

CITY OF CARRINGTON
CARRINGTON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CITY OF CARRINGTON
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CITY OF CARRINGTON
LIST OF OFFICIALS
DECEMBER 31, 2019 AND 2018

CITY COUNCIL

	<u>Office</u>
2019	
Thomas Erdmann	Mayor
Barb Eli/ Doug Smith	
Trygg Olson	
Greg Edland	
Al Trader	
Danny Schuchard	
Troy Roundy	

EMPLOYEES:

Jennifer Gast	City Auditor
Nathan Kruse	Chief of Police
Jason Wolsky	Public Works Director
Leo Ryan	City Attorney

2018

Neil Fandrich/Thomas Erdmann	Mayor
Barb Eli	
Trygg Olson	
Doug Smith/Greg Edland	
Al Trader	
Danny Schuchard	
Troy Roundy	

EMPLOYEES:

Jennifer Gast	City Auditor
Nathan Kruse	Chief of Police
Mitchell Otten	Public Works Director
Leo Ryan	City Attorney

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Carrington
Carrington, North Dakota

I 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 fund information of City of Carrington as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 fund information of City of Carrington as of December 31, 2019 and 2018, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformance with the modified cash basis of accounting.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated January 5, 2023, on my considerations of the City's internal control over financial reporting and on my 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 my 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's internal control over financial reporting and compliance.

West Fargo, North Dakota
January 5, 2023

CITY OF CARRINGTON
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total	Component Units Fire Department	Airport
ASSETS					
Current assets:					
Cash and investments	2,411,671.83	1,161,730.18	3,573,402.01	358,183.71	125,530.42
Non-current assets:					
Capital assets (net of accumulated de)	8,881,955.42	6,056,432.80	14,938,388.22	-	-
Total Assets	11,293,627.25	7,218,162.98	18,511,790.23	358,183.71	125,530.42
LIABILITIES					
Current liabilities:					
Accounts Payable			-		
Long term liabilities					
Due within one year	522,867.00	109,993.00	632,860.00		
Due in more than one year	5,508,999.94	5,405,348.21	10,914,348.15		
Total liabilities	6,031,866.94	5,515,341.21	11,547,208.15	-	-
NET POSITION					
Net investment capital assets	2,850,088.48	541,091.59	3,391,180.07	-	-
Restricted for:					
Capital projects	881,506.06		881,506.06		
Debt service	31,839.95		31,839.95		
Highways and streets			-		
Economic development	703,253.24		703,253.24		
Community development	497,288.25		497,288.25		
Unrestricted	297,784.33	1,161,730.18	1,459,514.51	358,183.71	125,530.42
Total net position	5,261,760.31	1,702,821.77	6,964,582.08	358,183.71	125,530.42

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues			Revenue & Change
		Charges for Services	Operating grants and Contributions	Capital grants and Contributions	in net position Governmental Activities
Governmental activities:					
General government	310,758.17	35,297.65			(275,460.52)
Public safety	410,247.76				(410,247.76)
Highways and streets	982,707.82		147,746.38		(834,961.44)
Economic development	217,949.74				(217,949.74)
					-
Interest expense	135,648.50			244,740.83	109,092.33
					-
Total Governmental Activities	2,057,311.99	35,297.65	147,746.38	244,740.83	(1,629,527.13)
Business-type activities					
Water	727,854.02	646,587.67			(81,266.35)
Sewer	155,761.09	214,717.11			58,956.02
Garbage	391,096.54	461,817.52			70,720.98
Interest expense	189,769.30	148,672.97			(41,096.33)
					-
					-
Total Business-type activities	1,464,480.95	1,471,795.27	-	-	7,314.32
Total	3,521,792.94	1,507,092.92	147,746.38	244,740.83	(1,622,212.81)
Component Unit					
Fire Department	202,941.11	-			(202,941.11)
Airport	344,994.79	-			(344,994.79)
Net expense	(1,629,527.13)	7,314.32	(1,622,212.81)	(202,941.11)	(344,994.79)
General Revenues					
Property taxes	710,419.49		710,419.49		42,012.79
Sales taxes	805,215.82		805,215.82		
State aid	311,219.57		311,219.57		163,073.16
Interest	48,384.62		48,384.62		
Other	195,540.79	19,793.62	215,334.41	235,196.59	69,593.63
Total General Revenues	2,070,780.29	19,793.62	2,090,573.91	235,196.59	274,679.58
Transfers in (out)	(121,317.32)	121,317.32	-		
Change in Net Position	319,935.84	148,425.26	468,361.10	32,255.48	(70,315.21)
Net Position- January 1	4,941,824.47	1,554,396.51	6,496,220.98	325,928.23	195,845.63
Net Position- December 31	5,261,760.31	1,702,821.77	6,964,582.08	358,183.71	125,530.42

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2019

	GENERAL	DEBT SERVICE	CAPITAL PROJECT	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	297,784.33	31,839.95	881,506.06	1,200,541.49	2,411,671.83
Total Assets	297,784.33	31,839.95	881,506.06	1,200,541.49	2,411,671.83
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for					-
Capital projects			881,506.06		881,506.06
Debt service		31,839.95			31,839.95
Highways and streets					-
Economic development				703,253.24	703,253.24
Community development				497,288.25	497,288.25
Unassigned	297,784.33	-		-	297,784.33
Total fund balance	297,784.33	31,839.95	881,506.06	1,200,541.49	2,411,671.83
Total liabilities and fund balance	297,784.33	31,839.95	881,506.06	1,200,541.49	2,411,671.83

The accompanying notes are an integral part of these financial statements.

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

Total Fund Balances for Governmental Funds 2,411,671.83

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

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	13,531,398.31	
Less accumulated depreciation	4,649,442.89	
Net capital assets		8,881,955.42

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position.

Bonds payable		(4,545,000.00)
SRF Notes payable		(1,467,000.00)
Notes payable		(19,866.94)

Total Net Position of Governmental Activities 5,261,760.31

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	GENERAL	DEBT SERVICE	CAPITAL PROJECT	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
Property taxes	656,072.90	1,329.31		53,017.28	710,419.49
Sales taxes		-	-	805,215.82	805,215.82
Special Assessments		244,740.83		-	244,740.83
Intergovernmental	456,459.26			2,506.69	458,965.95
Interest	48,384.62			-	48,384.62
Charges for services	50,574.78			35,558.04	86,132.82
Other	66,898.13	-		77,807.49	144,705.62
Total Revenues	1,278,389.69	246,070.14	-	974,105.32	2,498,565.15
Current:					
General government	205,071.21			105,686.96	310,758.17
Public safety	375,469.24			34,778.52	410,247.76
Highways and streets	298,239.19			-	298,239.19
Economic development			-	217,949.74	217,949.74
Capital outlays	139,745.80	-	19,258.51	13,028.08	172,032.39
Debt Service					
Principal		431,898.00	18,102.00	115,365.38	565,365.38
Interest expense		115,545.70	4,790.30	15,312.50	135,648.50
Total Expenditures	1,018,525.44	547,443.70	42,150.81	502,121.18	2,110,241.13
Excess revenues (expenditures)	259,864.25	(301,373.56)	(42,150.81)	471,984.14	388,324.02
Other Financing Sources (Uses):					
Transfers in	-	300,000.00	-	326,264.04	626,264.04
Transfers out	(111,570.79)	-	(29,317.41)	(606,693.16)	(747,581.36)
Bond proceeds		-	19,259.00	-	19,259.00
Total other financing sources and uses	(111,570.79)	300,000.00	(10,058.41)	(280,429.12)	(102,058.32)
Net change in fund balances	148,293.46	(1,373.56)	(52,209.22)	191,555.02	286,265.70
Fund Balance- January 1	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13
Fund Balance- December 31	297,784.33	31,839.95	881,506.06	1,200,541.49	2,411,671.83

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances- Total Governmental Funds 286,265.70

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay 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. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	19,258.51	
Current year depreciation expense	531,694.75	(512,436.24)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Debt issued, net of related premiums and discounts	(19,259.00)
Principal retirement	565,365.38

Change in Net Position of Governmental Activities 319,935.84

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and investments	1,114,846.70	46,883.46	1,161,730.16
Noncurrent assets			
Capital assets (net of accumulated depreciation)	6,056,432.80		6,056,432.80
Total Assets	7,171,279.50	46,883.46	7,218,162.96
LIABILITIES			
Current liabilities:			
Accounts Payable			
Long term liabilities			
Due within one year	109,993.00		109,993.00
Due in more than one year	5,405,348.21		5,405,348.21
Total liabilities	5,515,341.21	-	5,515,341.21
NET POSITION			
Net investment in capital assets	541,091.59		541,091.59
Restricted for:			
Capital projects	-		-
Debt service	-		-
Unrestricted	1,114,846.70	46,883.46	1,161,730.16
Total net position	1,655,938.29	46,883.46	1,702,821.75

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	1,009,977.75	461,817.52	1,471,795.27
OPERATING EXPENSES			
Salaries	301,106.30	-	301,106.30
Employee benefits	92,908.28	-	92,908.28
Professional fees	5,057.55	-	5,057.55
Purchased services	15,476.41	-	15,476.41
Contract services	-	360,824.36	360,824.36
Electricity	55,450.69	-	55,450.69
Supplies	112,827.49	950.00	113,777.49
Repairs and maintenance	111,202.31	28,236.68	139,438.99
Office expense	11,765.76	1,085.50	12,851.26
Depreciation	157,255.51	-	157,255.51
Miscellaneous	-	-	-
Total operating expenses	863,050.30	391,096.54	1,254,146.84
Operating income (loss)	146,927.45	70,720.98	217,648.43
NON-OPERATING REVENUE (EXPENSE)			
Debt proceeds	-	-	-
Interest income	-	-	-
Grant income	-	-	-
Interest expense	(189,769.30)	-	(189,769.30)
Capital outlay	-	(20,564.81)	(20,564.81)
Other	444.11	19,349.51	19,793.62
Total non-operating rev (exp)	(189,325.19)	(1,215.30)	(190,540.49)
Income (loss) before transfers	(42,397.74)	69,505.68	27,107.94
Transfers in	244,155.12	-	244,155.12
Transfers out	(122,837.82)	-	(122,837.82)
Change in net position	78,919.56	69,505.68	148,425.24
Net Position- January 1	1,577,018.73	(22,622.22)	1,554,396.51
Net Position- December 31	1,655,938.29	46,883.46	1,702,821.75

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	1,009,977.75	461,817.52	1,471,795.27
Payments to suppliers	(404,688.49)	(391,096.54)	(795,785.03)
Payments to employees	(301,106.30)	-	(301,106.30)
Other receipts	444.11	19,349.51	19,793.62
Net cash provided by (used in) operating activities	304,627.07	90,070.49	394,697.56
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	244,155.12	-	244,155.12
Transfers from other funds	(122,837.82)	-	(122,837.82)
Net cash provided by (used in) noncapital financing acti	121,317.30	-	121,317.30
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(20,564.81)	(20,564.81)
Principal paid on capital debt	(106,084.59)	-	(106,084.59)
Interest paid on capital debt	(189,769.30)	-	(189,769.30)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financ	(295,853.89)	(20,564.81)	(316,418.70)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash	130,090.48	69,505.68	199,596.16
Balance- beginning of year	984,756.22	(22,622.22)	962,134.00
Balance- end of year	1,114,846.70	46,883.46	1,161,730.16
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	146,927.45	70,720.98	217,648.43
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	157,255.51	-	157,255.51
Miscellaneous receipts (expense)	444.11	19,349.51	19,793.62
Net cash provided by operating activities	304,627.07	90,070.49	394,697.56

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total	Component Units Fire Department	Airport
ASSETS					
Current assets:					
Cash and investments	2,125,406.13	962,134.00	3,087,540.13	325,928.23	195,845.63
Non-current assets:					
Capital assets (net of accumulated de)	9,394,391.66	6,213,688.31	15,608,079.97	-	-
Total Assets	11,519,797.79	7,175,822.31	18,695,620.10	325,928.23	195,845.63
LIABILITIES					
Current liabilities:					
Accounts Payable			-		
Long term liabilities					
Due within one year	557,074.00	107,168.00	664,242.00		
Due in more than one year	6,020,899.32	5,514,257.80	11,535,157.12		
Total liabilities	6,577,973.32	5,621,425.80	12,199,399.12	-	-
NET POSITION					
Net investment capital assets	2,816,418.34	592,262.51	3,408,680.85	-	-
Restricted for:					
Capital projects	933,715.28		933,715.28		
Debt service	33,213.51		33,213.51		
Highways and streets			-		
Economic development	509,782.16		509,782.16		
Community development	499,204.31		499,204.31		
Unrestricted	149,490.87	962,134.00	1,111,624.87	325,928.23	195,845.63
Total net position	4,941,824.47	1,554,396.51	6,496,220.98	325,928.23	195,845.63

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues			Revenue & Change
		Charges for Services	Operating grants and Contributions	Capital grants and Contributions	in net position Governmental Activities
Governmental activities:					
General government	446,033.21	29,475.30			(416,557.91)
Public safety	313,057.23				(313,057.23)
Highways and streets	837,754.36		144,206.73		(693,547.63)
Economic development	335,539.06				(335,539.06)
					-
Interest expense	159,542.75			297,320.10	137,777.35
					-
Total Governmental Activities	2,091,926.61	29,475.30	144,206.73	297,320.10	(1,620,924.48)
Business-type activities					
Water	736,173.97	629,546.18			(106,627.79)
Sewer	117,543.76	195,724.35			78,180.59
Garbage	376,206.55	378,269.16			2,062.61
Interest expense	179,708.31	149,933.12			(29,775.19)
					-
					-
Total Business-type activities	1,409,632.59	1,353,472.81	-	-	(56,159.78)
Total	3,501,559.20	1,382,948.11	144,206.73	297,320.10	(1,677,084.26)
Component Unit					
Fire Department	66,264.91	-			(66,264.91)
Airport	391,754.96	14,430.00			(377,324.96)
Net expense	Governmental (1,620,924.48)	Business-type (56,159.78)	Total (1,677,084.26)	Component Units Fire Department (66,264.91)	Airport (377,324.96)
General Revenues					
Property taxes	653,425.86		653,425.86		59,356.99
Sales taxes	833,126.36		833,126.36		
State aid	156,447.16		156,447.16		350,411.95
Interest	14,398.39		14,398.39		
Other	288,813.55	26,031.28	314,844.83	141,657.48	28,847.02
Total General Revenues	1,946,211.32	26,031.28	1,972,242.60	141,657.48	438,615.96
Transfers in (out)	(284,858.62)	284,858.62	-		
Change in Net Position	40,428.22	254,730.12	295,158.34	75,392.57	61,291.00
Net Position- January 1	4,901,396.25	1,299,666.39	6,201,062.64	250,535.66	134,554.63
Net Position- December 31	4,941,824.47	1,554,396.51	6,496,220.98	325,928.23	195,845.63

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON

BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS

DECEMBER 31, 2018

	GENERAL	DEBT SERVICE	CAPITAL PROJECT	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13
Total Assets	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for					-
Capital projects			933,715.28		933,715.28
Debt service		33,213.51			33,213.51
Highways and streets					-
Economic development				509,782.16	509,782.16
Community development				499,204.31	499,204.31
Unassigned	149,490.87	-		(0.00)	149,490.87
Total fund balance	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13
Total liabilities and fund balance	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2018

Total Fund Balances for Governmental Funds	2,125,406.13
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Total net position reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	13,512,139.80	
Less accumulated depreciation	4,117,748.14	
Net capital assets		9,394,391.66

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position.

Bonds payable	(4,995,000.00)
SRF Notes payable	(1,521,032.00)
Notes payable	(61,941.32)

Total Net Position of Governmental Activities	4,941,824.47
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The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2018

	GENERAL	DEBT SERVICE	CAPITAL PROJECT	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
Property taxes	569,795.45	35,316.55		48,313.86	653,425.86
Sales taxes		-	-	833,126.36	833,126.36
Special Assessments		294,300.16	3,019.94	-	297,320.10
Intergovernmental	298,780.30			1,873.59	300,653.89
Interest	14,398.39			-	14,398.39
Charges for services	49,957.30			75,309.36	125,266.66
Other	53,359.13	-	30,380.30	109,282.76	193,022.19
Total Revenues	986,290.57	329,616.71	33,400.24	1,067,905.93	2,417,213.45
Current:					
General government	335,722.87			110,310.34	446,033.21
Public safety	298,098.24			14,958.99	313,057.23
Highways and streets	294,475.26			-	294,475.26
Economic development			-	335,539.06	335,539.06
Capital outlays		-	274,520.51	8,673.33	283,193.84
Debt Service					
Principal		495,000.00	68,000.00	40,561.56	603,561.56
Interest expense		111,853.05	47,689.70		159,542.75
Total Expenditures	928,296.37	606,853.05	390,210.21	510,043.28	2,435,402.91
Excess revenues (expenditures)	57,994.20	(277,236.34)	(356,809.97)	557,862.65	(18,189.46)
Other Financing Sources (Uses):					
Transfers in	91,496.67	302,070.97	991,386.57	227,344.66	1,612,298.87
Transfers out	-	(668,569.70)	-	(1,228,587.79)	(1,897,157.49)
Bond proceeds		-	304,032.00	-	304,032.00
Total other financing sources and uses	91,496.67	(366,498.73)	1,295,418.57	(1,001,243.13)	19,173.38
Net change in fund balances	149,490.87	(643,735.07)	938,608.60	(443,380.48)	983.92
Fund Balance- January 1	-	676,948.58	(4,893.32)	1,452,366.95	2,124,422.21
Fund Balance- December 31	149,490.87	33,213.51	933,715.28	1,008,986.47	2,125,406.13

The accompanying notes are an integral part of these financial statements.

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

Net Change in Fund Balances- Total Governmental Funds 983.92

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay 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. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	274,520.51	
Current year depreciation expense	534,605.77	(260,085.26)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Debt issued, net of related premiums and discounts	(304,032.00)
Principal retirement	603,561.56

Change in Net Position of Governmental Activities 40,428.22

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and investments	984,756.22	(22,622.22)	962,134.00
Noncurrent assets			
Capital assets (net of accumulated depreciation)	6,213,688.31		6,213,688.31
Total Assets	7,198,444.53	(22,622.22)	7,175,822.31
LIABILITIES			
Current liabilities:			
Accounts Payable			
Long term liabilities			
Due within one year	107,168.00		107,168.00
Due in more than one year	5,514,257.80		5,514,257.80
Total liabilities	5,621,425.80	-	5,621,425.80
NET POSITION			
Net investment in capital assets	592,262.51		592,262.51
Restricted for:			
Capital projects	-		-
Debt service	-		-
Unrestricted	984,756.22	(22,622.22)	962,134.00
Total net position	1,577,018.73	(22,622.22)	1,554,396.51

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	975,203.65	378,269.16	1,353,472.81
OPERATING EXPENSES			
Salaries	301,542.63	-	301,542.63
Employee benefits	90,307.04	-	90,307.04
Professional fees	16,538.44	-	16,538.44
Purchased services	14,586.18	-	14,586.18
Contract services	-	374,461.45	374,461.45
Electricity	56,839.68	-	56,839.68
Supplies	143,519.23	-	143,519.23
Repairs and maintenance	39,751.28	950.00	40,701.28
Office expense	12,812.93	795.10	13,608.03
Depreciation	157,255.51	-	157,255.51
Miscellaneous	-	-	-
Total operating expenses	833,152.92	376,206.55	1,209,359.47
Operating income (loss)	142,050.73	2,062.61	144,113.34
NON-OPERATING REVENUE (EXPENSE)			
Debt proceeds	-	-	-
Interest income	-	-	-
Grant income	-	-	-
Interest expense	(179,708.31)	-	(179,708.31)
Capital outlay	-	(20,564.81)	(20,564.81)
Other	18,424.58	7,606.70	26,031.28
Total non-operating rev (exp)	(161,283.73)	(12,958.11)	(174,241.84)
Income (loss) before transfers	(19,233.00)	(10,895.50)	(30,128.50)
Transfers in	409,859.38	-	409,859.38
Transfers out	(125,000.76)	-	(125,000.76)
Change in net position	265,625.62	(10,895.50)	254,730.12
Net Position- January 1	1,311,393.11	(11,726.72)	1,299,666.39
Net Position- December 31	1,577,018.73	(22,622.22)	1,554,396.51

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	975,203.65	378,269.16	1,353,472.81
Payments to suppliers	(374,354.78)	(376,206.55)	(750,561.33)
Payments to employees	(301,542.63)	-	(301,542.63)
Other receipts	18,424.58	7,606.70	26,031.28
Net cash provided by (used in) operating activities	317,730.82	9,669.31	327,400.13
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	409,859.38	-	409,859.38
Transfers from other funds	(125,000.76)	-	(125,000.76)
Net cash provided by (used in) noncapital financing acti	284,858.62	-	284,858.62
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(20,564.81)	(20,564.81)
Principal paid on capital debt	(103,069.15)	-	(103,069.15)
Interest paid on capital debt	(179,708.31)	-	(179,708.31)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financ	(282,777.46)	(20,564.81)	(303,342.27)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash	319,811.98	(10,895.50)	308,916.48
Balance- beginning of year	664,944.24	(11,726.72)	653,217.52
Balance- end of year	984,756.22	(22,622.22)	962,134.00
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	142,050.73	2,062.61	144,113.34
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	157,255.51	-	157,255.51
Miscellaneous receipts (expense)	18,424.58	7,606.70	26,031.28
Net cash provided by operating activities	317,730.82	9,669.31	327,400.13

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2018

FIDUCIARY
FUNDS

ASSETS

Cash and investments 37,863.18

Total Assets 37,863.18

LIABILITIES

Accounts Payable
Due to Red River Corridor 37,863.18

Total liabilities 37,863.18

The accompanying notes are an integral part of these financial statements.

CITY OF CARRINGTON
CARRINGTON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Carrington (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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 City's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria 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 the above criteria the city has the following component units:

Carrington Airport Authority- The Airport Authority was organized to provide management of the airport in Carrington. The Council appoints all Board members and approves its tax levy.

Carrington Fire Department. The Fire Department was organized to provide management of the fire department in Carrington. The Council approves its tax levy.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

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 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.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary.

The City reports the following major governmental funds:

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

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes, sales taxes and intergovernmental revenues.

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

The City reports the following major enterprise funds:

Water and Sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

CITY OF CARRINGTON
Notes to Financial Statements- Continued

The City also reports the following fund types:

Agency Funds. These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for deposits of the Red River Corridor fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long term debt and depreciation in the government-wide statements, and the proprietary fund statements. In accordance with the modified cash basis of accounting, the City reports capital assets and debt. Payments for payroll benefit liabilities are reported in the year that they are incurred and budgeted. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City's governmental funds use the modified cash basis of accounting. 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.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

D. Budgets

Based upon available financial information and requests by the city council, the auditor prepares the City budget. The budget is prepared for the general, special revenue, and debt service funds on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

City taxes must be levied by the governing board on or before October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. 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 of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt 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 are reported as debt service expenditures.

H. 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. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and 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, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has not set a General Fund minimum fund balance.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. 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.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2019 and 2018.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated 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 institution 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 deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any City, 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 \$3,263,007. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,763,007 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018, the City's carrying amount of deposits was \$3,087,540. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,587,540 was collateralized with securities held by the pledging financial institution's agent in the government's name.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

Credit Risk

State statutes authorize the City to invest in: (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentals, or organizations created by an act of Congress. (2) 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. (3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state. (4) Obligations of the state.

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable. The County treasurer acts as and 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 CARRINGTON
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Construction in progress	274,520	19,259		293,779
Infrastructure	9,485,579			9,485,579
Bldgs and Improvements	2,857,444			2,857,444
Vehicles & Equipment	894,596			894,596
Total Cap Assets	13,512,140	19,259		13,531,398
Less accumulated depreciation for:				
Buildings & Improve	2,206,807	30,292		2,237,098
Infrastructure	1,132,800	474,279		1,607,079
Vehicles & Equip	778,142	27,124		805,266
Total Accumulated Dep	4,117,748	531,695		4,649,443
Total Cap Assets, Net	9,394,392			8,881,955
Business-type activities				
Construction in progress				
Infrastructure	236,807			236,807
Bldgs and Improvements	12,617,003			12,617,003
Vehicles & Equipment	90,751			90,751
Total Cap Assets	12,944,561			12,944,561
Less accumulated depreciation for:				
Buildings & Improve	6,618,040	136,340		6,754,380
Infrastructure	71,042	11,841		82,882
Vehicles & Equip	41,790	9,075		50,865
Total Accumulated Dep	6,730,873	157,256		6,888,128
Total Cap Assets, Net	6,213,688			6,056,433

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

Governmental Activities:	
General government	15,018
Public safety	18,519
Highways and streets	<u>498,158</u>
Total	531,695
Business-type activities	
Water and sewer	157,256

CITY OF CARRINGTON
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Construction in progress		274,520		274,520
Infrastructure	9,485,579			9,485,579
Bldgs and Improvements	2,857,444			2,857,444
Vehicles & Equipment	894,596			894,596
Total Cap Assets	13,237,619	274,520		13,512,140
Less accumulated depreciation for:				
Buildings & Improve	2,176,515	30,292		2,206,807
Infrastructure	658,521	474,279		1,132,800
Vehicles & Equip	748,107	30,035		778,142
Total Accumulated Dep	3,583,142	534,606		4,117,748
Total Cap Assets, Net	9,654,477			9,394,392
Business-type activities				
Construction in progress				
Infrastructure	236,807			236,807
Bldgs and Improvements	12,617,003			12,617,003
Vehicles & Equipment	90,751			90,751
Total Cap Assets	12,944,561			12,944,561
Less accumulated depreciation for:				
Buildings & Improve	6,481,700	136,340		6,618,040
Infrastructure	59,202	11,841		71,042
Vehicles & Equip	32,715	9,075		41,790
Total Accumulated Dep	6,573,617	157,256		6,730,873
Total Cap Assets, Net	6,370,944			6,213,688

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

Governmental Activities:	
General government	15,018
Public safety	18,519
Highways and streets	501,069
Total	<u>534,606</u>
Business-type activities	
Water and sewer	157,256

CITY OF CARRINGTON
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2019, the following changes occurred in long-term debt:

	Payable 2018	Increases	Decreases	Payable 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	4,995,000		450,000	4,545,000	430,000
SRF Notes	1,521,032	19,259	73,291	1,467,000	73,000
Notes payable	61,941		42,074	19,867	19,867
Total	6,577,973	19,259	603,562	6,031,867	
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	5,485,426		94,085	5,391,341	96,993
SRF Notes	136,000		12,000	124,000	13,000
Total	5,621,426		103,069	5,515,341	

Changes in Long-Term Liabilities - During the year ended December 31, 2018, the following changes occurred in long-term debt:

	Payable 2017	Increases	Decreases	Payable 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	5,490,000		495,000	4,995,000	450,000
SRF Notes	1,285,000	304,032	68,000	1,521,032	65,000
Notes payable	102,503		40,562	61,941	42,074
Total	6,877,503	304,032	603,562	6,577,973	
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	5,576,495		91,069	5,485,426	94,168
SRF Notes	148,000		12,000	136,000	13,000
Total	5,724,495		103,069	5,621,426	

BONDS PAYABLE

Bonds payable consist of the following:

	Original Amount	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES				
Refunding 2019	355,000	05/01/2029	2.75-5.00%	300,000
Refunding 2018	5,835,000	05/01/2029	2.75-5.00%	4,245,000
Total				4,545,000
Refunding 2014	3,719,000	05/01/2052	3.0%	3,390,193
Refunding 2014	1,818,400	05/01/2052	3.0%	1,631,958
Refunding 2014	405,000	05/01/2052	3.0%	369,190
Total				5,391,341

CITY OF CARRINGTON
Notes to Financial Statements- Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Special Assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay debt service requirements. Whenever all special assessments appropriated and collected for a special assessment district are insufficient to pay principal and interest then due on special assessment improvement bonds issued against such improvement district, the city is required to levy a deficiency levy upon all taxable property in the City.

SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Water Treatment-2019	09/01/2034	2.5%	307,000
Water Treatment-2015	09/01/2034	2.5%	<u>1,160,000</u>
			1,467,000
BUSINESS-TYPE ACTIVITIES			
Water Treatment-2013	09/01/2026	2.5%	<u>124,000</u>

The annual long-term debt service requirements for bonds payable, as of December 31, 2019, are as follows:

Year Ending December 31	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
2020	430,000	108,713	73,000	27,905
2021	425,000	100,412	73,000	26,485
2022	425,000	91,919	79,000	25,065
2023	415,000	82,800	79,000	23,530
2024	420,000	73,105	79,000	21,995
2025-2029	2,060,000	202,641	433,000	85,805
2030-2034	370,000	5,735	488,000	41,555
2035-2039			58,000	10,530
2040-2044			64,000	5,985
2045-2047			41,000	1,245
TOTAL	4,545,000	665,325	1,467,000	270,100

CITY OF CARRINGTON
Notes to Financial Statements- Continued

Year Ending December 31	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
2020	96,993	160,151	13,000	3,075
2021	99,771	157,373	13,000	2,725
2022	102,895	154,249	14,000	2,375
2023	105,983	151,161	16,000	2,000
2024	109,162	147,982	17,000	1,625
2025-2029	596,694	689,025	51,000	2,475
2030-2034	691,881	593,839		
2035-2039	802,093	483,626		
2040-2044	929,859	355,860		
2045-2049	1,077,958	207,761		
2050-2052	778,052	44,129		
TOTAL	5,391,341	3,145,155	124,000	14,275

NOTES PAYABLE

Notes payable due in quarterly installments of \$10,652, including interest at 4.37%, through October 2020. Note used for economic development 19,867

2020	<u>21,304</u>
Less amount representing interest	<u>2,029</u>
Principal balance remaining	19,867

NOTE 8. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2019:

Street 2009	1,069	Will be eliminated with grants/transfers.
2014-1	36,508	Will be eliminated with grants/transfers.

NOTE 9 : RED RIVER CORRIDOR FUND

The City is the fiscal agent for the Red River Corridor Fund (RRFC). The RRFC is a consortium of 36 participating municipalities in central and eastern North Dakota. The funds are managed by the Praxis Strategy Group and Development Capital Networks. The Balance of funds held by the City at December 31, 2019 and 2018 was \$0 and \$37,863, respectively.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

NOTE 9: PENSION PLANS

North Dakota Public Employees Retirement System

The City participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City had agreed to pay 100% of the member assessments in lieu of a salary increase. The City is required to contribute 7.12% of each participant's salary as the employer's share. The City is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The City's contributions to PERS for the fiscal years ending December 31, 2019, 2018, and 2017 were \$138,497, \$126,613, and \$154,342, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.

NOTE 10: RISK MANAGEMENT

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

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

The State Bonding Fund currently provides the City with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF CARRINGTON
Notes to Financial Statements- Continued

NOTE 11: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due.

2019

	Transfer in	Transfer out
General Fund		111,571
Special Revenue Fund	326,264	606,693
Capital Project Fund		29,371
Debt Service Fund	300,000	
Total Governmental Funds	626,264	747,581
Water & Sewer Fund	244,155	122,838
Sanitation Fund		
Total Enterprise Funds	244,155	122,838
Total	870,419	870,419

2018

	Transfer in	Transfer out
General Fund	91,497	
Special Revenue Fund	227,345	1,228,588
Capital Project Fund	991,387	
Debt Service Fund	302,071	668,570
Total Governmental Funds	1,612,299	1,897,157
Water & Sewer Fund	409,859	125,001
Sanitation Fund		
Total Enterprise Funds	409,859	125,001
Total	2,022,158	2,022,158

CITY OF CARRINGTON

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2019 AND 2018

City of Carrington
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Harold J. Rotunda

Certified Public Accountant

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*
Independent Auditor's Report

Governing Board
City of Carrington
Carrington, North Dakota

I have audited, in accordance with the 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 Carrington as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated January 5, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Carrington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of internal control.

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify two deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2019-1 and 2019-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Carrington's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

City's Response to Findings

City of Carrington's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Carrington's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Harold Rotunda, CPA
January 5, 2023

CITY OF CARRINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-001 Segregation of Duties
Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the City.

Condition

The City Auditor is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the City, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The City Auditor is the employee responsible for all functions and due to the City's size, they are unable to hire additional staff.

Effect

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

Recommendation

The City should separate the duties when it becomes feasible.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Auditor to receipt and deposit at the various financial institutions. The Council reviews and approves bills before payments are made. The Mayor reviews and signs all checks written. The City will formally segregate other duties when feasible.

CITY OF CARRINGTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

2019-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's auditor prepared the financial statements for the year ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting. An appropriate system of internal controls requires that a City must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis. This requires the City's personnel to maintain a working knowledge of current accounting principles in accordance with the modified cash basis.

Cause

The City does not have the resources to prepare full modified cash basis financial statements.

Effect

The City currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.