1% Increase in Discount Rate 9.00%
City's proportionate share of the NDPERS net pension liability:	\$ 159,811	\$ 112,663	\$ 72,939

**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 6 - INTERFUND BALANCES**

Due from other funds	
Sanitation	<u>\$ 7,571</u>
Due to other funds	
Pest Control	<u>\$ 7,571</u>

The balance represents the deficit cash in the pest control fund due to the purchase of equipment.



**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Grant Programs**

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2016, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**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; injuries to employees; and natural disasters. The City carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City's property insurance is through the Tri-State Insurance Co. of Minnesota, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

**NOTE 8 - SCHEDULE OF TRANSFERS**

Schedule of transfers

Transfers in	
Debt Service Street paving project 2013-1	<u>\$ 2,043</u>
Transfers out	
General Fund	<u>\$ 2,043</u>

The transfer was to transfer revenue to the appropriate fund.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

The prior period adjustment to fund balance for the debt service funds and capital projects fund is the result of funds that were reported as transferred to the debt service funds from the capital projects funds that should have remained in the capital projects until completion of the seal coat projects for the roads.

**NOTE 10 - NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several new statements, some of which have not been implemented by the City.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other

**CITY OF THOMPSON, NORTH DAKOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

**CITY OF THOMPSON, NORTH DAKOTA**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

**CITY OF THOMPSON, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>				
Taxes	\$ 176,800	\$ 172,009	\$ 173,224	\$ 1,215
Licenses, permits and fees	11,000	13,725	10,853	(2,872)
Intergovernmental revenues	115,450	76,737	89,800	13,063
Fines and forfeits	6,000	5,300	3,094	(2,206)
Interest	-	-	681	681.
Other	2,635	5,528	16,575	11,047
	<u>311,885</u>	<u>273,299</u>	<u>294,227</u>	<u>20,928</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
<b>Current:</b>				
General government	243,367	217,414	185,992	31,422
Public safety	62,094	56,000	55,628	372
Public works	40,622	36,150	29,268	6,882
Culture and recreation	6,500	4,800	3,000	1,800
Capital outlay	-	-	27,395	(27,395)
Debt Service	-	-	-	-
Principal	31,400	31,400	5,384	26,016
Interest	100	100	97	3
	<u>384,083</u>	<u>345,864</u>	<u>306,764</u>	<u>39,100</u>
<b>Total expenditures</b>				
Excess of Revenues Over (Under)				
Expenditures	<u>(72,198)</u>	<u>(72,565)</u>	<u>(12,537)</u>	<u>60,028</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers (out)	-	-	(2,043)	(2,043)
	<u>-</u>	<u>-</u>	<u>(2,043)</u>	<u>(2,043)</u>
<b>Total other financing sources (uses)</b>				
Net Change in Fund Balance	(72,198)	(72,565)	(14,580)	57,985
Fund Balance, Beginning of Year	476,078	476,078	476,078	-
Fund Balance, End of Year	<u>\$ 403,880</u>	<u>\$ 403,513</u>	<u>\$ 461,498</u>	<u>\$ 57,985</u>

See the Notes to the Budgetary Comparison Schedules

**CITY OF THOMPSON, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGET AND ACTUAL –**  
**HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>				
Intergovernmental revenues	\$ 88,200	\$ 62,000	\$ 71,974	\$ 9,974
Other	150	20	138	118
Total revenues	<u>88,350</u>	<u>62,020</u>	<u>72,112</u>	<u>10,092</u>
<b>Expenditures:</b>				
Current:				
Public works	85,325	81,425	71,275	10,150
Capital Outlay	8,500	6,000	9,153	(3,153)
Debt service:				
Principal	20,000	20,000	19,464	536
Interest	2,100	-	2,098	(2,098)
Total expenditures	<u>115,925</u>	<u>107,425</u>	<u>101,990</u>	<u>5,435</u>
Net Change in Fund Balance	<u>(27,575)</u>	<u>(45,405)</u>	<u>(29,878)</u>	<u>15,527</u>
Fund Balance, Beginning of Year	<u>106,035</u>	<u>106,035</u>	<u>106,035</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 78,460</u>	<u>\$ 60,630</u>	<u>\$ 76,157</u>	<u>\$ 15,527</u>

See the Notes to the Budgetary Comparison Schedules

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**AS OF DECEMBER 31, 2016**

**NOTE 1 - BUDGETS**

The governing body of each municipality, annually on or before September 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. The annual budget shall be prepared for the general fund, special revenue fund and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the municipality for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the city auditor shall give notice that the preliminary budget is on file in the office of the auditor and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the auditor shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**NOTE 2 EXPENDITURES IN EXCESS OF BUDGET**

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Capital outlay	\$ -	\$ 27,395	\$ (27,395)
Highway Fund:			
Capital outlay	6,000	9,153	(3,153)
Debt service:			
Interest	-	2,098	(2,098)

Funds sufficient to provide for excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the City.

**CITY OF THOMPSON, NORTH DAKOTA**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**ND PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**

For the Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered- Employee Payroll		Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
			City's Covered- Employee Payroll	City's Covered- Employee Payroll		
2016	0.011560%	\$ 112,663	\$ 116,500	96.71%	70.46%	
2015	0.012689%	86,283	113,046	76.33%	77.15%	

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

See Note to the Required Supplementary Information



**CITY OF THOMPSON, NORTH DAKOTA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE ND PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**AS OF DECEMBER 31, 2016**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions		City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
		Statutorily Required Contributions	Contribution Deficiency (Excess)		
2016	\$ 9,831	(9,831)	\$ -	161,504	6.09%
2015	8,587	(8,049)	538	113,046	7.60%

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

See the Notes to the Required Supplementary Information

**CITY OF THOMPSON, NORTH DAKOTA**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**AS OF DECEMBER 31, 2016**

**NOTE 1 - CHANGES OF ASSUMPTIONS**

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



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the City Council  
City of Thompson  
Thompson, 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, business-type activities, and each major fund of City of Thompson as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Thompson's basic financial statements and have issued our report thereon dated August 10, 2017.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses identified as item 2016-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Thompson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

August 10, 2017

**CITY OF THOMPSON, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**AS OF DECEMBER 31, 2016**

**Control Deficiency 2016-001**

Condition:

The City has two office employees who are responsible for all accounting and administrative functions. Both individuals handle incoming monies, prepare receipts, prepare deposits, issues and distribute checks, receive bank statements and do the reconciliations. Both employees also record receipts and disbursements to the journals and maintain the general ledger. The degree of internal control is severely limited.

Cause:

Considering the size of the City, it is not feasible to maintain proper separation of duties.

Effect:

Lack of segregation of duties leads to a limited degree of internal controls.

Recommendation:

The City should attempt to maintain proper separation of duties, whenever possible.

Response:

We concur with the auditor's recommendation. The City will consider the costs and benefits of this recommendation.

**Control Deficiency 2016-002**

Criteria

An organization should design an internal control system to provide for the preparation of financial statements of the City.

Condition:

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause:

The City is responsible for the preparation of the financial statements and accompanying notes to the financial statements to be audited. The City's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements:

Effect:

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in a city of your size.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider additional training of staff or engaging other accountants to draft the financial statements.

Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.