

AUDIT REPORT

CITY OF GARRISON
Garrison, North Dakota

For the Year Ended December 31, 2020

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF GARRISON
Garrison, North Dakota

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CITY OF GARRISON
Garrison, North Dakota

CITY OFFICIALS

| | |
|--------------------|----------------|
| Stuart Merry | Mayor |
| Paul Schlichting | President |
| Maria Olson | Vice President |
| Billee Jo Iglehart | Council Member |
| David Jeffry | Council Member |
| Curtis Olson | Council Member |
| David Reinarts | Council Member |
| Diane Affeldt | Auditor |

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Garrison
Garrison, 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, each major fund and the aggregate remaining fund information of the City of Garrison, Garrison, North Dakota, as of and for the year ended December 31, 2020, 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

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 judgement, 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 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, 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, each major fund and the aggregate remaining fund information of the City of Garrison, Garrison, North Dakota, as of December 31, 2020, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

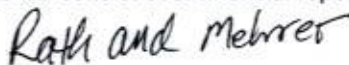
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, schedule of employer's share of net pension liability and the schedule of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The budgeting comparison information, schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards 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 budgeting comparison information, schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 19, 2021

CITY OF GARRISON
Garrison North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash, Cash Equivalents and Investments | 1,333,290.20 | 2,407,606.15 | 3,740,896.35 |
| Capital Assets (net of accumulated depreciation): | | | |
| Buildings and Infrastructure | 3,339,761.00 | 3,638,139.00 | 6,977,900.00 |
| Vehicles and Machinery | 150,183.00 | 70,843.00 | 221,026.00 |
| Total Capital Assets | 3,489,944.00 | 3,708,982.00 | 7,198,926.00 |
| Total Assets | 4,823,234.20 | 6,116,588.15 | 10,939,822.35 |
| Liabilities: | | | |
| Long-Term Liabilities: | | | |
| Due Within One Year: | | | |
| Special Assessment Bonds Payable | 45,000.00 | | 45,000.00 |
| Revenue Bonds Payable | | 80,000.00 | 80,000.00 |
| Due After One Year: | | | |
| Special Assessment Bonds Payable | 410,000.00 | | 410,000.00 |
| Revenue Bonds Payable | | 1,355,000.00 | 1,355,000.00 |
| Compensated Absences Payable | 23,349.29 | | 23,349.29 |
| Total Liabilities | 478,349.29 | 1,435,000.00 | 1,913,349.29 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 3,034,944.00 | 2,273,982.00 | 5,308,926.00 |
| Restricted for: | | | |
| Debt Service | 40,136.73 | | 40,136.73 |
| Special Purposes | 820,995.70 | | 820,995.70 |
| Water Treatment Plant | | 776,217.94 | 776,217.94 |
| Water Meters | | 16,559.90 | 16,559.90 |
| Unrestricted | 448,808.48 | 1,614,828.31 | 2,063,636.79 |
| Total Net Position | 4,344,884.91 | 4,681,588.15 | 9,026,473.06 |

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

CITY OF GARRISON
Garrison North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2020

| Functions/Programs | Net (Expense) Revenue and Change in Net Position | | | | |
|---|--|----------------------|------------------------------------|-------------------------|--------------------------|
| | Program Revenues | | | Primary Government | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities |
| Primary Government | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| General Government | 452,011.67 | 24,765.72 | 827.00 | (426,418.95) | (426,418.95) |
| Public Safety | 378,080.44 | 4,489.65 | 99,525.79 | (274,065.00) | (274,065.00) |
| Streets and Public Works | 1,967,091.01 | 106,988.50 | 1,219,135.41 | (640,967.10) | (640,967.10) |
| Urban and Economic Development | 101,532.31 | | | (101,532.31) | (101,532.31) |
| Health and Welfare | 10,000.00 | | | (10,000.00) | (10,000.00) |
| Culture and Recreation | 147,596.29 | 673.19 | 10,307.00 | (136,616.10) | (136,616.10) |
| Other | 323,402.25 | 37,495.10 | | (285,907.15) | (285,907.15) |
| Interest on Long-Term Debt | 14,166.25 | | 46,691.27 | 32,525.02 | 32,525.02 |
| Total Governmental Activities | 3,393,880.22 | 174,412.16 | 1,376,486.47 | (1,842,981.59) | (1,842,981.59) |
| <u>Business-Type Activities:</u> | | | | | |
| Water | 601,042.92 | 574,501.21 | 97,200.00 | 70,658.29 | 70,658.29 |
| Sewer | 59,912.73 | 131,837.12 | | 71,924.39 | 71,924.39 |
| Garbage | 96,388.50 | 96,468.44 | | 79.94 | 79.94 |
| Trailer Park | 117,277.74 | 76,445.89 | 7,506.00 | (33,325.85) | (33,325.85) |
| Landfill | 28,785.84 | 34,103.13 | | 5,317.29 | 5,317.29 |
| Water Meters | - | 5,786.25 | | 5,786.25 | 5,786.25 |
| Total Business-Type Activities | 903,407.73 | 919,142.04 | 104,706.00 | 120,440.31 | 120,440.31 |
| Total Primary Government | 4,297,287.95 | 1,093,554.20 | 1,481,192.47 | (1,842,981.59) | (1,722,541.28) |
| <u>General Revenues:</u> | | | | | |
| <u>Taxes:</u> | | | | | |
| Property taxes; levied for general purposes | | | 215,346.96 | | 215,346.96 |
| Property taxes; levied for special purposes | | | 51,002.33 | | 51,002.33 |
| City sales taxes | | | 403,755.09 | | 403,755.09 |
| City lodging taxes | | | 3,213.46 | | 3,213.46 |
| Oil and gas production taxes | | | 30,297.69 | | 30,297.69 |
| Coal severance taxes | | | 153,055.38 | | 153,055.38 |
| Coal conversion taxes | | | 45,225.47 | | 45,225.47 |
| Cigarette taxes | | | 3,827.33 | | 3,827.33 |
| Intergovernmental revenue not restricted to specific programs | | | 115,047.06 | | 115,047.06 |
| Earnings on investments and other revenue | | | 33,775.13 | 11,109.42 | 44,884.55 |
| Transfers | | | (78,875.00) | 78,875.00 | - |
| Total General Revenues and Transfers | | | 975,670.90 | 89,984.42 | 1,065,655.32 |
| Change in Net Position | | | (867,310.69) | 210,424.73 | (656,885.96) |
| Net Position - January 1 | | | 5,212,195.60 | 4,471,163.42 | 9,683,359.02 |
| Net Position - December 31 | | | 4,344,884.91 | 4,681,588.15 | 9,026,473.06 |

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

CITY OF GARRISON
Garrison, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2020

| | Major Funds | | | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| | General | Airport | City Sales Tax | | |
| | General | Airport | Tax | | |
| ASSETS: | | | | | |
| Cash, Cash Equivalents and Investments | 396,904.48 | 164,246.59 | 530,022.95 | 242,116.18 | 1,333,290.20 |
| Interfund Receivables | 72,720.16 | | | | 72,720.16 |
| Total Assets | 469,624.64 | 164,246.59 | 530,022.95 | 242,116.18 | 1,406,010.36 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Interfund Payables | | | | 72,720.16 | 72,720.16 |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Street and Public Works | | | 117,152.79 | 35,530.00 | 152,682.79 |
| Community Development | | | 162,348.57 | | 162,348.57 |
| Urban and Economic Dev. | | | 250,521.59 | 139.70 | 250,661.29 |
| Culture and Recreation | | | | 1,141.24 | 1,141.24 |
| Emergency | | | | 8,128.87 | 8,128.87 |
| Airport | | 164,246.59 | | | 164,246.59 |
| Cemetery | | | | 81,786.35 | 81,786.35 |
| Debt Service | | | | 40,136.73 | 40,136.73 |
| Assigned to: | | | | | |
| Equipment | | | | 75,253.29 | 75,253.29 |
| Unassigned | 469,624.64 | | | (72,720.16) | 396,904.48 |
| Total Fund Balances | 469,624.64 | 164,246.59 | 530,022.95 | 169,396.02 | 1,333,290.20 |
| Total Liabilities and Fund Balances | 469,624.64 | 164,246.59 | 530,022.95 | 242,116.18 | 1,406,010.36 |

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

CITY OF GARRISON
Garrison North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2020

| | | |
|---|-----------------------|---------------------|
| Total Fund Balances for Governmental Funds | | 1,333,290.20 |
| Total net position reported for governmental 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 | 10,257,334.00 | |
| Less Accumulated Depreciation | <u>(6,767,390.00)</u> | |
| Net Capital Assets | | 3,489,944.00 |
| 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. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are: | | |
| Special Assessments Bonds Payable | (455,000.00) | |
| Compensated Absences Payable | <u>(23,349.29)</u> | |
| Total Long-Term Liabilities | | <u>(478,349.29)</u> |
| Total Net Position of Governmental Activities | | <u>4,344,884.91</u> |

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

| | Major Funds | | | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| | General | Airport | City Sales Tax | | |
| <u>Revenues:</u> | | | | | |
| Taxes | 215,346.96 | 14,636.41 | 403,755.09 | 39,579.38 | 673,317.84 |
| Special Assessments | | | | 46,691.27 | 46,691.27 |
| Licenses, Permits and Fees | 18,891.72 | | | | 18,891.72 |
| Intergovernmental | 562,412.57 | 968,710.56 | | 146,125.00 | 1,677,248.13 |
| Charges for Services | 5,874.00 | 37,495.10 | | 107,661.69 | 151,030.79 |
| Fines and Forfeits | 4,275.85 | | | 213.80 | 4,489.65 |
| Miscellaneous | 16,205.82 | 7,824.23 | 1,878.86 | 7,866.22 | 33,775.13 |
| Total Revenues | 823,006.92 | 1,028,666.30 | 405,633.95 | 348,137.36 | 2,605,444.53 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| General Government | 401,696.62 | | | 34,470.00 | 436,166.62 |
| Public Safety | 372,912.44 | 1,200.00 | | | 374,112.44 |
| Streets and Public Works | 228,804.90 | 1,039,817.86 | 212,263.30 | 283,780.95 | 1,764,667.01 |
| Urban and Economic Development | | | 83,087.31 | 3,500.00 | 86,587.31 |
| Health and Welfare | | | 10,000.00 | | 10,000.00 |
| Culture and Recreation | 26,001.46 | | 75,502.05 | 46,092.78 | 147,596.29 |
| Other | 36,255.77 | | | 770.48 | 37,026.25 |
| Debt Service: | | | | | |
| Principal | | | | 45,000.00 | 45,000.00 |
| Interest and Service Charges | | | | 14,166.25 | 14,166.25 |
| Total Expenditures | 1,065,671.19 | 1,041,017.86 | 380,852.66 | 427,780.46 | 2,915,322.17 |
| Excess (Deficiency) of Revenue Over Expenditures | (242,664.27) | (12,351.56) | 24,781.29 | (79,643.10) | (309,877.64) |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Transfers In | 100,000.00 | | | 59,000.00 | 159,000.00 |
| Transfers Out | | | (217,875.00) | (20,000.00) | (237,875.00) |
| Total Other Financing Sources (Uses) | 100,000.00 | - | (217,875.00) | 39,000.00 | (78,875.00) |
| Net Changes in Fund Balances | (142,664.27) | (12,351.56) | (193,093.71) | (40,643.10) | (388,752.64) |
| Fund Balance - January 1 | 612,288.91 | 176,598.15 | 723,116.66 | 210,039.12 | 1,722,042.84 |
| Fund Balance - December 31 | 469,624.64 | 164,246.59 | 530,022.95 | 169,396.02 | 1,333,290.20 |

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

CITY OF GARRISON
Garrison, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

| | | |
|--|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | | (388,752.64) |
|--|--|--------------|

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 cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

| | | | |
|-----------------------------------|---------------------|--|--------------|
| Current Year Capital Outlay | - | | |
| Current Year Depreciation Expense | <u>(515,846.00)</u> | | (515,846.00) |

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

| | | | |
|-------------------|------------------|--|-----------|
| Debt Proceeds | - | | |
| Repayment of Debt | <u>45,000.00</u> | | 45,000.00 |

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

| | | | |
|--------------------------------------|--|--|-------------------|
| Net Increase in Compensated Absences | | | <u>(7,712.05)</u> |
|--------------------------------------|--|--|-------------------|

| | | |
|---|--|---------------------|
| Change in Net Position of Governmental Activities | | <u>(867,310.69)</u> |
|---|--|---------------------|

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

CITY OF GARRISON
Garrison North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

| | <u>Major Enterprise Fund</u> | Other Enterprise Funds | Total Enterprise Funds |
|---|----------------------------------|------------------------------|------------------------------|
| | Water | | |
| <u>ASSETS</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash and Cash Equivalents | 2,079,216.99 | 328,389.16 | 2,407,606.15 |
| <u>Noncurrent Assets:</u> | | | |
| Capital Assets (net of accumulated depreciation): | | | |
| Buildings and Infrastructure | 3,554,446.00 | 83,693.00 | 3,638,139.00 |
| Vehicles and Machinery | 10,456.00 | 60,387.00 | 70,843.00 |
| Total Noncurrent Assets | 3,564,902.00 | 144,080.00 | 3,708,982.00 |
| Total Assets | 5,644,118.99 | 472,469.16 | 6,116,588.15 |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Revenue Bonds Payable | 80,000.00 | | 80,000.00 |
| <u>Noncurrent Liabilities:</u> | | | |
| Revenue Bonds Payable | 1,355,000.00 | | 1,355,000.00 |
| Total Liabilities | 1,435,000.00 | - | 1,435,000.00 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 2,129,902.00 | 144,080.00 | 2,273,982.00 |
| Restricted for: | | | |
| Water Treatment Plant | 776,217.94 | | 776,217.94 |
| Water Meters | 16,607.29 | | 16,607.29 |
| Unrestricted | 1,286,391.76 | 328,389.16 | 1,614,780.92 |
| Total Net Position | 4,209,118.99 | 472,469.16 | 4,681,588.15 |

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

CITY OF GARRISON
Garrison North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

| | <u>Major Enterprise Fund</u> | Other Enterprise Funds | Total Enterprise Funds |
|--|----------------------------------|------------------------------|------------------------------|
| | Water | | |
| <u>Operating Revenues:</u> | | | |
| Charges for Sales and Services: | | | |
| Water User Fees | 439,268.84 | | 439,268.84 |
| Rural Water Rates | 104,220.95 | | 104,220.95 |
| Sewer Charges | | 131,837.12 | 131,837.12 |
| Garbage Collections | | 96,468.44 | 96,468.44 |
| Dumpground Charges | | 32,390.93 | 32,390.93 |
| Landfill Surcharges | | 1,712.20 | 1,712.20 |
| Meter Deposits | 5,786.25 | | 5,786.25 |
| Trailer Park Rents | | 76,445.89 | 76,445.89 |
| Miscellaneous Service | 31,011.42 | | 31,011.42 |
| Total Operating Revenues | 580,287.46 | 338,854.58 | 919,142.04 |
| <u>Operating Expenses:</u> | | | |
| Water | 319,851.62 | | 319,851.62 |
| Sewer | | 23,868.73 | 23,868.73 |
| Garbage | | 96,388.50 | 96,388.50 |
| Trailer Park | | 10,912.33 | 10,912.33 |
| Landfill | | 28,785.84 | 28,785.84 |
| Repairs and Maintenance | 143,624.30 | 130,161.41 | 273,785.71 |
| Depreciation | 99,692.00 | 12,248.00 | 111,940.00 |
| Total Operating Expenses | 563,167.92 | 302,364.81 | 865,532.73 |
| Operating Income (Loss) | 17,119.54 | 36,489.77 | 53,609.31 |
| <u>Non-Operating Revenues (Expenses):</u> | | | |
| State Water Comission | 7,193.51 | 239.41 | 7,432.92 |
| Interest Income | 97,200.00 | 7,506.00 | 104,706.00 |
| Miscellaneous Revenues | | 3,676.50 | 3,676.50 |
| Interest and Service Charges | (37,875.00) | | (37,875.00) |
| Total Non-Operating Revenues (Expenses) | 66,518.51 | 11,421.91 | 77,940.42 |
| Income (Loss) Before Transfers | 83,638.05 | 47,911.68 | 131,549.73 |
| Transfer In | 117,875.00 | | 117,875.00 |
| Transfer Out | | (39,000.00) | (39,000.00) |
| Changes in Net Position | 201,513.05 | 8,911.68 | 210,424.73 |
| Net Position - January 1 | 4,007,605.94 | 463,557.48 | 4,471,163.42 |
| Net Position - December 31 | 4,209,118.99 | 472,469.16 | 4,681,588.15 |

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

CITY OF GARRISON
Garrison North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2020

| | <u>Major Enterprise Fund</u> | | Total Enterprise Funds |
|---|------------------------------|------------------------|------------------------|
| | Water | Other Enterprise Funds | |
| <u>Cash flows from operating activities:</u> | | | |
| Receipts from customers | 580,287.46 | 338,854.58 | 919,142.04 |
| Payments to suppliers and employees | (463,475.92) | (290,116.81) | (753,592.73) |
| Net cash provided (used) by operating activities | <u>116,811.54</u> | <u>48,737.77</u> | <u>165,549.31</u> |
| <u>Cash flows from noncapital financing activities:</u> | | | |
| Miscellaneous receipts | | 3,676.50 | 3,676.50 |
| Transfers in | 117,875.00 | | 117,875.00 |
| Transfers out | | | - |
| Net cash provided (used) by noncapital financing activities | <u>117,875.00</u> | <u>3,676.50</u> | <u>121,551.50</u> |
| <u>Cash flows from capital and related financing activities:</u> | | | |
| State Water Commission | 97,200.00 | 7,506.00 | 104,706.00 |
| Principal payments | (80,000.00) | | (80,000.00) |
| Interest and service charges | (37,875.00) | (39,000.00) | (76,875.00) |
| Net cash provided (used) by capital and related financing activities | <u>(20,675.00)</u> | <u>(31,494.00)</u> | <u>(52,169.00)</u> |
| <u>Cash flows from investing activities:</u> | | | |
| Interest income | 7,193.51 | 239.41 | 7,432.92 |
| Net increase in cash and cash equivalents | <u>221,205.05</u> | <u>21,159.68</u> | <u>242,364.73</u> |
| Cash and cash equivalents, January 1 | <u>1,858,011.94</u> | <u>307,229.48</u> | <u>2,165,241.42</u> |
| Cash and cash equivalents, December 31 | <u>2,079,216.99</u> | <u>328,389.16</u> | <u>2,407,606.15</u> |
| <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u> | | | |
| Operating income (Loss) | 17,119.54 | 36,489.77 | 53,609.31 |
| <u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u> | | | |
| Depreciation expense | 99,692.00 | 12,248.00 | 111,940.00 |
| Net cash provided (used) by operating activities | <u>116,811.54</u> | <u>48,737.77</u> | <u>165,549.31</u> |

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

CITY OF GARRISON
Garrison, North Dakota

Notes to the Financial Statements
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Garrison operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government 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.

A. Financial Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Garrison. These statements include the financial activities of the overall government, except for fiduciary activities. 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 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: The fund financial statements provide information about the city's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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.

Airport Fund. This fund accounts for the activities of the city airport. All activities, debt service and capital additions are accounted for in the fund.

City Sales Tax. This fund accounts for the city's sales tax collections, which are used for community and economic development projects and for community development and infrastructure.

The city reports the following major enterprise fund:

Water. This fund accounts for the activities of the city's water distribution system.

C. Measurement Focus and Basis of Accounting

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 Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b 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:

- a. 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 present 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.
- b. 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 position (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 position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a 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 depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund 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:

| | |
|------------------------------|----------------|
| Buildings and Infrastructure | 25 to 75 years |
| Machinery and Vehicles | 5 to 20 Years |

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave up to a maximum of 96 hours will be granted to city employees upon termination of employment with the city.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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 position. 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 Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the city’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

I. Interfund Transactions

In the governmental and proprietary 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.

In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 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 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, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, share of investments 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 any 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 other securities approved by the banking board.

At December 31, 2020 the city's carrying amount of deposits was \$3,470,896 and the bank balance was \$4,103,011. Of the bank balance, \$276,703 was covered by Federal Depository Insurance. The remaining balance of \$3,826,308 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2020 the city held certificates of deposit in the amount of \$121,700, which are all considered deposits.

Concentration of Credit Risk

The city does not have a limit on the amount the city 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 the 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.

Note 4 INTERFUND RECEIVABLE/PAYABLES

The interfund receivable/payables are created by a negative cash balance in the street and library funds. The amount shown as interfund payables represent the amount of negative cash in these funds. The interfund receivable/payables for the year ended December 31, 2020 are as follows:

| | Receivable Fund | Payable Fund |
|--------------|--------------------|-----------------|
| General Fund | 72,720.16 | |
| Street | | 56,909.36 |
| Library | | 15,810.80 |

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

| | Balance January 1 | Increases | Decreases | Balance December 31 |
|---|----------------------|------------------|-----------|------------------------|
| Governmental Activities: | | | | |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and Infrastructure | 9,652,760 | | | 9,652,760 |
| Machinery and Vehicles | 604,574 | | | 604,574 |
| Total | 10,257,334 | - | - | 10,257,334 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and Infrastructure | 5,821,231 | 491,768 | | 6,312,999 |
| Machinery and Vehicles | 430,313 | 24,078 | | 454,391 |
| Total | 6,251,544 | 515,846 | - | 6,767,390 |
| Governmental Activities Capital Assets, Net | 4,005,790 | (515,846) | | 3,489,944 |
| | | | | |
| | Balance January 1 | Increases | Decreases | Balance December 31 |
| Business-type Activities: | | | | |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and Infrastructure | 4,842,720 | | | 4,842,720 |
| Machinery and Vehicles | 205,343 | | | 205,343 |
| Total | 5,048,063 | | | 5,048,063 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and Infrastructure | 1,103,575 | 101,006 | | 1,204,581 |
| Machinery and Vehicles | 123,566 | 10,934 | | 134,500 |
| Total | 1,227,141 | 111,940 | | 1,339,081 |
| Business-Type Activities Capital Assets, Net | 3,820,922 | (111,940) | | 3,708,982 |

Depreciation expense was charged to functions/programs of the city as follows for the year ended December 31, 2020:

| | |
|---------------------------------|----------------|
| <u>Governmental Activities:</u> | |
| General Government | 8,133 |
| Public Safety | 3,968 |
| Streets and Public Works | 202,424 |
| Culture and Recreation | 14,945 |
| Other | 286,376 |
| Total | 515,846 |

| | |
|----------------------------------|----------------|
| <u>Business-type Activities:</u> | |
| Water | 99,692 |
| Sewer | 10,854 |
| Trailer Park | 1,394 |
| Total | <u>111,940</u> |

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2020, the following changes occurred in the liabilities reported in the long-term liabilities of the city:

Governmental Activities:

| | <u>Balance January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance December 31</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Special Assessment Bonds Payable | 500,000 | | 45,000 | 455,000 | 45,000 |
| Compensated Absences* | 15,637 | 7,712 | | 23,349 | |
| Total | <u>515,637</u> | <u>7,712</u> | <u>45,000</u> | <u>478,349</u> | <u>45,000</u> |

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Business-Type (Proprietary Funds):

| | <u>Balance January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance December 31</u> | <u>Due Within One Year</u> |
|---------------|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Revenue Bonds | <u>1,515,000</u> | | <u>80,000</u> | <u>1,435,000</u> | <u>80,000</u> |

Outstanding debt at December 31, 2020 consists of the following:

Governmental Activities:

Special Assessment Debt. The city has issued special assessment bonds to provide funds for a water, sewer and street project. Special assessment bonds outstanding at December 31, 2020, are as follows:

| | |
|---|-------------------|
| \$650,000 Refunding Improvement Bonds, Series 2015, due in annual installments of \$45,000 to \$55,000 through May 1, 2029; interest is at 1.65% to 3%. | <u>455,000.00</u> |
|---|-------------------|

The annual requirements to amortize the outstanding special assessment bonds are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|-------------------|------------------|
| 2021 | 45,000.00 | 12,137.50 |
| 2022 | 45,000.00 | 11,012.50 |
| 2023 | 50,000.00 | 9,825.00 |
| 2024 | 50,000.00 | 8,575.00 |
| 2025 | 50,000.00 | 7,200.00 |
| 2026 - 2029 | <u>215,000.00</u> | <u>13,125.00</u> |
| Total | <u>455,000.00</u> | <u>61,875.00</u> |

Business-Type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020 are as follows:

| | |
|---|---------------------|
| \$1,821,023 Water and Sales Tax Revenue Bonds, Series 2015, due in annual installments of \$80,000 to \$110,000 through September 1, 2035; interest is at 2%. | <u>1,435,000.00</u> |
|---|---------------------|

The annual requirements to amortize the outstanding revenue bond debt are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|---------------------|-------------------|
| 2021 | 80,000.00 | 28,700.00 |
| 2122 | 80,000.00 | 27,100.00 |
| 2023 | 85,000.00 | 25,500.00 |
| 2024 | 85,000.00 | 23,800.00 |
| 2025 | 90,000.00 | 22,100.00 |
| 2026 - 2030 | 480,000.00 | 82,800.00 |
| 2031 - 2035 | <u>535,000.00</u> | <u>32,200.00</u> |
| Total | <u>1,435,000.00</u> | <u>242,200.00</u> |

Note 7 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|----------------|--------------------|---------------------|
| Water | 117,875.00 | |
| City Sales Tax | | 117,875.00 |

To subsidize debt service payments.

| | | |
|------------------------|------------|------------|
| General | 100,000.00 | |
| Street | 13,000.00 | |
| Library | 6,000.00 | |
| Fire Equipment Capital | 20,000.00 | |
| City Sales Tax | | 100,000.00 |
| Garbage | | 1,000.00 |
| Landfill | | 10,000.00 |
| Trailer Park | | 28,000.00 |

To subsidize expenditures.

To subsidize debt service payments.

20,000.00

| | | |
|----------|--|-----------|
| Sidewalk | | 20,000.00 |
| Street | | |

To set aside funds for future sidewalk projects.

Note 8 DEFICIT FUND BALANCE

The following funds had a deficit balance as of December 31, 2020:

Special Revenue Funds

| | |
|---------|-------------|
| Street | (56,909.36) |
| Library | (15,810.10) |

The city plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

Note 9 RISK MANAGEMENT

The City of Garrison 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, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$995,452 for public assets.

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 cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,604,053 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 10 PENSION PLAN

The city provides benefits for all of its full-time employees, through a defined contribution plan with American Funds Service. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 8% of the employee's gross salary for the year. During the year ending December 31, 2020, the city contributed \$24,109.

Note 11 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2020.

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | 215,116.00 | 215,346.96 | 215,346.96 | - |
| Licenses, Permits and Fees | 17,650.00 | 18,891.72 | 18,891.72 | - |
| Intergovernmental | 357,300.00 | 562,412.57 | 562,412.57 | - |
| Charges for Services | 7,800.00 | 5,874.00 | 5,874.00 | - |
| Fines and Forfeits | 3,000.00 | 4,275.85 | 4,275.85 | - |
| Miscellaneous | 2,740.00 | 16,205.82 | 16,205.82 | - |
| Total Revenues | 603,606.00 | 823,006.92 | 823,006.92 | - |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 352,960.00 | 401,696.62 | 401,696.62 | - |
| Public Safety | 180,396.84 | 372,912.44 | 372,912.44 | - |
| Streets and Public Works | 226,500.00 | 228,804.90 | 228,804.90 | - |
| Culture and Recreation | 30,000.00 | 26,001.46 | 26,001.46 | - |
| Other | 5,850.00 | 36,255.77 | 36,255.77 | - |
| Total Expenditures | 795,706.84 | 1,065,671.19 | 1,065,671.19 | - |
| Excess (Deficiency) of Revenue Over Expenditures | (192,100.84) | (242,664.27) | (242,664.27) | - |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 100,000.00 | 100,000.00 | 100,000.00 | - |
| Transfers Out | (4,000.00) | | | - |
| Total Other Financing Sources (Uses): | 96,000.00 | 100,000.00 | 100,000.00 | - |
| Net Change in Fund Balances | (96,100.84) | (142,664.27) | (142,664.27) | - |
| Fund Balance - January 1 | 612,288.91 | 612,288.91 | 612,288.91 | |
| Fund Balance - December 31 | 516,188.07 | 469,624.64 | 469,624.64 | - |

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Airport Fund
For the Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|--------------------|---------------------|---------------------|---|
| <u>Revenues:</u> | | | | |
| Taxes | 14,705.00 | 14,636.41 | 14,636.41 | - |
| Intergovernmental | 65,000.00 | 968,710.56 | 968,710.56 | - |
| Charges for Services | 12,300.00 | 37,495.10 | 37,495.10 | - |
| Miscellaneous | 100.00 | 7,824.33 | 7,824.33 | - |
| Total Revenues | 92,105.00 | 1,028,666.40 | 1,028,666.40 | - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Public Safety | - | 1,200.00 | 1,200.00 | - |
| Streets and Public Works | 92,105.00 | 1,039,817.86 | 1,039,817.86 | - |
| Total Expenditures | 92,105.00 | 1,041,017.86 | 1,041,017.86 | - |
| Net Change in Fund Balances | - | (12,351.46) | (12,351.46) | - |
| Fund Balance - January 1 | 176,598.15 | 176,598.15 | 176,598.15 | |
| Fund Balance - December 31 | 176,598.15 | 164,246.69 | 164,246.69 | - |

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| <u>Revenues:</u> | | | | |
| Taxes | 300,000.00 | 403,755.09 | 403,755.09 | - |
| Miscellaneous | 1,904.00 | 1,878.86 | 1,878.86 | - |
| Total Revenues | 301,904.00 | 405,633.95 | 405,633.95 | - |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Public Safety | 5,000.00 | - | - | - |
| Streets and Public Works | 250,000.00 | 212,263.30 | 212,263.30 | - |
| Urban and Economic Development | 170,000.00 | 83,087.31 | 83,087.31 | - |
| Health and Welfare | - | 10,000.00 | 10,000.00 | - |
| Culture and Recreation | 25,000.00 | 75,502.05 | 75,502.05 | - |
| Total Expenditures | 450,000.00 | 380,852.66 | 380,852.66 | - |
| Excess (Deficiency) of Revenues Over Expenditures | (148,096.00) | 24,781.29 | 24,781.29 | - |
| <u>Other Financing (Uses):</u> | | | | |
| Transfers Out | (131,250.00) | (217,875.00) | (217,875.00) | - |
| Net Change in Fund Balances | (279,346.00) | (193,093.71) | (193,093.71) | - |
| Fund Balance - January 1 | 723,116.66 | 723,116.66 | 723,116.66 | - |
| Fund Balance - December 31 | 443,770.66 | 530,022.95 | 530,022.95 | - |

CITY OF GARRISON
GARRISON, North Dakota.

Notes to the Budgetary Comparison Schedules
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board approved the following amendments to the city's budget for the year ending December 31, 2020:

| | <u>Original Budget</u> | <u>Amendment</u> | <u>Amended Budget</u> |
|------------------------------|----------------------------|--------------------------|---------------------------|
| | | <u>Estimated Revenue</u> | |
| General fund | 603,606 | 219,401 | 823,007 |
| <u>Special Revenue Funds</u> | | | |
| City Sales Tax | 301,904 | 103,730 | 405,634 |
| Cemetery | 11,887 | 2,940 | 14,827 |
| Airport | 92,105 | 936,561 | 1,028,666 |
| Fire Dept. Equipment Capital | 5,000 | 15,017 | 20,017 |
| | | <u>Appropriations</u> | |
| General Fund | 795,707 | 269,964 | 1,065,671 |
| <u>Special Revenue Funds</u> | | | |
| Street | 286,200 | 17,581 | 303,781 |
| City Sales Tax | 450,000 | (69,147) | 380,853 |
| Airport | 92,105 | 948,913 | 1,041,018 |
| Recreation | 10,500 | 500 | 11,000 |
| Fire Dept. Equipment Capital | 0 | 30,000 | 30,000 |
| Sidewalk | - | 4,470 | 4,470 |
| | | <u>Transfers In</u> | |
| <u>Special Revenue Fund</u> | | | |
| Sidewalk | - | 20,000 | 20,000 |
| | | <u>Transfers Out</u> | |
| General Fund | (4,000) | 4,000 | - |

CITY OF GARRISON
Garrison, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2020

| | Balance 1/1/2020 | Receipts | Transfers In | Transfers Out | Disbursements | Balance 12/31/2020 |
|--|---------------------|---------------------|-------------------|-------------------|---------------------|-----------------------|
| Major Governmental Funds | | | | | | |
| General Fund | 612,288.91 | 823,006.92 | 100,000.00 | | 1,065,671.19 | 469,624.64 |
| Airport | 176,598.15 | 1,028,666.30 | | | 1,041,017.86 | 164,246.59 |
| City Sales Tax | 723,116.66 | 405,633.95 | | 217,875.00 | 380,852.66 | 530,022.95 |
| Total Major Governmental Funds | 1,512,003.72 | 2,257,307.17 | 100,000.00 | 217,875.00 | 2,487,541.71 | 1,163,894.18 |
| Non-major Governmental Funds | | | | | | |
| City Lodging Tax | 426.24 | 3,213.46 | | | 3,500.00 | 139.70 |
| Street | 10,509.68 | 223,391.91 | 13,000.00 | 20,000.00 | 283,810.95 | (56,909.36) |
| Emergency | 8,128.87 | | | | | 8,128.87 |
| Library | (16,242.29) | 29,524.27 | 6,000.00 | | 35,092.78 | (15,810.80) |
| Cemetery | 52,609.36 | 14,777.80 | | | 770.48 | 66,616.68 |
| Cemetery Perpetual Maintenance | 3,796.38 | 18.93 | | | | 3,815.31 |
| Cemetery Special | 11,324.54 | 29.82 | | | | 11,354.36 |
| Recreation | 1,736.99 | 10,404.25 | | | 11,000.00 | 1,141.24 |
| Equipment Capital Improvements | 36,791.24 | 20,000.00 | | | | 56,791.24 |
| Fire Department Equipment Capital | 28,346.40 | 115.65 | 20,000.00 | | 30,000.00 | 18,462.05 |
| Sidewalk | 20,000.00 | | 20,000.00 | | 4,470.00 | 35,530.00 |
| Water, Sewer & Street Improv. Dist. 2013 | 52,611.71 | 46,691.27 | | | 59,166.25 | 40,136.73 |
| Total Nonmajor Governmental Funds | 210,039.12 | 348,167.36 | 59,000.00 | | 427,810.46 | 169,396.02 |
| Total Governmental Funds | 1,722,042.84 | 2,605,474.53 | 159,000.00 | 217,875.00 | 2,915,352.17 | 1,333,290.20 |
| Major Enterprise Funds | | | | | | |
| Water: | | | | | | |
| Operating | 1,045,378.26 | 498,910.48 | 117,875.00 | | 463,475.92 | 1,198,687.82 |
| Water Meter Deposits | 16,559.90 | 47.39 | | | | 16,607.29 |
| Water Main Replacement | 7,553.34 | 19.69 | | | | 7,573.03 |
| Water Capital improvements | 788,520.44 | 67,828.41 | | | | 856,348.85 |
| Total Major Enterprise Funds | 1,858,011.94 | 566,805.97 | 117,875.00 | - | 463,475.92 | 2,079,216.99 |
| Nonmajor Enterprise Fund | | | | | | |
| Sewer: | | | | | | |
| Operating | 126,631.57 | 106,349.12 | | | 49,058.73 | 183,921.96 |
| Sewer Lagoon | 46,100.81 | 25,803.91 | | | | 71,904.72 |
| Garbage | 1,841.78 | 96,468.44 | | 1,000.00 | 96,388.50 | 921.72 |
| Landfill | 26,768.56 | 37,703.13 | | 10,000.00 | 28,785.84 | 25,685.85 |
| Trailer Park | 105,886.76 | 83,951.89 | | 28,000.00 | 115,883.74 | 45,954.91 |
| Total Nonmajor Enterprise Funds | 307,229.48 | 350,276.49 | 0.00 | 39,000.00 | 290,116.81 | 328,389.16 |
| Total Enterprise Funds | 2,165,241.42 | 917,082.46 | 117,875.00 | 39,000.00 | 753,592.73 | 2,407,606.15 |
| Total All Funds | 3,887,284.26 | 3,522,556.99 | 276,875.00 | 256,875.00 | 3,668,944.90 | 3,740,896.35 |

CITY OF GARRISON
Garrison, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

| Federal Grantor Pass-Through Grantor Program Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Expenditures |
|--|--|---|----------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| Direct Program: | | | |
| Airport Improvement Program | 20.106 | | <u>968,258.00</u> |
| <u>U.S. Department of Treasury</u> | | | |
| Passed Through North Dakota State Treasurer: | | | |
| Coronavirus Relief Fund | 21.019 | | <u>99,525.79</u> |
| Total Expenditures of Federal Awards | | | <u><u>1,067,783.79</u></u> |

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Rath & Mehrer, P.C.

Certified Public Accountants

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Ken Mehrer, CPA
Bryce Fischer, CPA
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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 Garrison
Garrison, North Dakota

We 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, each major fund and the aggregate remaining fund information of the City of Garrison, Garrison, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city'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 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

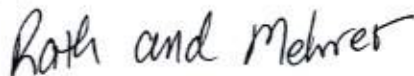
As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

The city's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The city'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 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.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 19, 2021

Rath & Mehrer, P.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Garrison
Garrison, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Garrison's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2020. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the city's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major program. However, our audits do not provide a legal determination of the city's compliance.

Opinion on Each Major Federal Program

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

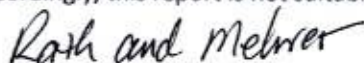
Report on Internal Control Over Compliance

Management of the City of Garrison is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the city's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 19, 2021

CITY OF GARRISON
Garrison, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2020

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

| | |
|--------------------------------------|--------------------------------|
| Governmental Activities | Unmodified-Modified Cash Basis |
| Business-Type Activities | Unmodified-Modified Cash Basis |
| Major Governmental Funds | Unmodified-Modified Cash Basis |
| Major Business-Type Funds | Unmodified-Modified Cash Basis |
| Aggregate Remaining Fund Information | Unmodified-Modified Cash Basis |

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ X Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major program(s):

CFDA Number

Name of Federal Program

20.106

Airport Improvement Project

Dollar threshold used to distinguish between type A and type B Programs:

\$750,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2020-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

Repeat Finding from Prior Year: Yes, prior year finding No. 2019-001

2. 2020-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Repeat Finding from Prior Year: Yes, prior year finding No. 2019-002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF GARRISON
Garrison, North Dakota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

1. Finding No. 2019-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-001.

Reasons for Recurrence and Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2019-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-002.

Reasons for Recurrence and Corrective Action Plan: The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.



City of Garrison

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CITY OF GARRISON
Garrison, North Dakota

Corrective Action Plan
For the Year Ended December 31, 2020

1. Finding No. 2020-001: Segregation of Duties

Contact Person: Diane Affeldt, City Auditor

Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: The City of Garrison will implement when it becomes cost effective.

2. Finding No. 2020-002: Financial Statement Preparation

Contact Person: Diane Affeldt, City Auditor

Corrective Action Plan: The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: The City of Garrison will implement when it becomes cost effective.
