

**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA**

AUDIT REPORT

**EXAMINATION FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2018**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA**

**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA
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INDEPENDENT AUDITOR'S REPORT

City Commissioners
Bowman, North Dakota 58623

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of December 31, 2018, 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 required supplementary information such as Management's Discussion and Analysis (omitted), the Budgetary Comparison information, and the schedules relating to pensions on pages 34 – 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bowman's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor

fund financial statements on pages 39 – 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

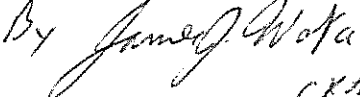
The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information 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 May 17, 2019, on our consideration of the City of Bowman’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bowman’s internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CJA

Beach, North Dakota
May 17, 2019

CITY OF BOWMAN
STATEMENT OF NET POSITION
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,950,399	\$ 2,224,525	\$ 6,174,924
Taxes/assessments receivable	16,105	-	16,105
Accounts/other receivables	715	82,652	83,367
Due from other governments	129,637	-	129,637
Prepaid expense	21,648	6,661	28,309
Capital assets not being depreciated			
Land	196,340	25,180	221,520
Construction in progress	-	34,500	34,500
Capital assets being depreciated (net of accumulated depreciation)	2,830,666	915,720	3,746,386
Total Assets	7,145,510	3,289,238	10,434,748
DEFERRED OUTFLOWS OF RESOURCES			
	585,326	-	585,326
LIABILITIES			
Accounts payable and other current liabilities	95,888	11,619	107,507
Noncurrent liabilities:			
Due within one year	106,441	30,000	136,441
Due in more than one year	1,038,620	29,734	1,068,354
Total Liabilities	1,240,949	71,353	1,312,302
DEFERRED INFLOWS OF RESOURCES			
	54,848	-	54,848
NET POSITION			
Net investment in capital assets	2,898,870	945,400	3,844,270
Restricted for:			
Bond Indenture Requirements	50,000	30,000	80,000
Public Works	115,814	-	115,814
Prepaid Expenditures	21,648	6,661	28,309
Unrestricted	3,348,707	2,235,824	5,584,531
Total Net Position	\$ 6,435,039	\$ 3,217,885	\$ 9,652,924

See accompanying notes to financial statements.

**CITY OF BOWMAN
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fines, Forfeitures, etc.	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 475,101	\$ -	\$ -	(475,101)	\$ -	\$ (475,101)
Public safety	452,428	920	-	(451,508)	-	(451,508)
Public works	1,678,551	7,192	130,066	(1,541,293)	-	(1,541,293)
Public health	208,975	-	301,104	92,129	-	92,129
Culture and recreation	256,152	-	92,691	(163,461)	-	(163,461)
Interest on long-term debt	1,650	-	-	(1,650)	-	(1,650)
Miscellaneous	271,717	-	-	(271,717)	-	(271,717)
Unallocated costs	147,374	-	-	(147,374)	-	(147,374)
Total governmental activities	3,491,948	8,112	523,861	(2,959,975)		(2,959,975)
Business-type activities:						
Water	266,923	375,468	-	-	108,545	108,545
Sewer	91,336	106,456	-	-	15,120	15,120
Vector Control	5,113	2,413	-	-	(2,700)	(2,700)
Garbage	540,320	565,294	-	-	24,974	24,974
Total business-type activities	903,692	1,049,631	-	-	145,939	145,939
Total primary government	\$ 4,395,640	\$ 1,057,743	\$ 523,861	(2,959,975)	145,939	(2,814,036)
General revenues:						
Property taxes				344,159	-	344,159
Licenses and permits				14,523	-	14,523
Unrestricted Federal/State shared revenues				1,427,134	-	1,427,134
Unrestricted investment earnings				103,447	-	103,447
Miscellaneous				74,992	108	75,100
Transfers				(16,902)	16,902	-
Total general revenues and transfers				1,947,353	17,010	1,964,363
Change in net assets						
				(1,012,622)	162,949	(849,673)
Total net position - January 1, 2018				7,447,661	3,054,936	10,502,597
Total net position - December 31, 2018				\$ 6,435,039	\$ 3,217,885	\$ 9,652,924

See accompanying notes to financial statements.

**CITY OF BOWMAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018**

Description	General	Major Funds		Other Governmental Funds	Total Governmental Funds
		City Sales Tax	Gateway Ind Park		
ASSETS					
Cash and cash equivalents	\$ 2,308,514	\$ 319,814	\$ 449,630	\$ 872,441	\$ 3,950,399
Tax/assessment receivable	16,105	-	-	-	16,105
Accounts/other receivables	715	-	-	-	715
Due from other governments	129,637	-	-	-	129,637
Prepaid expense	21,648	-	-	-	21,648
Total Assets	2,476,619	319,814	449,630	872,441	4,118,504
LIABILITIES					
Accounts payable	13,197	76,353	-	6,338	95,888
Total Liabilities	13,197	76,353	-	6,338	95,888
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	16,105	-	-	-	16,105
FUND BALANCES					
Nonspendable	21,648	-	-	-	21,648
Restricted	-	-	-	165,814	165,814
Committed	-	243,461	-	99,407	342,868
Assigned	-	-	449,630	600,882	1,050,512
Unassigned	2,425,669	-	-	-	2,425,669
Total fund balances	2,447,317	243,461	449,630	866,103	4,006,511
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,476,619	\$ 319,814	\$ 449,630	\$ 872,441	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>3,027,006</u>
Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>(38,743)</u>
Long-term liabilities, including bonds payable and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(559,735)</u>
Net position of governmental funds	<u><u>\$ 6,435,039</u></u>

See accompanying notes to financial statements.

CITY OF BOWMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018

Description	General	Major Funds		Other Governmental Funds	Total Governmental Funds
		City Sales Tax	Gateway Ind Park		
REVENUES					
Taxes/assessments	\$ 336,109	\$ -	\$ -	\$ -	\$ 336,109
Licenses and permits	9,523	-	-	5,000	14,523
Intergovernmental revenues	1,427,135	301,104	-	222,756	1,950,995
Charges for services	7,192	-	-	-	7,192
Fines and forfeitures	920	-	-	-	920
Miscellaneous	74,992	-	-	-	74,992
Investment and royalty earnings	103,447	-	-	-	103,447
Total Revenues	1,959,318	301,104	-	227,756	2,488,178
EXPENDITURES					
Current:					
General government	339,129	-	-	36,070	375,199
Public safety	452,428	-	-	-	452,428
Public works	164,239	-	1,317,700	196,612	1,678,551
Public health	-	205,941	-	3,034	208,975
Culture and recreation	217,332	-	-	38,820	256,152
Debt service:					
Principal	-	-	-	100,000	100,000
Interest	-	-	-	1,650	1,650
Capital outlay	-	-	-	235,000	235,000
Miscellaneous	4,310	-	-	267,407	271,717
Total Expenditures	1,177,438	205,941	1,317,700	878,593	3,579,672
Excess of revenues (under) expenditures	781,880	95,163	(1,317,700)	(650,837)	(1,091,494)
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	458,833	458,833
Transfers out	(429,833)	-	-	(45,902)	(475,735)
Total other financing sources (uses)	(429,833)	-	-	412,931	(16,902)
Net change in fund balances	352,047	95,163	(1,317,700)	(237,906)	(1,108,396)
Fund balances - January 1, 2018	2,095,270	148,298	1,767,330	1,104,009	5,114,907
Fund balances - December 31, 2018	\$ 2,447,317	\$ 243,461	\$ 449,630	\$ 866,103	\$ 4,006,511

See accompanying notes to financial statements.

CITY OF BOWMAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds (page 8)	<u>\$ (1,108,396)</u>
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	235,000
Depreciation expense	<u>(147,374)</u>
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:	
Gain (loss) on the disposal of capital assets	-
Proceeds from the sale of capital assets	<u>-</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable tax revenue	<u>8,050</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:	
Long-term bond principal payments	100,000
Capital lease principal payments	<u>8,201</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Accrued compensated absences	<u>(5,949)</u>
Pension expense - GASB 68	<u>(102,154)</u>
Change in Net Position in Governmental Activities	<u><u>\$ (1,012,622)</u></u>

See accompanying notes to financial statements.

**CITY OF BOWMAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2018**

Description	Business-type Activities				Totals
	Major Enterprise Funds			Nonmajor Enterprise Funds	
	Water	Water Building	Garbage		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 588,283	\$ 525,452	\$ 246,371	\$ 864,419	\$ 2,224,525
Accounts/other receivables	21,976	-	48,207	12,469	82,652
Prepaid expenses	-	-	6,661	-	6,661
Total Current Assets	610,259	525,452	301,239	876,888	2,313,838
Noncurrent Assets					
Capital assets:					
Land	15,180	-	10,000	-	25,180
Construction in progress	-	-	34,500	-	34,500
Buildings	7,980	-	82,228	-	90,208
Improvements other than buildings	396,000	-	-	135,700	531,700
Machinery and equipment	56,294	-	304,304	534,939	895,537
Infrastructure (utility systems) and intangibles	342,773	-	127,383	-	470,156
Less: accumulated depreciation	(298,319)	-	(431,869)	(341,693)	(1,071,881)
Capital assets - net of accumulated depreciation	519,908	-	126,546	328,946	975,400
Total Noncurrent Assets	519,908	-	126,546	328,946	975,400
Total Assets	1,130,167	525,452	427,785	1,205,834	3,289,238
LIABILITIES					
Current Liabilities					
Accounts payable	5,505	-	5,230	774	11,509
Deposits payable	110	-	-	-	110
Total Current Liabilities	5,615	-	5,230	774	11,619
Noncurrent Liabilities					
Bonds/Loans payable	-	-	30,000	-	30,000
Compensated absences	8,648	-	17,054	4,032	29,734
Total Noncurrent Liabilities	8,648	-	47,054	4,032	59,734
Total Liabilities	14,263	-	52,284	4,806	71,353
NET POSITION					
Net investment in capital assets	519,908	-	96,546	328,946	945,400
Nonspendable	-	-	6,661	-	6,661
Unrestricted	595,996	525,452	272,294	872,082	2,265,824
Total Net Position	\$ 1,115,904	\$ 525,452	\$ 375,501	\$ 1,201,028	\$ 3,217,885

See accompanying notes to financial statements.

CITY OF BOWMAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018

Description	Business-type Activities				
	Major Enterprise Funds			Nonmajor Enterprise Funds	Totals
	Water	Water Building	Garbage		
OPERATING REVENUES					
Charges for services	\$ 355,803	\$ -	\$ 565,294	\$ 128,534	\$ 1,049,631
Miscellaneous revenues	-	-	108	-	108
Total Operating Revenues	355,803	-	565,402	128,534	1,049,739
OPERATING EXPENSES					
Personal services	151,708	-	350,544	66,282	568,534
Supplies	22,845	-	58,987	17,861	99,693
Building materials	11,145	-	8,765	-	19,910
Purchased services	54,042	-	64,581	18,046	136,669
Depreciation	7,625	-	1,644	66,816	76,085
Total Operating Expenses	247,365	-	484,521	169,005	900,891
Operating income (Loss)	108,438	-	80,881	(40,471)	148,848
NONOPERATING REVENUES (EXPENSES)					
Gain on sale of assets	-	-	-	-	-
Debt service interest expense	-	-	(2,801)	-	(2,801)
Total Non-Operating Revenues (Expenses)	-	-	(2,801)	-	(2,801)
Income (Loss) before contributions and transfers	108,438	-	78,080	(40,471)	146,047
Transfers in (out)	(93,000)	84,402	-	25,500	16,902
Change in net assets	15,438	84,402	78,080	(14,971)	162,949
Total net position - January 1, 2018	1,100,466	441,050	297,421	1,215,999	3,054,936
Total net position - December 31, 2018	\$ 1,115,904	\$ 525,452	\$ 375,501	\$ 1,201,028	\$ 3,217,885

See accompanying notes to financial statements.

**CITY OF BOWMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2018**

Description	Business-type Activities				
	Major Enterprise Funds			Nonmajor Enterprise Funds	Totals
	Water	Water Building	Garbage		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 354,338	\$ -	\$ 563,719	\$ 129,439	\$ 1,047,496
Cash paid to suppliers	(83,464)	-	(134,823)	(35,133)	(253,420)
Cash paid to employees	(154,168)	-	(353,501)	(65,608)	(573,277)
Net cash provided (used) by operating activities	116,706	-	75,395	28,698	220,799
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	(93,000)	84,402	-	25,500	16,902
Net cash provided (used) by noncapital financing activities	(93,000)	84,402	-	25,500	16,902
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	-	(34,500)	-	(34,500)
Principal paid on debt	-	-	(25,000)	-	(25,000)
Interest paid on debt	-	-	(2,801)	-	(2,801)
Net cash provided (used) by capital and related financing activities	-	-	(62,301)	-	(62,301)
Net increase (decrease) in cash and cash equivalents	23,706	84,402	13,094	54,198	175,400
Cash and cash equivalents - January 1, 2018	564,577	441,050	233,277	810,221	2,049,125
Cash and cash equivalents - December 31, 2018	\$ 588,283	\$ 525,452	\$ 246,371	\$ 864,419	\$ 2,224,525
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income	\$ 108,438	\$ -	\$ 80,881	\$ (40,471)	\$ 148,848
Depreciation expense	7,625	-	1,644	66,816	76,085
(Increase) decrease in accounts receivable	(1,575)	-	(1,683)	905	(2,353)
Increase (decrease) in deposits	110	-	-	-	110
Increase (decrease) in accounts payable	4,568	-	(2,490)	774	2,852
Increase (decrease) in compensated absences payable	(2,460)	-	(2,957)	674	(4,743)
Total adjustments	8,268	-	(5,486)	69,169	71,951
Net cash provided (used) by operating activities	\$ 116,706	\$ -	\$ 75,395	\$ 28,698	\$ 220,799

See accompanying notes to financial statements.

CITY OF BOWMAN
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2018

Description	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 205,416
Total Assets	\$ 205,416
 LIABILITIES	
Warrants payable	\$ 203,691
Due to other governments	1,725
Total Liabilities	\$ 205,416

See accompanying notes to financial statements.

**CITY OF BOWMAN
BOWMAN, NORTH DAKOTA**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies

The financial statements of the City of Bowman, North Dakota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City is governed by an elected Mayor and City Commission. The City's basic financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the City as reporting entities.

Basic Financial Statements

In accordance with GASB Statement No. 34 (*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*), the basic financial statements include both government-wide and fund financial statements.

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service fund activity has been

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

The Government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use by either; 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

The City reports the following major governmental funds:

General Fund – This fund reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

City Sales Tax Fund - This fund is used for health care within the City. The City has a 1% sales tax that provides the revenue. Funds are disbursed upon request from a health care facility.

Gateway Industrial Park Fund – This fund is used to track the Gateway Industrial Park Project.

The Government reports the following major proprietary funds:

Water Utility Fund - This fund is used to account for the operating and non-operating revenues and expenses of the public water utility system. The fund is maintained on the full accrual basis of accounting.

Water Building Fund – This fund is used for water related capital projects.

Garbage Fund - This fund accounts for the operating of refuse pickup and disposal.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net costs of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore, are not available to support City programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the City available to support City programs.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

Assets are recorded at historical 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.

Property, plant, and equipment of the primary government as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Land improvements	40
Public domain infrastructure	40
System infrastructure	40-100
Vehicles	5-20
Equipment other than vehicles	8-20
Office equipment	5
Computer equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

Taxes and Assessments

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

No reserve for estimated uncollected accounts receivable is maintained. Accounts receivable are reported as net of revenues collected in advance.

1. **Summary of Significant Accounting Policies – cont.**

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Net Position

In the government-wide and proprietary fund statements, net position is reported in three components - net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct, or improve those assets. Restricted net position is reported when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position is net position that does not meet the definition of either of the first two categories of net position.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Encumbrances

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Fund Balances – Governmental Funds

As of December 31, 2018, fund balances of the governmental funds are classified follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

1. **Summary of Significant Accounting Policies – cont.**
Fund Balances – Governmental Funds – cont.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the City Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of December 31, 2018, fund balances are composed of the following:

	General Fund	City Sales Tax	Gateway Ind. Park	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:	\$ 21,648	\$ -	\$ -	\$ -	\$ 21,648
Restricted:					
Muni Hwy	-	-	-	30,689	30,689
Road & Bridge	-	-	-	36,163	36,163
Bond Issue	-	-	-	50,000	50,000
Occupancy Tax	-	-	-	48,962	48,962
Committed:					
Rest and Lodging	-	-	-	99,407	99,407
City Sales Tax	-	243,461	-	-	243,461
Assigned:					
General Government	-	-	-	40,145	40,145
Future Capital Projects	-	-	449,630	452,843	902,473
Bond Payment	-	-	-	107,894	107,894
Unassigned Funds	<u>2,425,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,425,669</u>
Total fund balances	<u>\$ 2,447,317</u>	<u>\$ 243,461</u>	<u>\$ 449,630</u>	<u>\$ 866,103</u>	<u>\$ 4,006,511</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

1. **Summary of Significant Accounting Policies – cont.**

Deferred Outflows/Inflows of Resources

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

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

2. **Cash and Cash Equivalents**

The City maintains a cash pool for all funds under the control of the City Auditor. Cash includes cash and cash equivalents of checking and savings deposits which are highly liquid or have maturity dates of three months or less when purchased. The composition of cash on December 31, 2018 was as follows:

Cash in Banks	
Demand and Savings Deposits	\$ 6,174,924
Total	<u>\$ 6,174,924</u>

Deposits - At year-end, the carrying amount of the City's deposits was \$6,174,924 and the bank balance was \$6,380,559. These deposits include demand and savings deposits. Of the bank balance, \$276,179 was covered by Federal Depository Insurance, the balance \$6,104,380 was covered by pledged securities.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

North Dakota statutes require that the City obtain pledged securities for the uninsured portion of the deposits equal to 110% of such deposits. The amount of collateral held for City deposits at December 31, 2018 exceeded the amount required by state statutes.

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.

3. **Accounts Receivable**

Accounts receivable consist of billings for December and accounts delinquent at December 31.

4. **Taxes Receivable**

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with the National Council on Government Accounting (NCGA) Interpretation 3, Revenue Recognition-Property Taxes. This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as unavailable revenue.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the County and usually remitted monthly to the City.

5. **Due From County Treasurer**

The amount due from the County Treasurer consists of the cash on hand for taxes and special assessments collected but not remitted to the City of Bowman at December 31.

6. **Risk Management**

The City of Bowman participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

7. **Tax Abatements**

The City has eight properties that have received tax abatements; three in accordance with North Dakota Century Code 40-57.1-03 (Tax Incentives for New or Expanding Businesses), and five with Renaissance Zone Exemptions. The amount of tax that is abated, based on 2018 tax rates, is as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 15,370	\$ 13,911	\$ 11,543	\$ 7,021	\$ 7,021	\$ 6,632	\$ 6,632

8. Interfund Transfers

Individual fund operating transfers for 2018 were as follows:

<u>FUND</u>	<u>IN</u>	<u>OUT</u>
General Fund	\$ -	\$ 429,833
Main Street Water Main	-	10,902
City Improvement	5,000	-
Municipal Highway	48,500	-
Road & Bridge	7,333	-
Bond Payment	104,000	-
Street Blade	231,000	-
Street Sweeper	56,000	35,000
Street Loader	7,000	-
Water Building	84,402	-
Sur	6,000	-
New Pump Replacement	10,000	-
Tower Maintenance	9,500	-
Sewer Building	20,000	-
Water	-	93,000
Sewer	-	20,000
	<u>\$ 588,735</u>	<u>\$ 588,735</u>

All transfers are normal operating transfers.

9. Amounts Due To and From Other Funds and Governments, Interfund Loans, and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds".

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

10. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2018.

Governmental activities:	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated				
Land	\$ 196,340	\$ -	\$ -	\$ 196,340
Total capital assets not being depreciated	<u>196,340</u>	<u>-</u>	<u>-</u>	<u>196,340</u>
Capital assets being depreciated				
Buildings	1,910,669	-	-	1,910,669
Improvements other than buildings	906,852	-	-	906,852
Machinery and equipment	1,008,482	271,238	60,000	1,219,720
Infrastructure	577,751	-	-	577,751
Total capital assets being depreciated	<u>4,403,754</u>	<u>271,238</u>	<u>60,000</u>	<u>4,614,992</u>
Less accumulated depreciation for:				
Buildings	(563,633)	(38,902)	-	(602,535)
Improvements other than buildings	(341,915)	(33,633)	-	(375,548)
Machinery and equipment	(791,404)	(74,839)	60,000	(806,243)
Total accumulated depreciation	<u>(1,696,952)</u>	<u>\$ (147,374)</u>	<u>\$ 60,000</u>	<u>(1,784,326)</u>
Net capital assets being depreciated	<u>2,706,802</u>			<u>2,830,666</u>
Governmental activities capital assets net	<u>\$ 2,903,142</u>			<u>\$ 3,027,006</u>

All depreciation expense is unallocated.

Business-type activities:

Capital assets not being depreciated				
Land	\$ 25,180	\$ -	\$ -	\$ 25,180
Construction in progress	-	34,500	-	34,500
Total capital assets not being depreciated	<u>25,180</u>	<u>34,500</u>	<u>-</u>	<u>59,680</u>
Capital assets being depreciated (amortized)				
Buildings	90,208	-	-	90,208
Machinery and equipment	895,537	-	-	895,537
Utility plant	531,700	-	-	531,700
Intangibles	105,000	-	-	105,000
Infrastructure	365,156	-	-	365,156
Total capital assets being depreciated	<u>1,987,601</u>	<u>-</u>	<u>-</u>	<u>1,987,601</u>
Less accumulated depreciation and amortization for:				
Buildings	(22,437)	(1,804)	-	(24,241)
Machinery and equipment	(578,538)	(67,642)	-	(646,180)
Utility plant	(289,821)	(6,639)	-	(296,460)
Intangibles	(105,000)	-	-	(105,000)
Total accumulated depreciation	<u>(995,796)</u>	<u>(76,085)</u>	<u>-</u>	<u>(1,071,881)</u>
Net capital assets being depreciated	<u>991,805</u>			<u>915,720</u>
Business-type activities capital assets net	<u>\$ 1,016,985</u>			<u>\$ 975,400</u>

Depreciation and amortization expense is allocated to:

Water	\$ 11,911
Garbage	54,643
Sewer	6,888
Vector	2,643
	<u>\$ 76,085</u>

11. **Pension Plan**
Notes to the Financial Statements for the Year Ended December 31, 2018

Summary of Significant Accounting Policies

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.

General Information about the 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 will be 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. The plan permits early retirement at ages 55-64 with three or more years of service.

11. **Pension Plan – cont.**

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.

11. **Pension Plan – cont.**

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 12/31/2018, the Employer reported a liability of \$978,188 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer’s proportion of the net pension liability was based on the Employer’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 06/30/2017, the Employer’s proportion was 0.060858 percent, which was an increase of 0.003941 from its proportion measured as of 06/30/2016.

For the year ended 12/31/2018, the Employer recognized pension expense of \$155,806. At 12/31/2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,814	\$ 4,766
Changes of assumptions	401,123	22,063
Net difference between projected and actual earnings on pension plan investments	13,156	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,414	28,019
Employer contributions subsequent to the measurement date	112,819	-
Total	<u>\$ 585,326</u>	<u>\$ 54,848</u>

\$585,326 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2019.

11. **Pension Plan – cont.**

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

Year ended June 30:	
2018	\$ 93,015
2019	111,066
2020	97,194
2021	73,174
2022	43,210
Thereafter	-

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

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

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

Investment rate of return	7.75%, net of investment expenses
Cost-of-living 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 the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

11. **Pension Plan – cont.**

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%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

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

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent,

11. Pension Plan – cont.

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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	\$ 1,327,920	\$ 978,188	\$ 687,225

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

12. Long-term Debt

	<u>12-31-17</u>	Issued (Retired)	<u>12-31-18</u>
Refuse Disposal Revenue Refunding Bond of 2009, due in annual principal payments of \$20,000 to \$30,000, and semi-annual interest payments at a rate of 2.15% to 4%. Final payment due May 2019.	\$ 55,000	\$ (25,000)	\$ 30,000
Oil and Gas Tax Revenue Refunding Bond of 2014, due in annual principal payments of \$100,000 with interest at 1.10% due semiannually. Final payment due May 2019.	\$ <u>200,000</u>	\$ <u>(100,000)</u>	<u>100,000</u>
	\$ <u>255,000</u>	\$ <u>(125,000)</u>	<u>130,000</u>
Due in current year			<u>130,000</u>
Long-term			\$ <u><u>-</u></u>

ANNUAL REQUIREMENT TO REDUCE GENERAL OBLIGATION BONDS DEBT

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ <u>100,000</u>	\$ <u>550</u>	\$ <u>100,550</u>
Total	\$ <u><u>100,000</u></u>	\$ <u><u>550</u></u>	\$ <u><u>100,550</u></u>

The principal and interest of the Oil and Gas Tax Bond is being paid by the Bond Payment Fund.

ANNUAL REQUIREMENT TO REDUCE DEBT IN GARBAGE FUND

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ <u>30,000</u>	\$ <u>600</u>	\$ <u>30,600</u>
Total	\$ <u><u>30,000</u></u>	\$ <u><u>600</u></u>	\$ <u><u>30,600</u></u>

All principal and interest for the Refuse Bond is being paid by the Garbage Fund.

12. Long-term Debt – cont.

CAPITAL LEASE

	<u>12-31-17</u>	Issued (Retired)	<u>12-31-18</u>
During 2018, the City entered into a capital lease for a Skid Steer Loader. \$8,102 was paid at the signing of the lease and 4 additional annual payments of \$8,102 are required, including interest at 5.75%. Final payment is due in 2022.	\$ -	\$ 36,238	\$ 28,136
		(8,102)	
	<u>\$ -</u>	<u>\$ 28,136</u>	<u>\$ 28,136</u>

ANNUAL REQUIREMENTS TO REDUCE LEASE DEBT

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,441	\$ 1,661	\$ 8,102
2020	6,821	1,281	8,102
2021	7,224	878	8,102
2022	7,650	452	8,102
	<u>\$ 28,136</u>	<u>\$ 4,272</u>	<u>\$ 32,408</u>

The principal and interest are paid from the General Fund. The City is to receive \$4,102 each year from Bowman Park and Recreation.

13. Compensated Absences

The City's policy on vacation days is that an employee earns vacation days during each 12 month period beginning with the anniversary date of employment. A maximum of 12 vacation days may be carried from one year to the next.

Sick leave is also accrued with a maximum of 80 days for full time employees and 60 days for part time employees to be carried forward. Sick leave is not paid upon termination of employment and therefore, not recorded as a liability.

Current year activity with compensated absences is as follows:

<u>Prior Year Balance</u>	<u>Earned</u>	<u>Used</u>	<u>Current Year Balance</u>
\$ 67,264	\$ 1,207	\$ -	\$ 68,471

Of the \$68,471, \$38,737 is Governmental and \$29,734 is Business-type Activities.

14. Subsequent Events

The City awarded three contracts totaling \$1,407,990, with change orders, in 2018. The work on two of the contracts totaling \$1,027,615 was completed and paid during 2018. The third contract for \$380,374, \$149,884 was completed and paid during 2018. The balance of \$230,490 has not yet been completed. A total of \$1,317,700, including engineering, was paid during 2018 and an additional \$3,596 has been paid during 2019. The contracts are paid from the Gateway Industrial Park Fund. There is \$446,034 left in the fund.

14. **Subsequent Events – cont.**

The City had four contracts for the garbage building addition. Two of the contracts totaling \$80,496, had work done during 2018 totaling \$35,322, which had been paid. The balance of \$45,174 has been completed and paid in 2019. The other two contracts totaling \$31,100 have not yet been started.

In February of 2019, the City committed to give the Bowman County Development Corporation \$30,000. No funds have been paid to date.

In May of 2019, the City has accepted a bid on a street chip seal project. The contract is for \$152,751.

Subsequent events have been evaluated through the date of these financial statements.

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 343,805	\$ 343,805	\$ 336,109	\$ (7,696)
Licenses and Permits	9,900	9,900	9,523	(377)
Intergovernmental Revenue	1,025,121	1,025,121	1,427,135	402,014
Charges for Service	6,000	6,000	7,192	1,192
Fines and Forfeitures	600	600	920	320
Miscellaneous Revenues	58,635	58,635	74,992	16,357
Investment and Royalty Earnings	40,000	40,000	103,447	63,447
Total Revenues	<u>1,484,061</u>	<u>1,484,061</u>	<u>1,959,318</u>	<u>475,257</u>
Expenditures:				
Current:				
General Government	360,526	387,483	339,129	48,354
Public Safety	462,965	468,485	452,428	16,057
Public Works	246,885	246,885	164,239	82,646
Public Health	-	-	-	-
Social and Economic	-	-	-	-
Culture and Recreation	218,497	218,497	217,332	1,165
Housing and Community Development	-	-	-	-
Miscellaneous	4,250	4,250	4,310	(60)
Total Expenditures	<u>1,293,123</u>	<u>1,325,600</u>	<u>1,177,438</u>	<u>148,162</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>190,938</u>	<u>158,461</u>	<u>781,880</u>	<u>623,419</u>
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	(190,933)	(429,833)	(429,833)	-
Total Other Financing Sources (Uses)	<u>(190,933)</u>	<u>(429,833)</u>	<u>(429,833)</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 5</u>	<u>\$ (271,372)</u>	352,047	<u>\$ 623,419</u>
Fund Balances - January 1, 2018			<u>2,092,570</u>	
Fund Balances - December 31, 2018			<u>\$ 2,444,617</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
City Sales Tax
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	310,000	310,000	301,104	(8,896)
Charges for Service	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>310,000</u>	<u>310,000</u>	<u>301,104</u>	<u>(8,896)</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Health	310,000	310,000	205,941	104,059
Public Works	-	-	-	-
Social and Economic	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>310,000</u>	<u>310,000</u>	<u>205,941</u>	<u>104,059</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>95,163</u>	<u>95,163</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>95,163</u>	<u>\$ 95,163</u>
Fund Balances - January 1, 2018			<u>148,298</u>	
Fund Balances - December 31, 2018			<u>\$ 243,461</u>	

**CITY OF BOWMAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

Budgets

Section 40-40-10, NDCC requires that immediately after the completion of the final budget and the adoption of the annual tax levy and not later than October 10, the City Auditor shall send to the County Auditor a certified copy of the levy and a certified copy of the final budget.

Budgets are prepared for the General Fund, Special Revenue Funds, and the Debt Service Funds on a cash basis which is not materially different from the modified accrual basis. Annual appropriations lapse at year end.

Budget Amendment

By an approved motion of the City Commission, the expense budgets for the following governmental funds were amended:

	<u>Original</u>	<u>Final</u>	<u>Change</u>
Governmental Funds			
General	\$ 1,484,056	\$ 1,755,433	\$ 271,377
Chip Seal	-	25,487	25,487
Street Sweeper	-	35,003	35,003
Occupancy	30,000	39,598	9,598
Auditor Replacement	-	1,274	1,274
Street Blade	-	261,003	261,003
Alcohol Education & Awareness	1,200	3,535	2,335
Main St Water Main	-	11,902	11,902
City Maintenance	-	7,109	7,109

ND Public Employees Retirement System

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

	2015	2016	2017	2018
Employer's proportion of the net pension liability (asset)	0.055481%	0.063534%	0.056917%	0.060858%
Employer's proportionate share of the net pension liability (asset)	\$352,150	\$432,020	\$554,712	\$978,188
Employer's covered-employee payroll	\$467,360	\$566,010	\$573,592	\$621,269
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%	103.4%	157.45%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%	93.62%	152.96%

*Complete data for this schedule is not available prior to 2015.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – cont.

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

	2015	2016	2017	2018
Statutorily required contribution	\$33,276	\$42,993	\$41,527	\$45,049
Contributions in relation to the statutorily required contribution	(\$33,276)	(\$40,300)	\$47,626	\$43,342
Contribution deficiency (excess)	-	2,693	(\$6,099)	\$1,707
Employer's covered-employee payroll	\$467,360	\$566,010	\$573,592	\$621,269
Contributions as a percentage of covered-employee payroll	7.12%	7.60%	8.30%	6.98%

*Complete data for this schedule is not available prior to 2015.

Changes of assumptions.

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTARY INFORMATION

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-Major Special Revenue Funds
Year Ended December 31, 2018

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	5,000	5,000
Intergovernmental Revenue	238,300	238,300	222,756	(15,544)
Charges for Services	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>238,300</u>	<u>238,300</u>	<u>227,756</u>	<u>(10,544)</u>
Expenditures:				
Current:				
General Government	26,000	35,598	36,070	(472)
Public Safety	-	-	-	-
Public Works	239,570	239,570	196,612	42,958
Public Health	-	-	-	-
Culture and Recreation	59,200	61,535	41,854	19,681
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>324,770</u>	<u>336,703</u>	<u>274,536</u>	<u>62,167</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(86,470)</u>	<u>(98,403)</u>	<u>(46,780)</u>	<u>51,623</u>
Other Financing Sources (Uses):				
Operating Transfers In	55,833	55,833	55,833	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources	<u>55,833</u>	<u>55,833</u>	<u>55,833</u>	<u>-</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (30,637)</u>	<u>\$ (42,570)</u>	9,053	<u>\$ 51,623</u>
Fund Balances - January 1, 2018			<u>246,313</u>	
Fund Balances - December 31, 2018			<u>\$ 255,366</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Capital Project Funds
Year Ended December 31, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	234,000	268,873	266,209	2,664
Capital Outlay	1,760,000	2,021,003	1,552,700	468,303
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>1,994,000</u>	<u>2,289,876</u>	<u>1,818,909</u>	<u>470,967</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,994,000)</u>	<u>(2,289,876)</u>	<u>(1,818,909)</u>	<u>470,967</u>
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Operating Transfers In	53,000	53,000	299,000	246,000
Operating Transfers (Out)	-	(45,902)	(45,902)	-
Total Other Financing Sources (Uses)	<u>53,000</u>	<u>7,098</u>	<u>253,098</u>	<u>246,000</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (1,941,000)</u>	<u>\$ (2,282,778)</u>	(1,565,811)	<u>\$ 716,967</u>
Fund Balances - January 1, 2018			<u>2,468,284</u>	
Fund Balances - December 31, 2018			<u>\$ 902,473</u>	

CITY OF BOWMAN
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Debt Service Funds
Year Ended December 31, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	1,500	1,500	1,198	302
Capital Outlay	-	-	-	-
Debt Service:				
Principal	100,000	100,000	100,000	-
Interest	2,750	2,750	1,650	1,100
Total Expenditures	<u>104,250</u>	<u>104,250</u>	<u>102,848</u>	<u>1,402</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(104,250)</u>	<u>(104,250)</u>	<u>(102,848)</u>	<u>1,402</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Operating Transfers In	104,400	104,400	104,000	(400)
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>104,400</u>	<u>104,400</u>	<u>104,000</u>	<u>(400)</u>
Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 150</u>	<u>\$ 150</u>	1,152	<u>\$ 1,002</u>
Fund Balances - January 1, 2018			<u>156,742</u>	
Fund Balances - December 31, 2018			<u>\$ 157,894</u>	



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

To the City Commission
Bowman, North Dakota 58623

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bowman, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Bowman's basic financial statements, and have issued our report thereon dated May 17, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

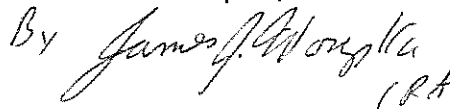
Compliance and Other Matters

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

Purpose of this Report

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

James J. Wosepka, PC

By  (P)

Beach, North Dakota
May 17, 2019