

**CITY OF FORMAN**  
**Forman, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**CITY OF FORMAN**  
**Forman, North Dakota**

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**December 31, 2019**

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**CITY OF FORMAN**  
**Forman, North Dakota**

**OFFICIAL DIRECTORY**  
**December 31, 2019**

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Kevin Bopp	Mayor
Luke Anderson	Council Member
Al Colemer	Council Member
Neil Weaving	Council Member
John Stenvold	Council Member
Trish Pearson	City Auditor



## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Forman  
Forman, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying modified cash basis 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 the City of Forman, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Forman's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Forman, as of December 31, 2019 and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

## ***Basis of Accounting***

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

## ***Other Matters***

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forman's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

### ***Other Information***

The Official Directory 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.

As discussed in Note 10 to the financial statements, there were errors in capital assets, cash, and loans receivable as of December 31, 2018 that were discovered by management in the current year. Accordingly, an adjustment has been made to net position as of December 31, 2018 to correct the error. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020 on our consideration of the City of Forman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forman's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, ND  
November 5, 2020

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**December 31, 2019**

	Governmental Activities	Business-type Activities	Total	Forman Library	Forman Housing
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,093,493	\$ 297,836	\$ 1,391,329	\$ 8,734	\$ 32,302
Savings and CD's	94,958	50,000	144,958	-	6,978
Loan Receivable	42,301	-	42,301	-	-
Capital Assets					
Non-depreciable					
Land	80,514	-	80,514	-	6,000
Depreciable, net of accumulated depreciation					
Buildings and Improvements	191,017	-	191,017	-	969,000
Vehicles	37,123	-	37,123	-	-
Equipment	108,841	-	108,841	-	-
Infrastructure	5,292,076	-	5,292,076	-	-
Total Capital Assets	5,709,571	-	5,709,571	-	975,000
Total Assets	6,940,323	347,836	7,288,159	8,734	1,014,280
<b>LIABILITIES</b>					
Deposits	-	-	-	-	6,925
Current Debt - due within one year					
Bonds Payable	170,000	32,200	202,200	-	35,000
Notes Payable	36,164	18,014	54,178	-	-
Noncurrent Debt - due in more than one year					
Bonds Payable	2,095,000	911,466	3,006,466	-	680,000
Notes Payable	291,624	529,244	820,868	-	-
Total Liabilities	2,592,788	1,490,924	4,083,712	-	721,925
<b>NET POSITION (DEFICIT)</b>					
Net Investment in Capital Assets	3,116,783	-	3,116,783	-	260,000
Restricted	371,538	-	371,538	8,734	32,355
Unrestricted (Deficit)	859,214	(1,143,088)	(283,874)	-	-
Total Net Position (Deficit)	\$ 4,347,535	\$ (1,143,088)	\$ 3,204,447	\$ 8,734	\$ 292,355

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Forman Library	Forman Housing
					Governmental Activities	Business-type Activities			
<b>Governmental Activities</b>									
General Government	\$ 424,611	\$ 3,251	\$ 2,046	\$ -	\$ (419,314)	\$ -	\$ (419,314)	\$ -	\$ -
Public Safety	2,567	-	-	-	(2,567)	-	(2,567)	-	-
Public Works/Infrastructure	82,731	-	45,568	316,718	279,555	-	279,555	-	-
Economic Development	8,951	-	2,500	-	(6,451)	-	(6,451)	-	-
Interest and Other Charges	109,903	-	-	-	(109,903)	-	(109,903)	-	-
<b>Total Governmental Activities</b>	<b>628,763</b>	<b>3,251</b>	<b>50,114</b>	<b>316,718</b>	<b>(258,680)</b>	<b>-</b>	<b>(258,680)</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities</b>									
Water	121,374	183,560	-	16,791	-	78,977	78,977	-	-
Sewer	29,213	29,796	-	-	-	583	-	-	-
Garbage	67,582	81,538	-	-	-	13,956	13,956	-	-
<b>Total Business-type Activities</b>	<b>218,169</b>	<b>294,894</b>	<b>-</b>	<b>16,791</b>	<b>-</b>	<b>93,516</b>	<b>92,933</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>846,932</b>	<b>298,145</b>	<b>50,114</b>	<b>333,509</b>	<b>(258,680)</b>	<b>93,516</b>	<b>(165,747)</b>	<b>-</b>	<b>-</b>
<b>Component Units</b>									
Forman Library	19,981	6,258	6,435	-	-	-	-	(7,288)	-
Forman Housing	37,144	68,100	-	-	-	-	-	-	30,956
<b>Total Component Units</b>	<b>\$ 57,125</b>	<b>\$ 74,358</b>	<b>\$ 6,435</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,288)</b>	<b>30,956</b>
<b>General Revenues</b>									
Taxes									
Taxes Levied for General Purposes					100,561	-	100,561	6,105	-
Sales Taxes					61,886	-	61,886	-	-
State Aid Distribution					53,218	-	53,218	1,343	-
Interest and Investment Earnings					3,553	-	3,553	-	24
Gain on Sale of Assets					7,147	450	7,597	-	-
Transfers					17,788	(17,788)	-	-	-
Miscellaneous					5,064	-	5,064	453	-
<b>Total General Revenues</b>					<b>249,217</b>	<b>(17,338)</b>	<b>231,879</b>	<b>7,901</b>	<b>24</b>
Change in Net Position					(9,463)	76,178	66,715	613	30,980
Net Position (Deficit), Beginning of Year					4,356,998	(1,219,266)	3,137,732	8,121	261,375
Net Position (Deficit), End of Year					<b>\$ 4,347,535</b>	<b>\$ (1,143,088)</b>	<b>\$ 3,204,447</b>	<b>\$ 8,734</b>	<b>\$ 292,355</b>

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**December 31, 2019**

	Major Funds										
	General	Highway Distribution	Forman Industrial Park	Forman Improvement	Streets Project 2015	Sewer Replacement Dist. #2002-1	Sewer Drain #4 Repl 2011	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds	
<b>ASSETS</b>											
Cash and Cash Equivalents	\$ 118,696	\$ 44,006	\$ 179,928	\$ 69,028	\$ 136,875	\$ -	\$ 150,393	\$ 375,300	\$ 19,267	\$ 1,093,493	
Savings and CD's	-	-	23,048	20,217	-	-	38,943	-	12,750	94,958	
Loan Receivable	-	-	-	42,301	-	-	-	-	-	42,301	
<b>Total Assets</b>	<b>118,696</b>	<b>44,006</b>	<b>202,976</b>	<b>131,546</b>	<b>136,875</b>	<b>-</b>	<b>189,336</b>	<b>375,300</b>	<b>32,017</b>	<b>1,230,752</b>	
<b>FUND BALANCE</b>											
Restricted	-	44,006	-	-	136,875	-	189,336	-	1,321	371,538	
Assigned	-	-	202,976	131,546	-	-	-	375,300	30,696	740,518	
Unassigned	118,696	-	-	-	-	-	-	-	-	118,696	
<b>Total Fund Balance</b>	<b>\$ 118,696</b>	<b>\$ 44,006</b>	<b>\$ 202,976</b>	<b>\$ 131,546</b>	<b>\$ 136,875</b>	<b>\$ -</b>	<b>\$ 189,336</b>	<b>\$ 375,300</b>	<b>\$ 32,017</b>	<b>\$ 1,230,752</b>	

See Notes to Financial Statements



**CITY OF FORMAN**  
**Forman, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**December 31, 2019**

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Total Fund Balance - Governmental Funds		\$	1,230,752
Total net position reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets		9,040,712	
Less Accumulated Depreciation		<u>(3,331,141)</u>	
Net Capital Assets			5,709,571
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Bonds Payable		(2,265,000)	
Notes Payable		<u>(327,788)</u>	
Total Long-term Liabilities			<u>(2,592,788)</u>
Net Position of Governmental Activities		\$	<u>4,347,535</u>

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	General	Highway Distribution	Forman Industrial Park	Forman Improvement	Streets Project 2015	Sewer Replacement Dist. # 2002-1	Sewer Drain # 4 Rep12011	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>										
Taxes	\$ 96,763	\$ -	\$ -	\$ -	\$ 15,473	\$ -	\$ 46,413	\$ -	\$ 3,798	\$ 162,447
Special Assessments	-	-	-	-	206,178	110,540	-	-	-	316,718
Licenses, Permits, and Fees	3,051	-	-	-	-	-	-	-	200	3,251
Intergovernmental	55,264	45,568	-	2,500	-	-	-	-	-	103,332
Interest Income	2,294	-	218	218	-	-	600	-	223	3,553
Miscellaneous Income	3,164	-	-	1,700	-	-	-	-	200	5,064
<b>Total Revenues</b>	<b>160,536</b>	<b>45,568</b>	<b>218</b>	<b>4,418</b>	<b>221,651</b>	<b>110,540</b>	<b>47,013</b>	<b>-</b>	<b>4,421</b>	<b>594,365</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
General Government	152,172	-	-	-	-	-	-	-	3,216	155,388
Public Safety	2,567	-	-	-	-	-	-	-	-	2,567
Public Works/Infrastructure	32,624	50,107	-	-	-	-	-	-	-	82,731
Economic Development	-	-	-	8,951	-	-	-	-	-	8,951
<b>Debt Service</b>										
Principal	-	15,716	-	-	110,000	55,000	20,000	-	-	200,716
Interest and Other Charges	-	-	-	-	77,625	22,828	9,450	-	-	109,903
Facilities Acquisition and Construction	-	87,895	-	1,868	-	-	-	-	-	89,763
<b>Total Expenditures</b>	<b>187,363</b>	<b>153,718</b>	<b>-</b>	<b>10,819</b>	<b>187,625</b>	<b>77,828</b>	<b>29,450</b>	<b>-</b>	<b>3,216</b>	<b>650,019</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>										
	(26,827)	(108,150)	218	(6,401)	34,026	32,712	17,563	-	1,205	(55,654)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from Sale of Capital Asset	-	35,952	-	-	-	-	-	-	-	35,952
Operating Transfer In	45,000	-	-	-	-	-	-	35,000	-	80,000
Operating Transfer Out	(25,000)	-	-	-	-	(32,712)	-	(4,500)	-	(62,212)
<b>Total Other Financing Sources (Uses)</b>	<b>20,000</b>	<b>35,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,712)</b>	<b>-</b>	<b>30,500</b>	<b>-</b>	<b>53,740</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(6,827)</b>	<b>(72,198)</b>	<b>218</b>	<b>(6,401)</b>	<b>34,026</b>	<b>-</b>	<b>17,563</b>	<b>30,500</b>	<b>1,205</b>	<b>(19,144)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>125,523</b>	<b>116,204</b>	<b>202,758</b>	<b>137,947</b>	<b>102,849</b>	<b>-</b>	<b>171,773</b>	<b>344,800</b>	<b>30,812</b>	<b>1,232,666</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 118,696</b>	<b>\$ 44,006</b>	<b>\$ 202,976</b>	<b>\$ 131,546</b>	<b>\$ 136,875</b>	<b>\$ -</b>	<b>\$ 189,336</b>	<b>\$ 375,300</b>	<b>\$ 32,017</b>	<b>\$ 1,230,752</b>

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

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Net Change in Fund Balance - Total Governmental Funds	\$ (1,914)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(179,460)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>200,716</u>
Change in Net Position of Governmental Activities	<u><u>\$ (9,463)</u></u>

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS**  
**December 31, 2019**

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 117,392	\$ 118,331	\$ 62,113	\$ 297,836
Savings and CD's	25,000	25,000	-	50,000
Total Current Assets	142,392	143,331	62,113	347,836
Total Assets	142,392	143,331	62,113	347,836
<b>LIABILITIES</b>				
Current Liabilities				
Bonds Payable	32,200	-	-	32,200
Notes Payable	9,014	9,000	-	18,014
Total Current Liabilities	41,214	9,000	-	50,214
Long-term Liabilities				
Bonds Payable	911,466	-	-	911,466
Notes Payable	529,244	-	-	529,244
Total Long-term Liabilities	1,440,710	-	-	1,440,710
Total Liabilities	1,481,924	9,000	-	1,490,924
<b>NET POSITION (DEFICIT)</b>				
Unrestricted	(1,339,532)	134,331	62,113	(1,143,088)
Total Net Position (Deficit)	\$ (1,339,532)	\$ 134,331	\$ 62,113	\$ (1,143,088)

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS**  
**December 31, 2019**

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 183,560	\$ 29,796	\$ 81,538	\$ 294,894
Other Income	-	-	450	450
Total Operating Revenues	183,560	29,796	81,988	295,344
<b>OPERATING EXPENSES</b>				
Utilities	17,174	2,811	12,486	32,471
Contracted Services	-	-	23,038	23,038
Salaries	22,850	7,175	25,255	55,280
Repairs and Maintenance	37,048	18,709	4,140	59,897
Supplies	-	-	2,552	2,552
Miscellaneous	-	-	111	111
Total Operating Expenses	77,072	28,695	67,582	173,349
<b>OPERATING INCOME (LOSS)</b>	106,488	1,101	14,406	121,995
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and Fiscal Fees	(44,302)	(518)	-	(44,820)
Operating Grants and Contributions	16,791	-	-	16,791
Transfers In	84,795	37,212	-	122,007
Transfers Out	(109,795)	(15,000)	(15,000)	(139,795)
Total Nonoperating Revenues (Expenses)	(52,511)	21,694	(15,000)	(45,817)
<b>CHANGE IN NET POSITION</b>	53,977	22,795	(594)	76,178
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	(1,393,509)	111,536	62,707	(1,219,266)
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$ (1,339,532)</u>	<u>\$ 134,331</u>	<u>\$ 62,113</u>	<u>\$ (1,143,088)</u>

See Notes to Financial Statements

**CITY OF FORMAN**  
**Forman, North Dakota**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 183,560	\$ 29,796	\$ 81,988	\$ 295,344
Payments to Suppliers	(54,222)	(21,520)	(42,327)	(118,069)
Payments to Employees	(22,850)	(7,175)	(25,255)	(55,280)
Net Cash Provided by Operating Activities	106,488	1,101	14,406	121,995
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds	84,795	37,212	-	122,007
Transfers from Other Funds	(109,795)	(15,000)	(15,000)	(139,795)
Net Cash Provided by (Used By) Noncapital Financing Activities	(25,000)	22,212	(15,000)	(17,788)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Interest and Fiscal Fees	(44,302)	(518)	-	(44,820)
Principal Paid on Capital Debt	(40,493)	(9,000)	-	(49,493)
Intergovernmental Capital Grants	16,791	-	-	16,791
Net Cash Provided by (Used By) Capital and Related Financing Activities	(68,004)	(9,518)	-	(77,522)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>13,484</b>	<b>13,795</b>	<b>(594)</b>	<b>26,685</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>128,908</b>	<b>129,536</b>	<b>62,707</b>	<b>321,151</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 142,392</b>	<b>\$ 143,331</b>	<b>\$ 62,113</b>	<b>\$ 347,836</b>

See Notes to Financial Statements

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

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

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

*Reporting Entity*

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

Based on these criteria, certain organizations have been included in the report as follows:

- Forman City Library – The Forman City Library's governing board is separate from the governing board of the City. The City's governing board approves the library board appointments and has the authority to disapprove, amend, or approve the library's budget.
- Forman Housing – The Forman Housing's governing board is separate from the governing board of the City. The City's governing board approves the housing board appointments and has the authority to disapprove, amend, or approve the housing's budget.

*Government-Wide and Fund Financial Statements*

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

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

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

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

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

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

The City reports the following major governmental funds:

- General Fund – This is the city’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Highway Distribution Fund – This fund is used for maintenance and improvements to city streets and roads. The primary revenue source in this fund is restricted grants.
- Forman Industrial Park – This fund is used for collection of fees for services for economic development in the City.
- Forman Improvement Fund – This fund is used for the collection of fees for services for improving the economic development of the City.
- Streets Project 2015 Fund – This fund is used to account for special assessments collected and related principal and interest payments on the Streets Project 2015 bond.
- Sewer Replacement 2002-1 Fund – This fund is used to account for special assessments collected and related principal and interest payments on the sewer replacement bonds.
- Sewer Drain #4 Fund – This fund is used to account for sales tax collected and related principal and interest payments on the sewer drain #4 loan.
- Capital Reserve Fund – This fund accounts for the accumulation of funds for various capital improvements to the City.

The City reports the following major proprietary funds:

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

*Cash and Investments*

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

The investments of the City at December 31, 2019, consists of certificates of deposit stated at cost.



**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

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*Capital Assets*

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25 – 50
Infrastructure	7 – 50
Machinery & Equipment	7

*Long-term Obligations*

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period under provisions of GASB 65.

*Fund Balances and Net Position*

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

*Fund Balance Spending Policy*

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

*GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

<u>CLASSIFICATION</u>	<u>DEFINITION</u>	<u>EXAMPLES</u>
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By city council action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the city council and the city auditor.	By city council, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Restricted Fund Balance consists of amounts reported in the Highway Distribution, Streets Project 2015, Sewer Drain #4, and Flood funds. These funds are restricted by enabling legislation, tax levy, and bond indenture.

Assigned fund consists of amounts reported in the Forman Industrial Park, Forman Improvement, Capital Reserve, Cemetery, Perpetual, and Forman Job Development funds. These funds are assigned for special use.

The General Fund is the only fund that reports an unassigned fund balance.

*Net Position*

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

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them.

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

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The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal and State grants/reimbursements. Additionally, restricted net position is shown in the statement of net position by primary function as fund balances are shown in the balance sheet and are restricted for debt, maintenance and replacement expenses.

Unrestricted net position consists of activity primarily related to the general fund. The unrestricted net position is available to meet the City's ongoing obligations.

*Interfund Transactions*

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

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

At December 31, 2019, the City's carrying amount of deposits was \$1,536,287 and the bank balances were \$1,550,525. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

*Credit Risk*

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

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

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

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- Obligations of the state.

As of December 31, 2019, the City held \$94,958 in certificates of deposit.

*Interest Rate Risk*

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

*Concentration of Credit Risk*

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

**NOTE 3 – PROPERTY TAXES**

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes.

The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 78,646	\$ 1,868	\$ -	\$ 80,514
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated	78,646	1,868	-	80,514
Capital Assets, being depreciated				
Buildings and Improvements	335,528	-	-	335,528
Vehicles	172,270	-	-	172,270
Equipment	421,869	37,553	(35,066)	424,356
Infrastructure	7,977,702	50,342	-	8,028,044
Total Capital Assets, being depreciated	8,907,369	87,895	(35,066)	8,960,198
Less Accumulated Depreciation for:				
Buildings and Improvements	136,333	8,178	-	144,511
Vehicles	117,343	17,804	-	135,147
Equipment	300,373	21,403	(6,261)	315,515
Infrastructure	2,514,130	221,838	-	2,735,968
Total Accumulated Depreciation	3,068,179	269,223	(6,261)	3,331,141
Total Capital Assets Being Depreciated, net	5,839,190	(181,328)	(28,805)	5,629,057
Governmental Activities Capital Assets, net	<u>\$ 5,917,836</u>	<u>\$ (179,460)</u>	<u>\$ (28,805)</u>	<u>\$ 5,709,571</u>

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

Governmental Activities:	
General Government	\$ 269,223
Total Depreciation Expense - Governmental Activities	<u>\$ 269,223</u>

**NOTE 5 – LOAN RECEIVABLE**

The City loaned the Forman Park Board \$42,301 at 1% for capital expenditures. The loan will be paid back as follows:

2021	\$ 8,293
2022	8,376
2023	8,459
2024	8,543
2025	8,630
Total	<u>\$ 42,301</u>

There is no early prepayment penalty on the note.

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

**NOTE 6 – FUND TRANSFERS**

The following fund transfers were made during the year ended December 31, 2019:

	Operating Transfer In	Operating Transfer Out
General	\$ 45,000	\$ 25,000
Sewer Replacement Dist. #2002-1	-	32,712
Capital Reserve Fund	35,000	4,500
<b>Total Governmental Funds</b>	<b>\$ 80,000</b>	<b>\$ 62,212</b>

The proprietary funds are budgeted to transfer \$15,000 each per year to the General Fund for unallocated expenses. The General Fund transferred \$25,000 and the Water Fund transferred \$10,000 to the Capital Reserve Fund for future capital expenditures. The Sewer Replacement District transfers any residual funds to the Sewer Fund every year. The Capital Reserve Fund transferred \$4,500 to the Sewer Fund for unplanned repairs to a sewer line and culvert.

**NOTE 7 – LONG-TERM LIABILITIES**

During the year ended December 31, 2019, the following changes occurred in long-term liabilities of the City:

	Long-term Liabilites at January 1, 2019	Increases	Decreases	Long-term Liabilites at December 31, 2019	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable	\$ 2,430,000	\$ -	\$ (165,000)	\$ 2,265,000	\$ 170,000
Notes Payable	363,504	-	(35,716)	327,788	36,164
<b>Total - Business-type Activities</b>	<b>\$ 2,793,504</b>	<b>\$ -</b>	<b>\$ (200,716)</b>	<b>\$ 2,592,788</b>	<b>\$ 206,164</b>
	Long-term Liabilites at January 1, 2019	Increases	Decreases	Long-term Liabilites at December 31, 2019	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable	\$ 975,366	\$ -	\$ (31,700)	\$ 943,666	\$ 32,200
Notes Payable	565,051	-	(17,793)	547,258	18,014
<b>Total - Business-type Activities</b>	<b>\$ 1,540,417</b>	<b>\$ -</b>	<b>\$ (49,493)</b>	<b>\$ 1,490,924</b>	<b>\$ 50,214</b>

Long-term debt of the governmental and business-type activities at December 31, 2019 consists of the following issues:

- Governmental Activities
  - Bonds Payable
    - § \$1,090,000 refunding sewer main replacement due in annual principal instalments of \$50,000 - \$55,000 through June 1, 2033 at rates of 2.00% - 3.50%, \$705,000 remains outstanding.
    - § \$1,965,000 refunding improvement bond due in annual principal installments of \$90,000 - \$180,000 through June 1, 2030 at rates of 2.00% - 5.25%, \$1,560,000 remains outstanding.

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

- Notes Payable
  - § \$434,337 Sewer Drain #4, due in annual principal installments of \$19,337 - \$30,000 through September 1, 2031 at 2.50%, \$295,000 remains outstanding.
  - § \$79,000 payloader loan due in annual principal and interest payments of \$17,098 through December 9, 2021 at 2.85%, \$32,788 remains outstanding.
- Business-type Activities
  - Bonds Payable
    - § \$740,000 water plant revenue bonds of 2001, due in annual principal installments of \$10,700 - \$31,800 through December 10, 2041 at 3.00%, \$523,666 remains outstanding.
    - § \$505,000 refunding water plant revenue bonds of 2001, due in annual principal installments of \$10,000 - \$25,000 through December 31, 2042 at 2.00% - 3.75%, \$420,000 remains outstanding.
  - Notes Payable
    - § \$134,172 Sewer Replacement District #2000-1, due in annual principal installments of \$6,000 - \$9,000 through September 1, 2020 at 2.5%, \$9,000 remains outstanding.
    - § \$555,630 USDA water improvement loan, due in annual principal installments of \$8,579 - \$21,925 through January 1, 2056 at 2.5%, \$538,258 remains outstanding.

The debt service requirements are as follows:

	Governmental Activities	Business-type Activities
2020	\$ 206,164	\$ 50,214
2021	201,624	41,939
2022	195,000	42,670
2023	200,000	43,507
2024	210,000	44,249
2025 - 2029	1,150,000	239,404
2030 - 2034	430,000	283,248
2035 - 2039	-	325,718
2040 - 2044	-	189,601
2045 - 2049	-	87,837
2050 - 2054	-	99,379
2055 - 2056	-	43,158
Total	<u>\$ 2,592,788</u>	<u>\$ 1,490,924</u>

**NOTE 8 – RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Forman pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile coverage and to \$487,981 for inland marine.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period.

**CITY OF FORMAN**  
**Notes to Financial Statements – Continued**

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The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$728,000 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker’s compensation with the North Dakota Workforce Safety and Insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 9 – LEGAL COMPLIANCE - BUDGETS**

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

**NOTE 10 – CORRECTION OF MISSTATEMENT**

It was determined that there was a financial misstatement for the year ended December 31, 2018. The misstatement includes an overstatement of fixed assets and accumulated depreciation and an understatement of notes receivable and cash. Capital assets have been corrected to reflect the deletion of capital assets and correction of accumulated depreciation. Notes receivable and corrections to cash balances have also been corrected. The City made the following correction:

	Primary Government	Component Unit
	Governmental Activities	Forman Library
Net Position, previously reported	\$ 4,147,200	\$ 8,074
Fixed Assets	70,478	-
Accumulated Depreciaton	97,019	-
Note Receivable	42,301	-
Cash	-	47
Net Position, restated	<u>\$ 4,356,998</u>	<u>\$ 8,121</u>

**NOTE 11 – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through November 5, 2020, the date on which the financial statements were available to be issued.



**CITY OF FORMAN**  
**Forman, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS**  
**December 31, 2019**

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	Cemetery	Perpetual	Flood	Forman Job Development	Total Other Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,090	\$ 10,000	\$ 1,321	\$ 4,856	\$ 19,267
Savings and CD's	-	12,750	-	-	12,750
Total Assets	3,090	22,750	1,321	4,856	32,017
<b>FUND BALANCE</b>					
Restricted	-	-	1,321	-	1,321
Assigned	3,090	22,750	-	4,856	30,696
Total Fund Balance	\$ 3,090	\$ 22,750	\$ 1,321	\$ 4,856	\$ 32,017

**CITY OF FORMAN**  
**Forman, North Dakota**

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Cemetery	Perpetual	Flood	Forman Job Development	Total Other Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,737	\$ -	\$ -	\$ 61	\$ 3,798
Licenses, Permits, and Fees	-	200	-	-	200
Interest Income	223	-	-	-	223
Miscellaneous Income	200	-	-	-	200
Total Revenues	4,160	200	-	61	4,421
<b>EXPENDITURES</b>					
Current					
General Government	3,029	-	187	-	3,216
Total Expenditures	3,029	-	187	-	3,216
Excess (Deficiency) of Revenues Over Expenditures	1,131	200	(187)	61	1,205
FUND BALANCE, BEGINNING OF YEAR	1,959	22,550	1,508	4,795	30,812
FUND BALANCE, END OF YEAR	\$ 3,090	\$ 22,750	\$ 1,321	\$ 4,856	\$ 32,017

**CITY OF FORMAN**  
**Forman, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 92,732	\$ 92,732	\$ 96,763	\$ 4,031
Licenses, Permits, and Fees	3,900	3,900	3,051	(849)
Intergovernmental	36,750	36,750	55,264	18,514
Interest Income	1,500	1,500	2,294	794
Miscellaneous Income	1,000	1,000	3,164	2,164
<b>Total Revenues</b>	<b>135,882</b>	<b>135,882</b>	<b>160,536</b>	<b>24,654</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	141,603	141,603	152,172	(10,569)
Public Safety	5,800	5,800	2,567	3,233
Public Works/Infrastructure	40,400	40,400	32,624	7,776
<b>Total Expenditures</b>	<b>187,803</b>	<b>187,803</b>	<b>187,363</b>	<b>440</b>
Exces (Deficiency) of Revenues over Expenditures	(51,921)	(51,921)	(26,827)	25,094
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfer In	45,000	45,000	45,000	-
Operating Transfer Out	(25,000)	(25,000)	(25,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(31,921)</b>	<b>(31,921)</b>	<b>(6,827)</b>	<b>25,094</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<b>125,523</b>	
<b>FUND BALANCE, END OF YEAR</b>			<b>\$ 118,696</b>	

**CITY OF FORMAN**  
**Forman, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – HIGHWAY DISTRIBUTION FUND – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 44,000	\$ 44,000	\$ 45,568	\$ 1,568
Total Revenues	44,000	44,000	45,568	1,568
<b>EXPENDITURES</b>				
Current				
Public Works/Infrastructure	56,192	56,192	50,107	6,085
Debt Service				
Principal	-	-	15,716	(15,716)
Facilities Acquisition and Construction	100,000	100,000	87,895	12,105
Total Expenditures	156,192	156,192	153,718	2,474
Exces (Deficiency) of Revenues over Expenditures	(112,192)	(112,192)	(108,150)	4,042
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Asset	38,000	38,000	35,952	(2,048)
Total Other Financing Sources	38,000	38,000	35,952	(2,048)
NET CHANGE IN FUND BALANCE	(74,192)	(74,192)	(72,198)	1,994
FUND BALANCE, BEGINNING OF YEAR			116,204	
FUND BALANCE, END OF YEAR			\$ 44,006	

**CITY OF FORMAN**  
**Forman, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – FORMAN INDUSTRIAL PARK FUND – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest Income	\$ -	\$ -	\$ 218	\$ 218
Total Revenues	-	-	218	218
<b>EXPENDITURES</b>				
Current				
General Government	2,250	2,250	-	2,250
Total Expenditures	2,250	2,250	-	2,250
Exces (Deficiency) of Revenues over Expenditures	(2,250)	(2,250)	218	2,468
FUND BALANCE, BEGINNING OF YEAR			202,758	
FUND BALANCE, END OF YEAR			<u>\$ 202,976</u>	

**CITY OF FORMAN**  
**Forman, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – FORMAN IMPROVEMENT FUND – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 2,500	\$ 2,500
Interest Income	662	662	218	(444)
Miscellaneous Income	-	-	1,700	1,700
Total Revenues	662	662	4,418	3,756
<b>EXPENDITURES</b>				
Current				
Economic Development	7,000	7,000	8,951	(1,951)
Facilities Acquisition and Construction	-	-	1,868	(1,868)
Total Expenditures	7,000	7,000	10,819	(3,819)
Exces (Deficiency) of Revenues over Expenditures	(6,338)	(6,338)	(6,401)	(63)
FUND BALANCE, BEGINNING OF YEAR			137,947	
FUND BALANCE, END OF YEAR			\$ 131,546	



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

City Council  
City of Forman  
Forman, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Forman, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Forman's basic financial statements, and have issued our report thereon dated November 5, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2019-001 and 2019-002).

## **Compliance and Other Matters**

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

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

The City of Forman's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Forman's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, North Dakota  
November 5, 2020



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended December 31, 2019**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of Report Issued:	
Governmental Activities	Unmodified
Major Governmental Funds	Unmodified

*Internal Control Over Financial Reporting*

Material weakness identified?	X	Yes	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	X	None reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2019-001 LACK OF SEGREGATION OF DUTIES*

**Criteria**

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

**Condition**

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

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the City’s financial condition whether due to error or fraud.

**Recommendation**

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

**Views of Responsible Officials**

There is no disagreement with the audit finding. The City will segregate duties to reduce the risk of fraud where possible.

**Indication of Repeat Finding**

This is a repeat of findings from the prior year.

**CITY OF FORMAN**  
Schedule of Findings and Questioned Costs – Continued

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*2019-002 MATERIAL JOURNAL ENTRIES*

**Criteria**

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

**Condition**

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

**Effect**

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

**Recommendation**

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**

There is no disagreement with the audit finding. The City is aware that there is a risk of having outside accountants prepare financial statements and note disclosures. The City will review obtaining additional education and resources to prepare the financial statements and note disclosures in the future.

**Indication of Repeat Finding**

This is not a repeat finding from the prior year.