

CITY OF BOWMAN, NORTH DAKOTA
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2023

CITY OF BOWMAN, NORTH DAKOTA

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CITY OF BOWMAN, NORTH DAKOTA

OFFICIAL DIRECTORY

December 31, 2023

Lyn James	President
Myron Vail	Water & Sewer Commissioner
Ryan Shear	Garbage & Street Commissioner
Benjamin Shaaf	Police Commissioner
Sara Bullis	Finance Commissioner
Peggy Allen	Financial Auditor
Stacy McGee	Utility Auditor



INDEPENDENT AUDITOR'S REPORT

City Council
City of Bowman, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
December 31, 2024

CITY OF BOWMAN, NORTH DAKOTA**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**
December 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,667,020	\$ 2,667,794	\$ 6,334,814
Capital Assets			
Non-depreciable			
Land	774,093	25,180	799,273
Construction in Progress	468,330	-	468,330
Depreciable, net of accumulated depreciation			
Buildings and Infrastructure	4,774,284	736,961	5,511,245
Machinery and Equipment	631,250	180,395	811,645
Total Capital Assets	6,647,957	942,536	7,590,493
Total Assets	10,314,977	3,610,330	13,925,307
NET POSITION			
Net Investment in Capital Assets	6,647,957	942,536	7,590,493
Restricted	1,588,307	-	1,588,307
Unrestricted	2,078,713	2,667,794	4,746,507
Total Net Position	\$ 10,314,977	\$ 3,610,330	\$ 13,925,307

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 1,905,833	\$ 14,529	\$ 11,538	\$ -	\$ (1,879,766)	\$ -	\$ (1,879,766)
Public Safety	510,649	17,100	1,598	-	(491,951)	-	(491,951)
Public Works/Infrastructure	1,290,059	-	122,146	80,000	(1,087,913)	-	(1,087,913)
Economic Development	248,144	-	-	-	(248,144)	-	(248,144)
Total Governmental Activities	3,954,685	31,629	135,282	80,000	(3,707,774)	-	(3,707,774)
Business-type Activities							
Water	345,773	399,949	-	-	-	54,176	54,176
Sewer	73,129	110,763	-	-	-	37,634	
Garbage	607,284	612,904	-	-	-	5,620	5,620
Other	59,259	51,435	-	-	-	(7,824)	(7,824)
Total Business-type Activities	1,085,445	1,175,051	-	-	-	89,606	51,972
Total Primary Government	\$ 5,040,130	\$ 1,206,680	\$ 135,282	\$ 80,000	(3,707,774)	89,606	(3,655,802)
General Revenues							
Taxes							
Taxes Levied for General Purposes					1,343,841	-	1,343,841
Sales Taxes					818,909	-	818,909
State Aid Distribution					144,876	-	144,876
Interest and Investment Earnings					186,823	-	186,823
Gain (Loss) on Sale of Assets					46,081	29,588	75,669
Miscellaneous					58,933	350	59,283
Total General Revenues					2,599,463	29,938	2,629,401
Change in Net Position					(1,108,311)	119,544	(988,767)
Net Position, Beginning of Year					11,423,288	3,490,786	14,914,074
Net Position, End of Year					\$ 10,314,977	\$ 3,610,330	\$ 13,925,307

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2023

	Major Fund				Other	Total
	General	Chip Seal	Healthcare Sales Tax	Parks and Rec Sales Tax	Governmental Funds	Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,078,713	\$ 115,183	\$ 344,721	\$ 243,492	\$ 884,911	\$ 3,667,020
Total Assets	2,078,713	115,183	344,721	243,492	884,911	3,667,020
FUND BALANCE						
Restricted	-	115,183	344,721	243,492	884,911	1,588,307
Unassigned	2,078,713	-	-	-	-	2,078,713
Total Fund Balance	\$ 2,078,713	\$ 115,183	\$ 344,721	\$ 243,492	\$ 884,911	\$ 3,667,020

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2023

Total Fund Balance - Governmental Funds December 31, 2023		\$	3,667,020
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets	9,843,561		
Less Accumulated Depreciation	(3,195,604)		
Net Capital Assets			<u>6,647,957</u>
Net Position of Governmental Activities December 31, 2023		\$	<u><u>10,314,977</u></u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

Year Ended December 31, 2023

	Major Fund				Other	Total
	General	Chip Seal	Healthcare Sales Tax	Parks and Rec Sales Tax	Governmental Funds	Governmental Funds
REVENUES						
Taxes	\$ 1,296,416	\$ -	\$ 356,270	\$ 356,270	\$ 153,794	\$ 2,162,750
Special Assessments	2,320	-	-	-	-	2,320
Licenses, Permits, and Fees	22,156	-	-	-	-	22,156
Intergovernmental	144,876	-	-	-	215,282	360,158
Charges for Services	9,473	-	-	-	-	9,473
Interest Income	186,823	-	-	-	-	186,823
Miscellaneous Income	47,613	-	-	-	211,000	258,613
Total Revenues	1,709,677	-	356,270	356,270	580,076	3,002,293
EXPENDITURES						
Current						
General Government	570,041	-	880,503	391,324	24,763	1,866,631
Public Safety	461,209	-	-	-	30,519	491,728
Public Works/Infrastructure	217,159	488,221	-	-	325,309	1,030,689
Economic Development	115,123	-	-	-	133,021	248,144
Facilities Acquisition and Construction	10,092	4,677	-	-	720,847	735,616
Total Expenditures	1,373,624	492,898	880,503	391,324	1,234,459	4,372,808
Excess (Deficiency) of Revenues Over Expenditures	336,053	(492,898)	(524,233)	(35,054)	(654,383)	(1,370,515)
OTHER FINANCING SOURCES (USES)						
Operating Transfer In	1,598	136,000	-	-	423,066	560,664
Operating Transfer Out	(559,066)	-	-	-	(1,598)	(560,664)
Total Other Financing Sources (Uses)	(557,468)	136,000	-	-	421,468	-
NET CHANGE IN FUND BALANCE	(221,415)	(356,898)	(524,233)	(35,054)	(232,915)	(1,370,515)
FUND BALANCE, BEGINNING OF YEAR	2,300,128	472,081	868,954	278,546	1,117,826	5,037,535
FUND BALANCE, END OF YEAR	\$ 2,078,713	\$ 115,183	\$ 344,721	\$ 243,492	\$ 884,911	\$ 3,667,020

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2023

Net Change in Fund Balance - Total Governmental Funds December 31, 2023	\$ (1,370,515)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	418,123
Governmental funds report sales of assets as current financial resources.	
The statement of activities recognizes gain or loss on the transaction.	(155,919)
Change in Net Position of Governmental Activities December 31, 2023	<u>\$ (1,108,311)</u>

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS

December 31, 2023

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,575,291	\$ 574,215	\$ 324,804	\$ 193,484	\$ 2,667,794
Total Current Assets	1,575,291	574,215	324,804	193,484	2,667,794
Capital Assets					
Non-Depreciable					
Land	15,180	-	10,000	-	25,180
Depreciable, net of accumulated depreciation					
Buildings and Infrastructure	476,328	77,120	183,513	-	736,961
Machinery and Equipment	65,654	7,268	76,705	30,768	180,395
Total Capital Assets	557,162	84,388	270,218	30,768	942,536
Total Assets	2,132,453	658,603	595,022	224,252	3,610,330
NET POSITION					
Net Investment in Capital Assets	557,162	84,388	270,218	30,768	942,536
Unrestricted	1,575,291	574,215	324,804	193,484	2,667,794
Total Net Position	\$ 2,132,453	\$ 658,603	\$ 595,022	\$ 224,252	\$ 3,610,330

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS

Year ended December 31, 2023

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
OPERATING REVENUES					
Charges for Services	\$ 399,949	\$ 110,763	\$ 612,904	\$ 51,435	\$ 1,175,051
Other Income	-	-	350	-	350
Total Operating Revenues	399,949	110,763	613,254	51,435	1,175,401
OPERATING EXPENSES					
Salaries and Benefits	206,559	51,491	393,228	1,500	652,778
Insurance	3,402	-	5,469	4	8,875
Contracted Services	12,760	-	53,097	-	65,857
Utilities	46,583	-	5,643	-	52,226
Repairs and Maintenance	55,401	16,898	72,612	51,834	196,745
Depreciation	7,734	3,873	56,257	3,384	71,248
Supplies	10,616	-	19,192	2,502	32,310
Miscellaneous	2,718	867	1,786	35	5,406
Total Operating Expenses	345,773	73,129	607,284	59,259	1,085,445
OPERATING INCOME (LOSS)	54,176	37,634	5,970	(7,824)	89,956
NONOPERATING REVENUES (EXPENSES)					
Gain on Sale of Capital Assets	17,000	-	-	12,588	29,588
Transfers In	-	-	40,000	10,000	50,000
Transfers Out	-	-	(50,000)	-	(50,000)
Total Nonoperating Revenues (Expenses)	17,000	-	(10,000)	22,588	29,588
CHANGE IN NET POSITION	71,176	37,634	(4,030)	14,764	119,544
NET POSITION, BEGINNING OF YEAR	2,061,277	620,969	599,052	209,488	3,490,786
NET POSITION, END OF YEAR	\$ 2,132,453	\$ 658,603	\$ 595,022	\$ 224,252	\$ 3,610,330

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2023

	Business-type Activities - Proprietary Funds				
	Water	Sewer	Garbage	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 399,949	\$ 110,763	\$ 613,254	\$ 51,435	\$ 1,175,401
Payments to Suppliers	(131,480)	(17,765)	(157,799)	(54,375)	(361,419)
Payments to Employees	(206,559)	(51,491)	(393,228)	(1,500)	(652,778)
Net Cash Provided by (Used By) Operating Activities	61,910	41,507	62,227	(4,440)	161,204
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	-	40,000	10,000	50,000
Transfers to Other Funds	-	-	(50,000)	-	(50,000)
Net Cash Provided by (Used By) Noncapital Financing Activities	-	-	(10,000)	10,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Sale of Capital Assets	17,000	-	-	15,010	32,010
Acquisition of Capital Assets	(66,910)	-	-	(32,170)	(99,080)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(49,910)	-	-	(17,160)	(67,070)
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,000	41,507	52,227	(11,600)	94,134
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,563,291	532,708	272,577	205,084	2,573,660
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,575,291</u>	<u>\$ 574,215</u>	<u>\$ 324,804</u>	<u>\$ 193,484</u>	<u>\$ 2,667,794</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:					
Operating Income (Loss)	\$ 54,176	\$ 37,634	\$ 5,970	\$ (7,824)	\$ 89,956
Depreciation Expense	7,734	3,873	56,257	3,384	71,248
Net Cash Provided by (Used By) Operating Activities	<u>\$ 61,910</u>	<u>\$ 41,507</u>	<u>\$ 62,227</u>	<u>\$ (4,440)</u>	<u>\$ 161,204</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bowman (the “City”) was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City is to maintain the accounting records on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund and proprietary fund financial statements are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

The City reports the following major governmental funds:

- General Fund – This is the city’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Chip Seal – This fund is used for the accumulation of resources for chipseal maintenance and improvements.
- Healthcare Sales Tax – This fund is used for the collection of sales tax this is disbursed upon request from a health care facility.
- Parks and Rec Sales Tax – This fund is used for the collection of sales tax that is disbursed upon request from the park board.

The City reports the following major proprietary funds:

- Water Fund – The City accounts for cash receipts and disbursements related to the furnishing of water services to residents of the City in this fund.
- Sewer Fund – The City accounts for cash receipts and disbursements related to the furnishing of sewer services to residents of the City in this fund.
- Garbage Fund – The City accounts for cash receipts and disbursements related to the furnishing of garbage services to residents of the City in this fund.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consists of highly liquid investments with an original maturity of three months or less.

Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	20 – 100
Machinery and Equipment	7 – 20

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. Upon termination of employment or retirement, employees will be paid for unused vacation benefits that have accumulated through the last day of work. Any unused sick benefits will not be paid upon termination of employment or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period.

Fund Balance

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable**
 - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
- **Restricted**
 - Fund balance is reported as restricted when constraints are placed on the use of resources 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**
 - A 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, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
- **Assigned**
 - Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
- **Unassigned**
 - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the City to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Net Position

Net position represents the difference between assets and liabilities in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Transactions

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2023, the City's carrying amount of deposits was \$6,334,814 and the bank balances were \$6,427,563. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk

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

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

As of December 31, 2023, the City held no certificates of deposit.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 – PROPERTY TAXES

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added on October 15 if not paid.

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

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 774,093	\$ -	\$ -	\$ 774,093
Construction in Progress	105,015	363,315	-	468,330
Total Capital Assets, not being depreciated	879,108	363,315	-	1,242,423
Capital Assets, being depreciated				
Buildings and Infrastructure	6,936,650	-	-	6,936,650
Machinery and Equipment	1,552,005	372,301	(259,818)	1,664,488
Total Capital Assets, being depreciated	8,488,655	372,301	(259,818)	8,601,138
Less Accumulated Depreciation for				
Buildings and Infrastructure	1,954,637	207,729	-	2,162,366
Machinery and Equipment	1,027,373	109,764	(103,899)	1,033,238
Total Accumulated Depreciation	2,982,010	317,493	(103,899)	3,195,604
Total Capital Assets Being Depreciated, net	5,506,645	54,808	(155,919)	5,405,534
Governmental Activities Capital Assets, net	<u>\$ 6,385,753</u>	<u>\$ 418,123</u>	<u>\$ (155,919)</u>	<u>\$ 6,647,957</u>

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 25,180	\$ -	\$ -	\$ 25,180
Total Capital Assets, not being depreciated	25,180	-	-	25,180
Capital Assets, being depreciated				
Buildings and Infrastructure	1,106,296	-	-	1,106,296
Machinery and Equipment	780,733	99,080	(47,488)	832,325
Total Capital Assets, being depreciated	1,887,029	99,080	(47,488)	1,938,621
Less Accumulated Depreciation for				
Buildings and Infrastructure	359,631	9,704	-	369,335
Machinery and Equipment	635,452	61,544	(45,066)	651,930
Total Accumulated Depreciation	995,083	71,248	(45,066)	1,021,265
Total Capital Assets Being Depreciated, net	891,946	27,832	(2,422)	917,356
Business-type Activities Capital Assets, net	\$ 917,126	\$ 27,832	\$ (2,422)	\$ 942,536

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

Governmental Activities:	
General Government	\$ 39,202
Public Safety	18,921
Public Works/Infrastructure	259,370
Total Depreciation Expense - Governmental Activities	\$ 317,493
Business-type Activities:	
Water	\$ 7,734
Sewer	3,873
Garbage	56,257
Other	3,384
Total Depreciation Expense - Business-type Activities	\$ 71,248

NOTE 5 – FUND TRANSFERS

The following fund transfers were made during the year ended December 31, 2023:

	Operating Transfer In	Operating Transfer Out
General Fund	\$ 1,598	\$ 559,066
Chip Seal	136,000	-
Nonmajor Governmental Funds	423,066	1,598
Proprietary Funds	50,000	50,000
Total	\$ 610,664	\$ 610,664

Transfers are made for funding various projects and operational expenses. The transfers in and out during 2023 were budgeted transfers.

NOTE 6 – LONG-TERM LIABILITIES

At December 31, 2023, the City had no long-term debt.

NOTE 7 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a twelve-month period.

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

NOTE 8 – LEGAL COMPLIANCE - BUDGETS

The City's general fund expenditures did not exceed budgeted amounts for the current year.

NOTE 9 – PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for 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 salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2023, if the City were to report on the full accrual basis, a liability of \$977,624 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2023, 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 2023 and 2022, the City's proportion was .050700 and .053964 percent. The City's pension contribution for the year ended December 31, 2023 was \$49,515.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

Pension Plan Fiduciary Net Position

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

NDPERS Law Enforcement Retirement System (Law Enforcement System)

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

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

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

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

Member and Employer Contributions

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

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2023, if the City were to report on the full accrual basis, a liability of \$150,951 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2023, 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, 2023 and 2022, the City's proportion was .249170 and .341075 percent. The City's pension contribution for the year ended December 31, 2023 was \$21,403.

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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 10 – OTHER POST-EMPLOYMENT BENEFIT PLAN

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2023, if the City were to report on the full accrual basis, a liability of \$69,777 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30 2023 and 2022, the City's proportion was .069794 and .069241 percent. The City's OPEB contribution for the year ended December 31, 2023 was \$8,452.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

NOTE 11 – COMMITMENTS

Beginning in 2022, the City has pledged \$50,000 per year through 2028 to Bowman Parks and Recreation to help fund facility construction.

NOTE 12 – JOINT VENTURE

The City holds a one third equity interest in the Bowman County Development Corporation. The Bowman County Development Corporation is dedicated to the growth and preservation of Bowman County and its cities. The City does not believe there will be a significant accumulation of financial resources or fiscal stress from this joint venture.

Separate financial statements for the Bowman County Development Corporation are available in a separately issued financial report.

NOTE 13 – FUND BALANCE

The following is a summary of fund balances as of December 31, 2023:

Fund Balance		
Restricted for		
Sales Tax Funds	\$	710,730
Capital Projects		489,053
Public Safety		71,062
Public Works		112,015
Economic Development		38,222
Other		167,225
Unassigned		<u>2,078,713</u>
Total Fund Balance	\$	<u><u>3,667,020</u></u>

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 31, 2024, the date on which the financial statements were available to be issued.

CITY OF BOWMAN, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,541,465	\$ 1,541,465	\$ 1,296,416	\$ (245,049)
Special Assessments	1,000	1,000	2,320	1,320
Licenses, Permits, and Fees	22,720	22,720	22,156	(564)
Intergovernmental	120,000	120,000	144,876	24,876
Charges for Services	9,350	9,350	9,473	123
Interest Income	15,500	15,500	186,823	171,323
Miscellaneous Income	43,039	43,039	47,613	4,574
Total Revenues	1,753,074	1,753,074	1,709,677	(43,397)
EXPENDITURES				
Current				
General Government	608,057	645,867	570,041	75,826
Public Safety	469,261	493,313	461,209	32,104
Public Works/Infrastructure	227,758	238,059	217,159	20,900
Economic Development	83,737	83,737	115,123	(31,386)
Facilities Acquisition and Construction	52,000	62,092	10,092	52,000
Total Expenditures	1,440,813	1,523,068	1,373,624	149,444
Excess of Revenues over Expenditures	312,261	230,006	336,053	106,047
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	1,598	1,598
Operating Transfer Out	(510,311)	(596,311)	(559,066)	(37,245)
Total Other Financing Sources (Uses)	(510,311)	(596,311)	(557,468)	(35,647)
NET CHANGE IN FUND BALANCE	(198,050)	(366,305)	(221,415)	70,400
FUND BALANCE, BEGINNING OF YEAR			2,300,128	
FUND BALANCE, END OF YEAR			\$ 2,078,713	



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

City Council
City of Bowman, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Bowman (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 Bowman's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current year findings as item 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of current year findings as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of current year audit findings as item 2023-003.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Nadine Julson, LLC
Wahpeton, North Dakota
December 31, 2024

CITY OF BOWMAN, NORTH DAKOTA

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS

Year ended December 31, 2023

2023-001 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on the modified cash basis.

Condition

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect or Potential Effect

Inadequate controls over financial reporting of the City results in more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the City be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the City should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2023-002 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the City.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

CITY OF BOWMAN, NORTH DAKOTA
Schedule of Current Year Audit Findings – Continued

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the City. The City will segregate functions where feasible.

2023-003 BUDGET

Criteria

N.D.C.C. 57-15-31 states the amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a) The available surplus consisting of the free and unencumbered cash balance;
- b) Estimated revenues from sources other than direct property taxes;
- c) The total estimated collections from tax levies for previous years;
- d) Expenditures that must be made from bond sources;
- e) The amount of distributions received from an economic growth increment pool under section 57-15-61; and;
- f) The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Condition

The City did not prepare its budget in compliance with all attributes of N.D.C.C. 57-15-31.

Effect or Potential Effect

The attributes identified in N.D.C.C. 57-15-31 are key components in the tax levy calculation in any budget year. Thus, the City improperly calculated the tax levies.

Recommendation

The City should ensure its compliance with all aspects of N.D.C.C. 57-15-31 and resolve any current circumstances if deemed appropriate by management.

Views of Responsible Officials

The City will review N.D.C.C. for compliance and to justify the amounts levied for funds in future years.

CITY OF BOWMAN, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2023

Prior Financial Statement Findings

2022-001

A material weakness was reported for financial statement preparation.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the City to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2023-001.

2022-002

A material weakness was reported for a lack of segregation of duties.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2023-002.