

**CITY OF BOWMAN**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

WITH INDEPENDENT AUDITOR'S REPORT

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# CITY OF BOWMAN

CITY OFFICIALS  
DECEMBER 31, 2019

City Council  
Lyn James, President  
Darren Limesand, Vice President  
Ryan Shear  
Myron Vail  
Benjamin Schaaf

City Officials  
Peggy Allen, Financial Auditor  
Stacy McGee, Utility Auditor  
Charles Headley, Police Chief  
Todd Hofland, Street Department Superintendent  
Bill Mason, Water Department Superintendent  
Steven J. Wild, City Attorney



*Independent Auditor's Report*

City Commissioners  
City of Bowman, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bowman, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Bowman's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

City of Bowman's 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 adverse audit opinion on the governmental activities and unmodified audit opinions on the business-type activities, major funds, and aggregate remaining fund information.

### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion on Governmental Activities***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Governmental Activities paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of City of Bowman, as of December 31, 2019, and the changes in financial position thereof for the year then ended.

### ***Unmodified Opinions on Business-Type Activities, Aggregate Discretely Presented Component Units, Major Funds, and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information for City of Bowman, as of December 31, 2019, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements:

- OPEB and pension balances were not reported. Accordingly, adjustments have been made to the net position to correct the error.
- Water Building was included as an enterprise fund rather than a government fund. Accordingly, a restatement has been made.

Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the employer's proportionate share of net OPEB liability and employer contributions, schedule of the employer's proportionate share of net pension liability and employer contributions, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual general fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual Healthcare Sales Tax Fund, comparison of budget to actual Gateway Industrial Park Fund, comparison of budget to actual Nonmajor Governmental Funds,

and notes to the required supplementary information on pages 42 – 50 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, economical, 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 City of Bowman's basic financial statements. The city officials listing is presented for purposes of additional analysis is not a required part of the basic financial statements.

The city officials listing 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 19, 2021 on our consideration of 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bowman's internal control over financial reporting and compliance.

  
Bismarck, North Dakota  
May 19, 2021

# CITY OF BOWMAN

## STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,668,677	\$ 1,532,952	\$ 5,201,629
Intergovernmental receivable	442,657	-	442,657
Taxes receivable	16,105	-	16,105
Accounts receivable	727	82,400	83,127
Other receivables	-	6,884	6,884
Prepaid expenses	21,648	6,661	28,309
Intangible assets, net of accumulated amortization	577,750	-	577,750
Capital assets not being depreciated	196,340	144,411	340,751
Capital assets net of accumulated depreciation	2,265,680	1,025,124	3,290,804
<b>Total assets</b>	<b>7,189,584</b>	<b>2,798,432</b>	<b>9,988,016</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from pension and OPEB	217,109	221,938	439,047
<b>LIABILITIES</b>			
Accounts payable	33,572	9,607	43,179
Noncurrent liabilities			
Due within one year			
Capital lease payable	6,821	-	6,821
Due in more than one year			
Compensated absences	38,737	29,733	68,470
Capital lease payable	14,874	-	14,874
Net pension and OPEB liabilities	427,215	436,715	863,930
<b>Total liabilities</b>	<b>521,219</b>	<b>476,055</b>	<b>997,274</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from pension and OPEB	226,489	231,526	458,015
<b>NET POSITION</b>			
Net investment in capital assets	2,447,146	1,169,535	3,616,681
Restricted			
General government	133,258	-	133,258
Healthcare	180,984	-	180,984
Parks and recreation	171,660	-	171,660
Public works	84,484	-	84,484
Unrestricted	3,641,453	1,143,254	4,784,707
<b>Total net position</b>	<b>\$ 6,658,985</b>	<b>\$ 2,312,789</b>	<b>\$ 8,971,774</b>

See Notes to the Financial Statements

**CITY OF BOWMAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 674,094	\$ -	\$ -	\$ -	\$ (674,094)	\$ -	\$ (674,094)
Public safety	904,150	365	-	-	(903,785)	-	(903,785)
Public works	924,861	10,420	-	-	(914,441)	-	(914,441)
Culture and recreation	465,389	-	-	-	(465,389)	-	(465,389)
Unallocated depreciation	146,932	-	-	-	(146,932)	-	(146,932)
Total governmental activities	3,115,426	10,785	-	-	(3,104,641)	-	(3,104,641)
Business-type activities							
Water	283,342	333,934	-	-	-	50,592	50,592
Garbage	552,621	570,490	-	-	-	17,869	17,869
Other	167,030	147,854	-	-	-	(19,176)	(19,176)
Total business-type activities	1,002,993	1,052,278	-	-	-	49,285	49,285
Total primary government	\$ 4,118,419	\$ 1,063,063	\$ -	\$ -	(3,104,641)	49,285	(3,055,356)
General revenues							
Property taxes					360,081	-	360,081
Sales taxes					693,631	-	693,631
Licenses and permits					28,929	-	28,929
State aid and revenues not restricted to specific programs					1,468,090	-	1,468,090
Unrestricted investment earnings					138,217	-	138,217
Miscellaneous					21,288	(1,180)	20,108
Internal services					19,752	-	19,752
Transfers					28,400	(28,400)	-
Total general revenues					2,758,388	(29,560)	2,728,808
Change in net position					(346,253)	19,705	(326,548)
Net position, January 1					6,435,039	3,217,885	9,652,924
Restatement					570,199	(924,801)	(354,602)
Net position, January 1, as restated					7,005,238	2,293,084	9,298,322
Net position, December 31					\$ 6,658,985	\$ 2,312,789	\$ 8,971,774

See Notes to the Financial Statements



# CITY OF BOWMAN

## BALANCE SHEET – GOVERNMENTAL FUNDS DECEMBER 31, 2019

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	City Sales Tax Fund	Gateway Industrial Park Fund	Water Building		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,365,400	\$ 108,217	\$ 37,868	\$ 553,852	\$ 603,340	\$ 3,668,677
Intergovernmental receivable	283,938	72,766	-	-	85,951	442,655
Taxes receivable	16,105	-	-	-	-	16,105
Accounts receivable	727	-	-	-	-	727
Prepaid expense	21,648	-	-	-	-	21,648
<b>Total assets</b>	<b>2,687,818</b>	<b>180,983</b>	<b>37,868</b>	<b>553,852</b>	<b>689,291</b>	<b>4,149,812</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	7,122	-	-	-	26,450	33,572
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	16,105	-	-	-	-	16,105
<b>FUND BALANCES</b>						
Non-spendable	21,648	-	-	-	-	21,648
Restricted	-	180,984	-	-	389,402	570,386
Assigned	-	-	37,868	553,852	273,440	865,160
Unassigned	2,642,943	-	-	-	-	2,642,943
<b>Total fund balances</b>	<b>2,664,591</b>	<b>180,984</b>	<b>37,868</b>	<b>553,852</b>	<b>662,842</b>	<b>4,100,137</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,687,818</b>	<b>\$ 180,983</b>	<b>\$ 37,868</b>	<b>\$ 553,852</b>	<b>\$ 689,291</b>	<b>\$ 4,149,812</b>

See Notes to the Financial Statements

## CITY OF BOWMAN

### RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2019

Total fund balance, governmental funds		\$ 4,100,137
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.</p>		
Cost of capital assets	4,269,376	
Less accumulated depreciation	<u>(1,807,356)</u>	
Net capital assets		2,462,020
<p>Intangible assets recorded in governmental activities are not current financial resources and therefore are not reported in the governmental funds.</p>		
		577,750
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and are reported as deferred inflows in the governmental funds.</p>		
		16,105
<p>Net deferred outflows (inflows) of resources relating to the cost sharing defined benefit pension and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources	217,109	
Deferred inflows of resources	<u>(226,489)</u>	
Net deferred outflows (inflows) of resources		(9,380)
<p>Liabilities applicable to the City's governmental activities that are not due and payable in the current period are therefore not reported as fund liabilities.</p>		
Compensated absences	(38,737)	
Capital lease payable	(21,695)	
Net pension and OPEB liabilities	<u>(427,215)</u>	
Total liabilities		<u>(487,647)</u>
Total net position of governmental activities		<u>\$ 6,658,985</u>

# CITY OF BOWMAN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Healthcare Sales Tax Fund	Gateway Industrial Park Fund	Water Building		
<b>Revenues</b>						
Taxes	\$ 360,081	\$ 422,863	\$ -	\$ -	\$ 280,615	\$ 1,063,559
Licenses and permits	11,429	-	-	-	17,500	28,929
Intergovernmental revenues	1,191,421	-	-	-	276,669	1,468,090
Charges for services	10,420	-	-	-	-	10,420
Fines and forfeitures	365	-	-	-	-	365
Investment earnings	138,217	-	-	-	-	138,217
Other income	11,441	-	-	-	-	11,441
Internal services	19,752	-	-	-	-	19,752
<b>Total revenues</b>	<b>1,743,126</b>	<b>422,863</b>	<b>-</b>	<b>-</b>	<b>574,784</b>	<b>2,740,773</b>
<b>Expenditures</b>						
Current						
General government	459,658	-	-	-	154,065	613,723
Public safety	492,388	-	-	-	-	492,388
Public works	156,428	-	411,762	-	283,092	851,282
Culture and recreation	182,981	-	-	-	282,406	465,389
Other	19,726	485,341	-	-	-	505,067
Capital outlay	-	-	-	-	172,000	172,000
Debt service						
Principal	-	-	-	-	100,000	100,000
Interest	-	-	-	-	1,132	1,132
<b>Total expenditures</b>	<b>1,311,181</b>	<b>485,341</b>	<b>411,762</b>	<b>-</b>	<b>992,697</b>	<b>3,200,981</b>
Excess (deficiency) of revenues over expenditures	431,945	(62,478)	(411,762)	-	(417,913)	(460,208)
<b>Other financing sources (uses)</b>						
Transfers in	56,762	-	-	28,400	271,433	356,595
Transfers out	(271,433)	-	-	-	(56,762)	(328,195)
<b>Total other financing sources (uses)</b>	<b>(214,671)</b>	<b>-</b>	<b>-</b>	<b>28,400</b>	<b>214,671</b>	<b>28,400</b>
<b>Net change in fund balances</b>	<b>217,274</b>	<b>(62,478)</b>	<b>(411,762)</b>	<b>28,400</b>	<b>(203,242)</b>	<b>(431,808)</b>
Fund balance, January 1	2,447,317	243,461	449,630	525,452	866,085	4,531,945
<b>Fund balance, December 31</b>	<b>\$ 2,664,591</b>	<b>\$ 180,983</b>	<b>\$ 37,868</b>	<b>\$ 553,852</b>	<b>\$ 662,843</b>	<b>\$ 4,100,137</b>

See Notes to the Financial Statements

## CITY OF BOWMAN

### RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds \$ (431,808)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	172,000	
Current year depreciation	<u>(146,932)</u>	
		25,068

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.

Change in net pension and OPEB liabilities	<u>(171,652)</u>	(171,652)
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Deferred outflows of resources and deferred inflows of resources related to pension and OPEB are reported in the government-wide statements. However, activity related to these items do not involve current financial resources and therefore are not reported in governmental funds.

Change in deferred outflows of resources	(45,930)	
Change in deferred inflows of resources	<u>171,628</u>	
		125,698

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond principal retirement	100,000	
Capital lease payments	<u>6,441</u>	
		<u>106,441</u>
		<u>\$ (346,253)</u>

# CITY OF BOWMAN

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS DECEMBER 31, 2019

	Water	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 594,790	\$ 144,710	\$ 793,452	\$ 1,532,952
Accounts receivable	24,262	43,482	14,655	82,399
Other receivables	1,542	5,343	-	6,885
Prepaid expenses	-	6,661	-	6,661
Total current assets	<u>620,594</u>	<u>200,196</u>	<u>808,107</u>	<u>1,628,897</u>
<b>NONCURRENT ASSETS</b>				
Capital assets				
Nondepreciable	15,180	98,459	30,773	144,412
Depreciable, net	497,604	80,401	447,118	1,025,123
Total noncurrent assets	<u>512,784</u>	<u>178,860</u>	<u>477,891</u>	<u>1,169,535</u>
Total assets	<u>1,133,378</u>	<u>379,056</u>	<u>1,285,998</u>	<u>2,798,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from pension and OPEB	<u>35,475</u>	<u>159,681</u>	<u>26,782</u>	<u>221,938</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	3,628	5,431	547	9,606
Compensated absences	8,648	17,054	4,032	29,734
Total current liabilities	<u>12,276</u>	<u>22,485</u>	<u>4,579</u>	<u>39,340</u>
<b>NONCURRENT LIABILITIES</b>				
Net pension and OPEB liabilities	<u>69,805</u>	<u>314,211</u>	<u>52,699</u>	<u>436,715</u>
Total liabilities	<u>82,081</u>	<u>336,696</u>	<u>57,278</u>	<u>476,055</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from pension and OPEB	<u>37,007</u>	<u>166,580</u>	<u>27,939</u>	<u>231,526</u>
<b>NET POSITION</b>				
Net investment in capital assets	512,784	178,860	477,891	1,169,535
Unrestricted	536,981	(143,399)	749,672	1,143,254
Total net position	<u>\$ 1,049,765</u>	<u>\$ 35,461</u>	<u>\$ 1,227,563</u>	<u>\$ 2,312,789</u>

See Notes to the Financial Statements

## CITY OF BOWMAN

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>REVENUES</b>				
Charges for services	\$ 333,934	\$ 570,490	\$ 147,854	\$ 1,052,278
<b>EXPENSES</b>				
Salaries and benefits	118,812	346,776	72,887	538,475
Supplies	2,304	3,717	-	6,021
Purchased services	55,870	46,806	6,470	109,146
Repairs and maintenance	40,945	77,214	16,345	134,504
Administration	58,286	76,462	-	134,748
Depreciation	7,124	1,645	71,328	80,097
Total operating expenses	283,341	552,620	167,030	1,002,991
Operating income (loss)	50,593	17,870	(19,176)	49,287
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Debt service interest and fees	-	(1,182)	-	(1,182)
Income (loss) before transfers	50,593	16,688	(19,176)	48,105
TRANSFERS	(52,900)	(69,400)	93,900	(28,400)
Change in net position	(2,307)	(52,712)	74,724	19,705
TOTAL NET POSITION, January 1	1,115,904	375,501	1,201,028	2,692,433
Restatement	(63,832)	(287,328)	(48,189)	(399,349)
TOTAL NET POSITION, January 1, as restated	1,052,072	88,173	1,152,839	2,293,084
TOTAL NET POSITION, December 31	\$ 1,049,765	\$ 35,461	\$ 1,227,563	\$ 2,312,789

See Notes to the Financial Statements

# CITY OF BOWMAN

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 330,108	\$ 569,873	\$ 145,668	\$ 1,045,649
Payments to suppliers	(159,394)	(203,999)	(23,042)	(386,435)
Payments to employees	(111,307)	(312,994)	(67,220)	(491,521)
Net cash provided by operating activities	<u>59,407</u>	<u>52,880</u>	<u>55,406</u>	<u>167,693</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	-	(53,959)	(220,273)	(274,232)
Principal payments on long-term debt	-	(30,000)	-	(30,000)
Interest and fees	-	(1,182)	-	(1,182)
Net cash used for capital and related financing activities	<u>-</u>	<u>(85,141)</u>	<u>(220,273)</u>	<u>(305,414)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from (to) other funds	(52,900)	(69,400)	93,900	(28,400)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,507	(101,661)	(70,967)	138,111
CASH AND CASH EQUIVALENTS, beginning of year	588,283	246,371	864,419	1,699,073
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 594,790</u>	<u>\$ 144,710</u>	<u>\$ 793,452</u>	<u>\$ 1,837,184</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 50,593	\$ 17,870	\$ (19,176)	\$ 49,287
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	7,124	1,645	71,328	80,097
Effects on cash flows due to changes in				
Accounts receivable	(3,828)	(618)	(2,186)	(6,632)
Deferred outflows	7,505	33,781	5,666	46,952
Accounts payable	(1,987)	201	(227)	(2,013)
Deferred inflows	28,043	126,230	21,172	175,445
Net pension and OPEB liabilities	(28,043)	(126,229)	(21,171)	(175,443)
Net cash provided by operating activities	<u>\$ 59,407</u>	<u>\$ 52,880</u>	<u>\$ 55,406</u>	<u>\$ 167,693</u>

See Notes to the Financial Statements

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bowman, North Dakota (the "City") operates under a Home Rule Charter. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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.

#### **Financial 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 are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 of Bowman as a reporting entity.

#### **Basis of Presentation**

##### *Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary funds. The statements distinguish between governmental activities, which are normally financed through taxes, intergovernmental revenues, and other nonexchange transactions and business-type activities, which are normally financed in whole or in part by fees and charges to external parties for services.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. 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 are therefore 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 are presented as general revenues.



# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### *Fund Financial Statements*

The fund financial statements provide information about the City's funds including its fiduciary funds. Separate statements for each category-governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Healthcare 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.

Water Building – This fund is used to set aside funds for and track water building projects.

The City reports the following major enterprise funds:

Water – This fund is used to account for the operating and non-operating revenues and expenses of the water department. This fund is maintained on the full accrual basis of accounting.

Garbage – This fund is used to account for the operating and non-operating revenues and expenses for the garbage fund. The fund is maintained on the full accrual basis of accounting.

### **Measurement Focus and Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available within 60 days of the end of the current fiscal year period. Special assessments, intergovernmental revenues, charges for services, and investment income are considered susceptible to accrual. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

As a general rule, the City has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of government. Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this identification are reported as nonoperating revenues and expenses.

### **Budgets and Budgetary Accounting**

The City Commission follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10. The legal level of control is total expenditures by fund.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

### **Cash and Cash Equivalents**

The City considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for certificates of deposit which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### Intangible Assets

Intangible assets are recorded at historical costs less accumulated amortization. A portion of the intangible assets is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis over the estimated useful life of the asset.

The City has not recorded accumulated amortization for governmental activities on the statement of net position.

### 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. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value. The City's capitalization policy is \$5,000 and an estimated useful life in excess of one year or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed, not capitalized.

The City does not have historical cost information for most of its general government infrastructure, (primarily transportation related infrastructure such as streets). Therefore, the City has not reported the general government infrastructure as capital assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated.

All capital assets are depreciated over their estimated useful lives on a straight-line basis. The City has established the following useful lives:

Buildings and infrastructure	20-100 years
Improvements other than buildings	15-40 years
Machinery and equipment	5-20 years
Vehicles	5-20 years

### Compensated Absences

The City allows employees to accumulate earned but unused vacation, comp and sick leave benefits. Unused vacation leave and comp benefits are 100% payable upon termination. Any unused sick leave benefits are not payable upon termination, but once an employee has accumulated the maximum accrued sick leave days, any additional accrued sick leave is awarded at a rate of two sick days for one day of vacation. The current maximum accrued sick days is a total of 80 days. Amounts are reported as liabilities in the appropriate governmental or business type activity in the government wide statements. Expenditure for unpaid vacation, comp, and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation, comp, and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### **Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **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.

### **Deferred Outflows and 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 future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) 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.

### **Long-Term Debt**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

#### Net Position

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies.

#### Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification reflects the constraints imposed on resources either (a) established externally by creditors, grantors, or contributors; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts consist of internally composed restraints which are established by formal action of the City Commission. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned – This consists of internally imposed constraints which reflect the City's intent for the use of funds, but are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

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

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

#### 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 do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

#### Property Taxes

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.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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 October 15<sup>th</sup> if not paid. Taxes are collected by the county and remitted monthly to the City.

### **Abatements**

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2019, the City of Bowman has eight properties that have received abatements; three in accordance with North Dakota Century Code 40-57.1-03 (Tax Incentives for New or Expanding Business), and five with Renaissance Zone Exemptions.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE 2 – PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was necessary to report OPEB and adjust pension liabilities, deferred outflows and inflows and related expenses. A current year restatement was also necessary to report the Water Building as a government fund rather than an enterprise fund.

The net result of these prior period adjustments increased net position for governmental activities by \$570,199 and decreased net position for business-type activities by \$924,801

### **NOTE 3 – CASH AND CASH EQUIVALENTS**

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

#### Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution. The City does not have a formal policy regarding deposits. In accordance with state statutes, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

At year end December 31, 2019, the City's carrying amount of deposits was \$5,201,629 and the bank balance was \$5,873,567. Of the bank balances \$276,652 was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consist of billings for December and accounts delinquent at December 31. Accounts receivable are presented net of allowance for uncollectible accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered past due if any portion of the balance is outstanding after the due date. As of December 31, 2019, all accounts were considered collectible and accordingly no allowance was recorded.

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as "due to/from other funds." Advances between funds are not available to appropriation and are not expendable financial resources.

#### **NOTE 5 – TAXES RECEIVABLES**

Taxes receivables 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. The 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, tax receivable are recorded as unavailable revenue.

#### **NOTE 6 - INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivables consist of reimbursements due from the State Treasurer for city sales tax and special assessments.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

Governmental Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19
Capital assets not being depreciated				
Land	\$ 196,340	\$ -	\$ -	\$ 196,340
Capital assets being depreciated				
Buildings and infrastructure	1,910,669	-	-	1,910,669
Machinery and equipment	1,219,720	172,000	(136,204)	1,255,516
Improvements other than buildings	906,851	-	-	906,851
Total capital assets being depreciated	4,037,240	172,000	(136,204)	4,073,036
Less accumulated depreciation				
Buildings and infrastructure	602,533	38,900	-	641,433
Machinery and equipment	806,245	105,747	(123,902)	788,090
Improvements other than buildings	375,548	2,285	-	377,833
Total accumulated depreciation	1,784,326	146,932	(123,902)	1,807,356
Total capital assets being depreciated, net	2,252,914	25,068	(12,302)	2,265,680
Governmental capital assets, net	<u>\$ 2,449,254</u>	<u>\$ 25,068</u>	<u>\$ (12,302)</u>	<u>\$ 2,462,020</u>

Depreciation expense for governmental activities is not allocated amongst the various governmental functions.



# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

Business-Type Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19
Capital assets not being depreciated				
Land	25,180	\$ -	\$ -	\$ 25,180
Construction in progress	34,500	84,731	-	119,231
Total capital assets not being depreciated	59,680	84,731	-	144,411
Capital assets being depreciated				
Buildings and infrastructure	90,209	-	-	90,209
Machinery and equipment	895,537	189,500	-	1,085,037
Utility plant	531,700	-	-	531,700
Infrastructure	365,155	-	-	365,155
Total capital assets being depreciated	1,882,601	189,500	-	2,072,101
Less accumulated depreciation				
Buildings and infrastructure	24,241	1,804	-	26,045
Machinery and equipment	646,180	78,292	-	724,472
Utility plant	296,460	-	-	296,460
Total accumulated depreciation	966,881	80,096	-	1,046,977
Total capital assets being depreciated, net	915,720	109,404	-	1,025,124
Business-type capital assets, net	<u>\$ 975,400</u>	<u>\$ 194,135</u>	<u>\$ -</u>	<u>\$ 1,169,535</u>

Depreciation expense was charged to the following business-type functions:

Water	7,124
Garbage	1,645
Other	71,327
	<u>80,096</u>
Total depreciation expense	<u>\$ 80,096</u>

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 8 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019:

Governmental Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Compensated absences	\$ 38,737	\$ -	\$ -	\$ 38,737	\$ -
Refunding bonds	100,000	-	100,000	-	-
Total	<u>\$ 138,737</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 38,737</u>	<u>\$ -</u>

Business-Type Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Compensated absences	\$ 29,733	\$ -	\$ -	\$ 29,733	\$ -
Refunding bonds	30,000	-	30,000	-	-
Total	<u>\$ 59,733</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 29,733</u>	<u>\$ -</u>

The City has no outstanding debt at December 31, 2019 (excluding compensated absences).

### NOTE 9 - TRANSFERS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

The following is a list of transfers for the year ending December 31, 2019:

Fund	Transfers In	Transfers Out
Governmental funds		
General fund	\$ 56,762	\$ 271,433
Water building	28,400	-
Nonmajor governmental funds	271,433	56,762
Enterprise funds	158,900	187,300
Total transfers	<u>\$ 515,495</u>	<u>\$ 515,495</u>

The transfers in and out during 2019 were budgeted transfers.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 10 - FUND BALANCE

At December 31, 2019, the governmental fund balance classifications are as follows:

	General Fund	Healthcare Sales Tax Fund	Gateway Industrial Park Fund	Water Building	Nonmajor Governmental Funds	Total
Non-spendable	\$ 21,648	\$ -	\$ -	\$ -	\$ -	\$ 21,648
Restricted for						
General government	-	-	-	-	133,258	133,258
Healthcare	-	180,984	-	-	-	180,984
Municipal highway	-	-	-	-	61,000	61,000
Parks and recreation	-	-	-	-	171,660	171,660
Roads and bridges	-	-	-	-	23,484	23,484
Assigned for						
General government	-	-	-	-	56,221	56,221
Culture and recreation	-	-	-	-	40,000	40,000
Future capital projects	-	-	37,868	553,852	177,219	768,939
Unassigned	2,642,943	-	-	-	-	2,642,943
	<u>\$ 2,664,591</u>	<u>\$ -</u>	<u>\$ 37,868</u>	<u>\$ 553,852</u>	<u>\$ 529,584</u>	<u>\$ 4,100,137</u>

### NOTE 11 – OPEB PLAN

#### General Information about the OPEB 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.

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.

## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

#### **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, 2019, the Employer reported a liability of \$62,447 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.077749 percent, which was an increase of 0.003492 from its proportion measured as of June 30, 2018.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, the Employer recognized OPEB expense of \$8,933. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,541	\$ 1,951
Changes of assumptions	7,443	-
Net difference between projected and actual earnings on pension plan investments	70	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,703	-
Employer contributions subsequent to the measurement date	2,815	-
Total	\$ 14,572	\$ 1,951

\$2,815 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

Year ended December 31:

2021	\$	456
2022		456
2023		456
2024		454
2025		453
Thereafter		428

**Actuarial assumptions.** The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Not applicable	
Investment rate of return	7.25%, net of investment expenses	
Cost-of-living adjustments	None	

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	40%	2.07%
Core-Plus Fixed Income	21%	6.95%

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. 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.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net OPEB liability	\$ 79,705	\$ 62,447	\$ 47,674

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 12 – PENSION PLAN

#### 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 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

## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, the Employer reported a liability of \$738,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 June 30, 2019, the Employer's proportion was 0.063049 percent, which was an increase of 0.02291 from its proportion measured as of June 30, 2018.



## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, the Employer recognized pension expense of \$146,112. At December 31, 2019, 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	\$ 438	\$ 134,111
Changes of assumptions	276,137	237,088
Net difference between projected and actual earnings on pension plan investments	12,875	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,388	17,234
Employer contributions subsequent to the measurement date	46,043	-
Total	\$ 378,881	\$ 388,433

\$46,043 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year ended December 31:	
2021	\$ 35,946
2022	11,358
2023	(19,816)
2024	(63,231)
2025	(19,852)
Thereafter	-

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

**Actuarial assumptions.** The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation            2.50%

Salary increases

Service At Beginning Of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
<b>Age</b>		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

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

Investment rate of return    7.50%, 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 inflation.

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**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 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 1,059,538	\$ 738,980	\$ 469,655

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

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### ***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

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

surviving spouse's designated beneficiary.

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

### ***Refunds of Member Account Balance***

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

### ***Member and Employer Contributions***

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

<b>Plan</b>	<b>Member contribution rate</b>	<b>Employer contribution rate</b>
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 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2019, the Employer reported a liability of \$62,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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/contributions in the Law Enforcement System pension plan relative to

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

the covered payroll/contributions of all participating Law Enforcement System employees. At June 30, 2019, the Employer's proportion was 0.525549 percent, which was a decrease of 0.020095 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Employer recognized pension expense of \$17,396. At December 31, 2019, 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	\$ 7,990	\$ 7,644
Changes of assumptions	44,801	45,503
Net difference between projected and actual earnings on pension plan investments	1,766	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,216	14,484
Employer contributions subsequent to the measurement date	<u>5,482</u>	<u>-</u>
 Total	 <u>\$ 61,255</u>	 <u>\$ 67,631</u>

\$5,482 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year ended December 31:	
2021	\$ 3,632
2022	294
2023	1,201
2024	(7,079)
2025	(9,906)
Thereafter	-

## CITY OF BOWMAN

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

Actuarial assumptions. Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases	<u>Service At Beginning Of Year</u>	<u>State Employee</u>	<u>Non-State Employee</u>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	<u>Age</u>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

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

Investment rate of return 7.50%, 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 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:

# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**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 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 122,201	\$ 62,503	\$ 13,548

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



# CITY OF BOWMAN

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 13 - COMMITMENTS

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 of 5.75%. Final payment is due in 2022. Remaining payments are as follows:

Year ended December 31:

2020	\$	8,102
2021		8,102
2022		8,102

### NOTE 14 – SUBSEQUENT EVENTS

On June 2, 2020, the road crew working in Bowman gave the City of Bowman 200 tons of chips at no cost on completion of the road project.

On September 15, 2020, the City received \$145,644 from the ND State Corona Virus Relief Fund which went into the General Fund as required.

The Company has evaluated subsequent events through May 19, 2021, the date which the financial statements were available to be issued.

**CITY OF BOWMAN**

**REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**CITY OF BOWMAN**

**SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY  
AND EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Schedule of Employer's Share of Net OPEB Liability  
ND Public Employees Retirement System  
LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Employer's proportion of the net OPEB liability (asset)	0.071689%	0.074257%	0.077749%
Employer's proportionate share of the net OPEB liability (asset)	56,707	58,482	62,447
Employer's covered-employee payroll	775,559	812,535	867,573
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%	7.20%	7.20%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%	61.89%	63.13%

\*Complete data for this schedule is not available prior to 2017.

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contribution	9,015	9,531	10,090
Contributions in relation to the statutory required contribution	(9,034)	(8,516)	(9,862)
Contribution deficiency (excess)	(19)	1,015	228
Employer's covered-employee payroll	775,559	812,535	867,573
Contributions as a percentage of covered-employee payroll	1.16%	1.05%	1.14%

\*Complete data for this schedule is not available prior to 2017.

## CITY OF BOWMAN

### SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS – MAIN SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2019

#### Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System Last 10 Fiscal Years\*

	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.063534%	0.056917%	0.060858%	0.063049%
Employer's proportionate share of the net pension liability (asset)	432,020	554,712	978,188	738,980
Employer's covered-employee payroll	566,010	573,592	621,269	655,819
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	157.45%	164.27%	112.68%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	61.98%	62.80%	71.66%

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

#### Schedule of Employer Contributions ND Public Employees Retirement System Last 10 Fiscal Years\*

	2016	2017	2018	2019
Statutorily required contribution	42,993	41,527	45,049	47,747
Contributions in relation to the statutory required contribution	(40,300)	47,626	43,342	(46,580)
Contribution deficiency (excess)	2,693	(6,099)	1,707	1,167
Employer's covered-employee payroll	566,010	573,592	621,269	655,819
Contributions as a percentage of covered-employee payroll	7.60%	8.30%	6.98%	7.10%

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

## CITY OF BOWMAN

### SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS – LAW ENFORCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

#### Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System – Law Enforcement Last 10 Fiscal Years\*

	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.678775%	0.536368%	0.545644%	0.525549%
Employer's proportionate share of the net pension liability (asset)	77,777	118,088	127,158	62,503
Employer's covered-employee payroll	191,587	154,290	188,362	211,754
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.60%	76.54%	67.51%	29.52%
Plan fiduciary net position as a percentage of the total pension liability	78.73%	69.86%	71.64%	84.95%

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

#### Schedule of Employer Contributions ND Public Employees Retirement System – Law Enforcement Last 10 Fiscal Years\*

	2016	2017	2018	2019
Statutorily required contribution	16,183	16,120	17,328	19,773
Contributions in relation to the statutory required contribution	(19,540)	(18,024)	(16,805)	(20,685)
Contribution deficiency (excess)	3,357	1,904	(523)	(912)
Employer's covered-employee payroll	191,587	154,290	188,362	211,754
Contributions as a percentage of covered-employee payroll	10.20%	11.68%	8.92%	9.77%

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

## CITY OF BOWMAN

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 362,500	\$ 362,500	\$ 360,081	\$ (2,419)
Licenses and permits	11,075	11,075	11,429	354
Intergovernmental revenues	1,154,056	1,154,056	1,191,421	37,365
Charges for services	7,050	7,050	10,420	3,370
Fines and forfeitures	150	150	365	215
Investment earnings	65,000	65,000	138,217	73,217
Other income	11,450	11,450	11,441	(9)
Internal services	21,100	21,100	19,752	(1,348)
<b>Total revenues</b>	<u>1,632,381</u>	<u>1,632,381</u>	<u>1,743,126</u>	<u>110,745</u>
<b>Expenditures</b>				
General government	467,156	599,475	459,658	(139,817)
Public safety	481,745	500,297	492,388	(7,909)
Public works	227,825	244,591	156,428	(88,163)
Culture and recreation	176,450	185,462	182,981	(2,481)
Other	4,250	4,250	19,726	15,476
<b>Total expenditures</b>	<u>1,357,426</u>	<u>1,534,075</u>	<u>1,311,181</u>	<u>(222,894)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>274,955</u>	<u>98,306</u>	<u>431,945</u>	<u>333,639</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	56,762	56,762
Transfers out	(254,833)	(304,833)	(271,433)	33,400
<b>Total other financing sources (uses)</b>	<u>(254,833)</u>	<u>(304,833)</u>	<u>(214,671)</u>	<u>90,162</u>
<b>Net change in fund balance</b>	<u>\$ 20,122</u>	<u>\$ (206,527)</u>	<u>217,274</u>	<u>\$ 423,801</u>
Fund balance - beginning			<u>2,447,317</u>	
Fund balance - ending			<u>\$ 2,664,591</u>	

## CITY OF BOWMAN

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – HEALTHCARE SALES TAX FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 300,000	\$ 300,000	\$ 422,863	\$ 122,863
Expenditures				
Other	300,000	621,348	485,341	(136,007)
Net change in fund balance	\$ -	\$ (321,348)	(62,478)	\$ 258,870
Fund balance - beginning			243,461	
Fund balance - ending			\$ 180,983	

## CITY OF BOWMAN

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – GATEWAY INDUSTRIAL PARK FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures				
Public safety	\$ -	\$ 449,630	\$ 411,762	\$ (37,868)
Net change in fund balance	<u>\$ -</u>	<u>\$ 449,630</u>	(411,762)	<u>\$ (37,868)</u>
Fund balance - beginning			<u>449,630</u>	
Fund balance - ending			<u>\$ 37,868</u>	



## CITY OF BOWMAN

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 280,615	\$ 280,615
Licenses and permits	-	-	17,500	17,500
Intergovernmental revenues	199,685	199,685	276,669	76,984
<b>Total revenues</b>	<u>199,685</u>	<u>199,685</u>	<u>574,784</u>	<u>375,099</u>
<b>Expenditures</b>				
General government	27,400	180,876	154,065	(26,811)
Public safety	6,000	-	-	-
Public works	451,335	607,267	283,092	(324,175)
Culture and recreation	51,000	320,342	282,408	(37,934)
Community development	20,000	20,000	-	(20,000)
Debt service	101,150	101,150	101,132	(18)
Capital outlay	-	-	172,000	172,000
<b>Total expenditures</b>	<u>656,885</u>	<u>1,229,635</u>	<u>992,697</u>	<u>(236,938)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(457,200)</u>	<u>(1,029,950)</u>	<u>(417,913)</u>	<u>612,037</u>
<b>Other financing sources (uses)</b>				
Transfers in	262,433	262,433	271,433	9,000
Transfers out	-	(56,762)	(56,762)	-
<b>Total other financing sources (uses)</b>	<u>262,433</u>	<u>205,671</u>	<u>214,671</u>	<u>9,000</u>
<b>Net change in fund balance</b>	<u>\$ (194,767)</u>	<u>\$ (824,279)</u>	<u>(203,242)</u>	<u>\$ 621,037</u>
Fund balance - beginning			<u>866,085</u>	
Fund balance - ending			<u>\$ 662,843</u>	

# CITY OF BOWMAN

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 1 – OPEB

**Changes of benefit terms.** 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 have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**Changes of assumptions.** The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

### NOTE 2 – PENSION – MAIN SYSTEM

**Changes of benefit terms.** The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**Changes of assumptions.** The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

### NOTE 3 – PENSION – LAW ENFORCEMENT

**Changes of benefit terms.** The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Public Safety members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

## CITY OF BOWMAN

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

**Changes of assumptions.** The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

#### **NOTE 4 – BUDGETARY INFORMATION**

The City Council adopts an annual budget on a basis consistent with the cash basis of accounting for the general fund, each special revenue fund and each debt service fund of the municipality. Annual appropriations lapse at year end.

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.



**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The City Commission  
City of Bowman

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bowman as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Bowman's basic financial statements, and have issued our report thereon dated May 19, 2021.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-004 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 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 findings and responses as item 2019-003.

### **City of Bowman's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

  
Bismarck, ND  
May 19, 2021

**CITY OF BOWMAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-001 Preparation of Financial Statements**

**Material Weakness in Internal Control over Financial Reporting**

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements and accompanying notes to the financial statements.

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The control deficiency could result in a misstatement in the presentation of the financial statements.

Effect – Inadequate control over financial reporting of the City could result in the more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation – The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials –**

Since it is not cost-effective or fiscally responsible for a municipality of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Schmitz-Holmstrom, LLP, a public accounting firm, to assist in the preparation of the financial statements as part of the 2019 audit of the City of Bowman North Dakota.

The City Commission is given monthly reports of all revenue, expenses and cash reports for review and approval.

**2019-002 Segregation of Duties**

**Material Weakness in Internal Control over Financial Reporting**

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that there is proper approval of transactions.

Condition – The City has a lack of segregation of duties in certain areas, specifically the cash receipt process and the review and approval process of manual journal entries due to limited staff.

Cause – The City has not implemented internal control procedures to ensure there is adequate segregation of duties related to all transactions handled in the accounting office and there are a limited number of employees to segregate all of the duties.

**CITY OF BOWMAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Effect – Inadequate segregation of duties could adversely affect the City's ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely manner.

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible.

Views of Responsible Officials –

At the present time, the City has segregated the duties of all 3 key office personnel in the most efficient manner possible. Due to cost constraints, staff is limited and there will be no further administrative employees added.

Manual journal entries are either approved by the finance commissioner by using a form with the finance commissioner signing off on it or the City Commission giving approval in a meeting and motioned for approval in the minutes, so it is unclear what more could be done.

**2019-003 Recording of Fixed Assets**

**Material Weakness in Internal Control over Financial Reporting and Noncompliance**

Criteria – Capital assets, primarily related to infrastructure, are not all recorded as capital assets in the accounting records.

Condition – The City does not have all its capital assets recorded, primarily related to infrastructure.

Cause – The City has not appropriately recorded all its capital assets, primarily related to infrastructure.

Effect – Missing or inappropriately recording capital assets results in a capital assets balance that is lower than appropriate and a net position balance that is lower than appropriate.

Recommendation – All capital assets should be recorded as assets. We recommend compiling records and recording the capital assets appropriately.

Previous audits were completed by Jim Wosepka, PC, and he was responsible for updating the fixed assets list for the City of Bowman, ND. The report was never printed in the audit, therefore never reviewed by the Commission or City Financial Auditor for completeness. Upon switching external auditors it was noticed that there were infrastructure items missing and the list will be updated in the future.

**CITY OF BOWMAN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2019-004 Compensated Absences Policy**  
**Significant Deficiency in Internal Control over Financial Reporting**

Criteria – City of Bowman Employee Policy Manual Vacation Benefits policy.

Condition – Under certain circumstances the City allows employees to carry over more vacation leave than the formal policy permits.

Cause – It has been the City's practice to allow additional carry over under certain circumstances.

Effect – Noncompliance with the formal policy. Not following the formal policy could mean inconsistencies and excessive carry over of vacation leave.

Recommendation – The City of Bowman should follow its formal policy or adopt amendments to the policy to bring it into alignment with current practices.

Views of Responsible Officials –

The Auditor has been given the discretion by the City Commission to adjust the use of vacation in certain circumstances, moving forward this language will be added into the policy per board approval.