

CITY OF BOWMAN, NORTH DAKOTA
AUDITED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

CITY OF BOWMAN, NORTH DAKOTA

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CITY OF BOWMAN, NORTH DAKOTA

OFFICIAL DIRECTORY
December 31, 2021

Lyn James	President
Darren Limesand	Vice President
Ryan Shear	Garbage & Street Commissioner
Benjamin Shaaf	Police Commissioner
Myron Vail	Water & Sewer Commissioner
Peggy Allen	Financial Auditor
Stacy McGee	Utility Auditor



INDEPENDENT AUDITOR'S REPORT

City Council
City of Bowman, North Dakota

Report on the Financial Statements

Opinions

We have audited the 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 Bowman, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Bowman's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Bowman as of December 31, 2021 and 2020, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Bowman and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter — 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.

Emphasis of Matter — Modified Cash Basis of Accounting and Correction of Misstatement

As discussed in Note 1 and 9, the City changed from the accrual basis of accounting to the modified cash basis of accounting and discovered an error in capital assets and net position in the current year. Accordingly, an adjustment was made to net position as of December 31, 2019 to correct the error and basis of accounting. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Bowman's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Bowman's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 on our consideration of the City of Bowman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bowman's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
December 22, 2022

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,321,768	\$ 2,484,842	\$ 6,806,610
Capital Assets			
Non-depreciable			
Land	774,093	25,180	799,273
Depreciable, net of accumulated depreciation			
Buildings and Infrastructure	5,139,442	756,994	5,896,436
Machinery and Equipment	586,466	209,749	796,215
Total Capital Assets	<u>6,500,001</u>	<u>991,923</u>	<u>7,491,924</u>
Total Assets	10,821,769	3,476,765	14,298,534
LIABILITIES			
Current Debt - due within one year			
Notes Payable	7,651	-	7,651
Total Liabilities	7,651	-	7,651
NET POSITION			
Net Investment in Capital Assets	6,492,350	991,923	7,484,273
Restricted	859,476	-	859,476
Unrestricted	3,462,292	2,484,842	5,947,134
Total Net Position	<u>\$ 10,814,118</u>	<u>\$ 3,476,765</u>	<u>\$ 14,290,883</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,477,638	\$ 2,224,655	\$ 5,702,293
Capital Assets			
Non-depreciable			
Land	774,093	25,180	799,273
Depreciable, net of accumulated depreciation			
Buildings and Infrastructure	5,228,810	767,323	5,996,133
Machinery and Equipment	655,841	276,231	932,072
Total Capital Assets	<u>6,658,744</u>	<u>1,068,734</u>	<u>7,727,478</u>
Total Assets	10,136,382	3,293,389	13,429,771
LIABILITIES			
Current Debt - due within one year			
Notes Payable	7,223	-	7,223
Noncurrent Debt - due in more than one year			
Notes Payable	7,651	-	7,651
Total Liabilities	<u>14,874</u>	<u>-</u>	<u>14,874</u>
NET POSITION			
Net Investment in Capital Assets	6,643,870	1,068,734	7,712,604
Restricted	474,376	-	474,376
Unrestricted	<u>3,003,262</u>	<u>2,224,655</u>	<u>5,227,917</u>
Total Net Position	<u>\$ 10,121,508</u>	<u>\$ 3,293,389</u>	<u>\$ 13,414,897</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental Activities						
General Government	\$ 736,267	\$ 14,909	\$ -	\$ (721,358)	\$ -	\$ (721,358)
Public Safety	516,082	34,642	-	(481,440)	-	(481,440)
Public Works/Infrastructure	691,095	-	118,601	(572,494)	-	(572,494)
Economic Development	179,635	-	-	(179,635)	-	(179,635)
Total Governmental Activities	<u>2,123,079</u>	<u>49,551</u>	<u>118,601</u>	<u>(1,954,927)</u>	<u>-</u>	<u>(1,954,927)</u>
Business-type Activities						
Water	307,983	440,222	-	-	132,239	132,239
Sewer	62,238	112,814	-	-	50,576	
Garbage	615,571	583,480	-	-	(32,091)	(32,091)
Other	8,643	41,094	-	-	32,451	32,451
Total Business-type Activities	<u>994,435</u>	<u>1,177,610</u>	<u>-</u>	<u>-</u>	<u>183,175</u>	<u>132,599</u>
Total Primary Government	<u>\$ 3,117,514</u>	<u>\$ 1,227,161</u>	<u>\$ 118,601</u>	<u>(1,954,927)</u>	<u>183,175</u>	<u>(1,822,328)</u>
General Revenues						
Taxes						
				1,518,442	-	1,518,442
				687,055	-	687,055
				300,396	-	300,396
				24,068	-	24,068
				24,875	-	24,875
				92,701	201	92,902
				<u>2,647,537</u>	<u>201</u>	<u>2,647,738</u>
				692,610	183,376	875,986
				10,121,508	3,293,389	13,414,897
				<u>\$ 10,814,118</u>	<u>\$ 3,476,765</u>	<u>\$ 14,290,883</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental Activities						
General Government	\$ 980,357	\$ 14,947	\$ -	\$ (965,410)	\$ -	\$ (965,410)
Public Safety	474,126	16,279	-	(457,847)	-	(457,847)
Public Works/Infrastructure	672,226	-	119,309	(552,917)	-	(552,917)
Economic Development	208,271	-	-	(208,271)	-	(208,271)
Total Governmental Activities	2,334,980	31,226	119,309	(2,184,445)	-	(2,184,445)
Business-type Activities						
Water	368,398	409,125	-	-	40,727	40,727
Sewer	121,462	110,776	-	-	(10,686)	(38,481)
Garbage	607,101	568,620	-	-	(38,481)	(38,481)
Other	2,643	41,292	-	-	38,649	38,649
Total Business-type Activities	1,099,604	1,129,813	-	-	30,209	40,895
Total Primary Government	\$ 3,434,584	\$ 1,161,039	\$ 119,309	(2,184,445)	30,209	(2,143,550)
General Revenues						
Taxes						
				1,053,199	-	1,053,199
				656,273	-	656,273
				375,029	-	375,029
				129,241	-	129,241
				(4,847)	4,847	-
				89,563	1,994	91,557
				2,298,458	6,841	2,305,299
				114,013	37,050	151,063
				10,007,495	3,256,339	13,263,834
				\$ 10,121,508	\$ 3,293,389	\$ 13,414,897

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2021**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Healthcare Sales Tax	Parks and Rec Sales Tax	Chip Seal		
ASSETS						
Cash and Cash Equivalents	\$ 2,311,356	\$ 547,954	\$ 241,526	\$ 480,354	\$ 740,578	\$ 4,321,768
Total Assets	2,311,356	547,954	241,526	480,354	740,578	4,321,768
FUND BALANCE						
Restricted	-	547,954	241,526	-	69,996	859,476
Assigned	-	-	-	480,354	670,582	1,150,936
Unassigned	2,311,356	-	-	-	-	2,311,356
Total Fund Balance	\$ 2,311,356	\$ 547,954	\$ 241,526	\$ 480,354	\$ 740,578	\$ 4,321,768

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2020**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Healthcare Sales Tax	Parks and Rec Sales Tax	Chip Seal		
ASSETS						
Cash and Cash Equivalents	\$ 2,435,613	\$ 249,168	\$ 144,569	\$ 140,354	\$ 507,934	\$ 3,477,638
Total Assets	2,435,613	249,168	144,569	140,354	507,934	3,477,638
FUND BALANCE						
Restricted	-	249,168	144,569	-	80,639	474,376
Assigned	-	-	-	140,354	427,295	567,649
Unassigned	2,435,613	-	-	-	-	2,435,613
Total Fund Balance	\$ 2,435,613	\$ 249,168	\$ 144,569	\$ 140,354	\$ 507,934	\$ 3,477,638

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021 and 2020**

Total Fund Balance - Governmental Funds December 31, 2021		\$ 4,321,768
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,169,878	
Less Accumulated Depreciation	<u>(2,669,877)</u>	
Net Capital Assets		6,500,001
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Notes Payable		<u>(7,651)</u>
Net Position of Governmental Activities December 31, 2021		<u>\$ 10,814,118</u>
Total Fund Balance - Governmental Funds December 31, 2020		\$ 3,477,638
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	9,052,018	
Less Accumulated Depreciation	<u>(2,393,274)</u>	
Net Capital Assets		6,658,744
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Notes Payable		<u>(14,874)</u>
Net Position of Governmental Activities December 31, 2020		<u>\$ 10,121,508</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

Year Ended December 31, 2021

	Major Funds				Other	Total
	General	Healthcare Sales Tax	Parks and Rec Sales Tax	Chip Seal	Governmental Funds	Governmental Funds
REVENUES						
Taxes	\$ 1,508,397	\$ 298,786	\$ 298,786	\$ -	\$ 99,528	\$ 2,205,497
Special Assessments	350	-	-	-	-	350
Licenses, Permits, and Fees	25,746	-	-	-	15,000	40,746
Intergovernmental	300,396	-	-	-	118,601	418,997
Charges for Services	9,337	-	-	-	-	9,337
Interest Income	24,068	-	-	-	-	24,068
Miscellaneous Income	64,632	-	-	-	209,687	274,319
Total Revenues	1,932,926	298,786	298,786	-	442,816	2,973,314
EXPENDITURES						
Current						
General Government	457,345	-	201,829	-	45,414	704,588
Public Safety	498,039	-	-	-	7,729	505,768
Public Works/Infrastructure	180,110	-	-	-	443,173	623,283
Economic Development	56,882	-	-	-	122,753	179,635
Facilities Acquisition and Construction	-	-	-	-	115,910	115,910
Total Expenditures	1,192,376	-	201,829	-	734,979	2,129,184
Excess (Deficiency) of Revenues Over Expenditures	740,550	298,786	96,957	-	(292,163)	844,130
OTHER FINANCING SOURCES (USES)						
Operating Transfer In	9,843	-	-	340,000	534,650	884,493
Operating Transfer Out	(874,650)	-	-	-	(9,843)	(884,493)
Total Other Financing Sources (Uses)	(864,807)	-	-	340,000	524,807	-
NET CHANGE IN FUND BALANCE	(124,257)	298,786	96,957	340,000	232,644	844,130
FUND BALANCE, BEGINNING OF YEAR	2,435,613	249,168	144,569	140,354	507,934	3,477,638
FUND BALANCE, END OF YEAR	\$ 2,311,356	\$ 547,954	\$ 241,526	\$ 480,354	\$ 740,578	\$ 4,321,768

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

Year Ended December 31, 2020

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Healthcare Sales Tax	Parks and Rec Sales Tax	Chip Seal		
REVENUES						
Taxes	\$ 1,043,403	\$ 289,581	\$ 289,582	\$ -	\$ 86,906	\$ 1,709,472
Special Assessments	825	-	-	-	-	825
Licenses, Permits, and Fees	24,018	-	-	-	-	24,018
Intergovernmental	375,029	-	-	-	119,309	494,338
Charges for Services	7,210	-	-	-	-	7,210
Interest Income	129,241	-	-	-	-	129,241
Miscellaneous Income	78,470	-	-	-	10,266	88,736
Total Revenues	1,658,196	289,581	289,582	-	216,481	2,453,840
EXPENDITURES						
Current						
General Government	480,368	148,630	296,528	-	22,750	948,276
Public Safety	475,132	-	-	-	47,986	523,118
Public Works/Infrastructure	175,546	-	-	375	231,080	407,001
Economic Development	68,167	-	-	-	140,104	208,271
Total Expenditures	1,199,213	148,630	296,528	375	441,920	2,086,666
Excess (Deficiency) of Revenues Over Expenditures	458,983	140,951	(6,946)	(375)	(225,439)	367,174
OTHER FINANCING SOURCES (USES)						
Operating Transfer In	-	-	-	125,000	260,010	385,010
Operating Transfer Out	(389,257)	-	-	-	(600)	(389,857)
Total Other Financing Sources (Uses)	(389,257)	-	-	125,000	259,410	(4,847)
NET CHANGE IN FUND BALANCE	69,726	140,951	(6,946)	124,625	33,971	362,327
FUND BALANCE, BEGINNING OF YEAR	2,365,887	108,217	151,515	15,729	473,963	3,115,311
FUND BALANCE, END OF YEAR	\$ 2,435,613	\$ 249,168	\$ 144,569	\$ 140,354	\$ 507,934	\$ 3,477,638

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
Years Ended December 31, 2021 and 2020**

Net Change in Fund Balance - Total Governmental Funds December 31, 2021	\$ 844,130
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(1,118)
Governmental funds report sales of assets as current financial resources. The statement of activities recognizes gain or loss on the transaction.	(157,625)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	7,223
Change in Net Position of Governmental Activities December 31, 2021	<u>\$ 692,610</u>
Net Change in Fund Balance - Total Governmental Funds December 31, 2020	\$ 362,327
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(255,135)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	6,821
Change in Net Position of Governmental Activities December 31, 2020	<u>\$ 114,013</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS

December 31, 2021

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,556,500	\$ 501,097	\$ 202,747	\$ 224,498	\$ 2,484,842
Total Current Assets	1,556,500	501,097	202,747	224,498	2,484,842
Capital Assets					
Non-Depreciable					
Land	15,180	-	10,000	-	25,180
Depreciable, net of accumulated depreciation					
Buildings and Infrastructure	482,873	82,548	191,573	-	756,994
Machinery and Equipment	8,288	10,070	184,344	7,047	209,749
Total Capital Assets	506,341	92,618	385,917	7,047	991,923
Total Assets	2,062,841	593,715	588,664	231,545	3,476,765
NET POSITION					
Net Investment in Capital Assets	506,341	92,618	385,917	7,047	991,923
Unrestricted	1,556,500	501,097	202,747	224,498	2,484,842
Total Net Position	\$ 2,062,841	\$ 593,715	\$ 588,664	\$ 231,545	\$ 3,476,765

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2020

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,414,740	\$ 445,115	\$ 181,896	\$ 182,904	\$ 2,224,655
Total Current Assets	1,414,740	445,115	181,896	182,904	2,224,655
Capital Assets					
Non-Depreciable					
Land	15,180	-	10,000	-	25,180
Depreciable, net of accumulated depreciation					
Buildings and Infrastructure	486,458	85,262	195,603	-	767,323
Machinery and Equipment	14,023	12,762	239,756	9,690	276,231
Total Capital Assets	515,661	98,024	445,359	9,690	1,068,734
Total Assets	1,930,401	543,139	627,255	192,594	3,293,389
NET POSITION					
Net Investment in Capital Assets	515,661	98,024	445,359	9,690	1,068,734
Unrestricted	1,414,740	445,115	181,896	182,904	2,224,655
Total Net Position	\$ 1,930,401	\$ 543,139	\$ 627,255	\$ 192,594	\$ 3,293,389

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

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

December 31, 2021

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
OPERATING REVENUES					
Charges for Services	\$ 440,222	\$ 112,814	\$ 583,480	\$ 41,094	\$ 1,177,610
Other Income	201	-	-	-	201
Total Operating Revenues	440,423	112,814	583,480	41,094	1,177,811
OPERATING EXPENSES					
Salaries and Benefits	182,460	45,449	408,078	1,000	636,987
Insurance	1,804	-	6,517	-	8,321
Contracted Services	19,059	-	51,512	5,000	75,571
Utilities	45,543	-	3,842	-	49,385
Repairs and Maintenance	36,274	11,383	52,197	-	99,854
Depreciation	9,320	5,406	59,442	2,643	76,811
Supplies	11,758	-	33,447	-	45,205
Miscellaneous	1,765	-	536	-	2,301
Total Operating Expenses	307,983	62,238	615,571	8,643	994,435
OPERATING INCOME (LOSS)	132,440	50,576	(32,091)	32,451	183,376
NONOPERATING REVENUES (EXPENSES)					
Transfers In	-	-	-	6,500	6,500
Transfers Out	-	-	(6,500)	-	(6,500)
Total Nonoperating Revenues (Expenses)	-	-	(6,500)	6,500	-
CHANGE IN NET POSITION	132,440	50,576	(38,591)	38,951	183,376
NET POSITION, BEGINNING OF YEAR	1,930,401	543,139	627,255	192,594	3,293,389
NET POSITION, END OF YEAR	\$ 2,062,841	\$ 593,715	\$ 588,664	\$ 231,545	\$ 3,476,765

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

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

December 31, 2020

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
OPERATING REVENUES					
Charges for Services	\$ 409,125	\$ 110,776	\$ 568,620	\$ 41,292	\$ 1,129,813
Other Income	222	-	1,772	-	1,994
Total Operating Revenues	409,347	110,776	570,392	41,292	1,131,807
OPERATING EXPENSES					
Salaries and Benefits	174,894	45,014	387,385	-	607,293
Insurance	1,482	-	7,732	-	9,214
Contracted Services	-	-	52,210	-	52,210
Utilities	43,755	-	3,974	-	47,729
Repairs and Maintenance	127,928	70,093	58,073	-	256,094
Depreciation	11,410	6,355	80,395	2,643	100,803
Supplies	7,534	-	15,910	-	23,444
Miscellaneous	1,395	-	1,422	-	2,817
Total Operating Expenses	368,398	121,462	607,101	2,643	1,099,604
OPERATING INCOME (LOSS)	40,949	(10,686)	(36,709)	38,649	32,203
NONOPERATING REVENUES (EXPENSES)					
Transfers In	-	-	-	11,348	11,348
Transfers Out	-	-	(6,501)	-	(6,501)
Total Nonoperating Revenues (Expenses)	-	-	(6,501)	11,348	4,847
CHANGE IN NET POSITION	40,949	(10,686)	(43,210)	49,997	37,050
NET POSITION, BEGINNING OF YEAR	1,889,452	553,825	670,465	142,597	3,256,339
NET POSITION, END OF YEAR	\$ 1,930,401	\$ 543,139	\$ 627,255	\$ 192,594	\$ 3,293,389

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 440,423	\$ 112,814	\$ 583,480	\$ 41,094	\$ 1,177,811
Payments to Suppliers	(116,203)	(11,383)	(148,051)	(5,000)	(280,637)
Payments to Employees	(182,460)	(45,449)	(408,078)	(1,000)	(636,987)
Net Cash Provided by Operating Activities	141,760	55,982	27,351	35,094	260,187
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	-	-	6,500	6,500
Transfers to Other Funds	-	-	(6,500)	-	(6,500)
Net Cash Provided by (Used By) Noncapital Financing Activities	-	-	(6,500)	6,500	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	141,760	55,982	20,851	41,594	260,187
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,414,740	445,115	181,896	182,904	2,224,655
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,556,500</u>	<u>\$ 501,097</u>	<u>\$ 202,747</u>	<u>\$ 224,498</u>	<u>\$ 2,484,842</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2020

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 409,347	\$ 110,776	\$ 570,392	\$ 41,292	\$ 1,131,807
Payments to Suppliers	(182,094)	(70,093)	(139,321)	-	(391,508)
Payments to Employees	(174,894)	(45,014)	(387,384)	-	(607,292)
Net Cash Provided by Operating Activities	52,359	(4,331)	43,687	41,292	133,007
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	-	-	11,348	11,348
Transfers to Other Funds	-	-	(6,501)	-	(6,501)
Net Cash Provided by (Used By) Noncapital Financing Activities	-	-	(6,501)	11,348	4,847
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,359	(4,331)	37,186	52,640	137,854
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,362,381	449,446	144,710	130,264	2,086,801
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,414,740</u>	<u>\$ 445,115</u>	<u>\$ 181,896</u>	<u>\$ 182,904</u>	<u>\$ 2,224,655</u>

See Notes to Financial Statements

CITY OF BOWMAN, NORTH DAKOTA

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

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.
- Healthcare Sales Tax – This fund is used for the collection of sales tax this is disbursed upon request from a health care facility.
- Parks and Rec Sales Tax – This fund is used for the collection of sales tax that is disbursed upon request from the park board.
- Chip Seal – This fund accounts for the accumulation of resources for application of street chips and sealant repair of the City.

The City reports the following major proprietary funds:

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

Cash and Investments

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

Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	20 – 100
Machinery and Equipment	7 – 20

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. Upon termination of employment or retirement, employees will be paid for unused vacation benefits that have accumulated through the last day of work. Any unused sick benefits will not be paid upon termination of employment or retirement.

Long-term Obligations

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

Fund Balance

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable**
 - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
- **Restricted**
 - Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed**
 - A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
- **Assigned**
 - Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
- **Unassigned**
 - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

Net Position

Net position represents the difference between assets and liabilities in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Transactions

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

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

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

At December 31, 2021 and 2020, the City's carrying amount of deposits was \$6,806,610 and \$5,702,293 and the bank balances were \$6,884,433 and \$5,769,965. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk

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

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

As of December 31, 2021 and 2020, the City held no certificates of deposit.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 – PROPERTY TAXES

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

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added on October 15th if not paid.

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 BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 774,093	\$ -	\$ -	\$ 774,093
Total Capital Assets, not being depreciated	774,093	-	-	774,093
Capital Assets, being depreciated				
Buildings and Infrastructure	6,770,740	115,910	-	6,886,650
Machinery and Equipment	1,507,185	196,950	(195,000)	1,509,135
Total Capital Assets, being depreciated	8,277,925	312,860	(195,000)	8,395,785
Less Accumulated Depreciation for				
Buildings and Infrastructure	1,541,930	205,278	-	1,747,208
Machinery and Equipment	851,344	108,700	(37,375)	922,669
Total Accumulated Depreciation	2,393,274	313,978	(37,375)	2,669,877
Total Capital Assets Being Depreciated, net	5,884,651	(1,118)	(157,625)	5,725,908
Governmental Activities Capital Assets, net	<u>\$ 6,658,744</u>	<u>\$ (1,118)</u>	<u>\$ (157,625)</u>	<u>\$ 6,500,001</u>
	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 25,180	\$ -	\$ -	\$ 25,180
Total Capital Assets, not being depreciated	25,180	-	-	25,180
Capital Assets, being depreciated				
Buildings and Infrastructure	1,106,296	-	-	1,106,296
Machinery and Equipment	1,085,037	-	-	1,085,037
Total Capital Assets, being depreciated	2,191,333	-	-	2,191,333
Less Accumulated Depreciation for				
Buildings and Infrastructure	338,973	10,329	-	349,302
Machinery and Equipment	808,806	66,482	-	875,288
Total Accumulated Depreciation	1,147,779	76,811	-	1,224,590
Total Capital Assets Being Depreciated, net	1,043,554	(76,811)	-	966,743
Business-type Activities Capital Assets, net	<u>\$ 1,068,734</u>	<u>\$ (76,811)</u>	<u>\$ -</u>	<u>\$ 991,923</u>

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 774,093	\$ -	\$ -	\$ 774,093
Total Capital Assets, not being depreciated	774,093	-	-	774,093
Capital Assets, being depreciated				
Buildings and Infrastructure	6,770,740	-	-	6,770,740
Machinery and Equipment	1,455,614	51,571	-	1,507,185
Total Capital Assets, being depreciated	8,226,354	51,571	-	8,277,925
Less Accumulated Depreciation for				
Buildings and Infrastructure	1,337,618	204,312	-	1,541,930
Machinery and Equipment	748,950	102,394	-	851,344
Total Accumulated Depreciation	2,086,568	306,706	-	2,393,274
Total Capital Assets Being Depreciated, net	6,139,786	(255,135)	-	5,884,651
Governmental Activities Capital Assets, net	<u>\$ 6,913,879</u>	<u>\$ (255,135)</u>	<u>\$ -</u>	<u>\$ 6,658,744</u>
	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 25,180	\$ -	\$ -	\$ 25,180
Construction in Progress	119,232	-	(119,232)	-
Total Capital Assets, not being depreciated	144,412	-	(119,232)	25,180
Capital Assets, being depreciated				
Buildings and Infrastructure	987,065	119,231	-	1,106,296
Machinery and Equipment	1,085,037	-	-	1,085,037
Total Capital Assets, being depreciated	2,072,102	119,231	-	2,191,333
Less Accumulated Depreciation for				
Buildings and Infrastructure	328,644	10,329	-	338,973
Machinery and Equipment	718,332	90,474	-	808,806
Total Accumulated Depreciation	1,046,976	100,803	-	1,147,779
Total Capital Assets Being Depreciated, net	1,025,126	18,428	-	1,043,554
Business-type Activities Capital Assets, net	<u>\$ 1,169,538</u>	<u>\$ 18,428</u>	<u>\$ (119,232)</u>	<u>\$ 1,068,734</u>

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

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

	<u>2021</u>	<u>2020</u>
Governmental Activities:		
General Government	\$ 38,902	\$ 38,902
Public Safety	10,314	2,579
Public Works/Infrastructure	<u>264,762</u>	<u>265,225</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 313,978</u>	<u>\$ 306,706</u>
Business-type Activities:		
Water	\$ 9,320	\$ 11,410
Sewer	5,406	6,355
Garbage	59,442	80,395
Other	<u>2,643</u>	<u>2,643</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 76,811</u>	<u>\$ 100,803</u>

NOTE 5 – FUND TRANSFERS

The following fund transfers were made during the year ended December 31, 2021:

<u>2021</u>		
	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
General Fund	\$ 9,843	\$ 874,650
Chip Seal	340,000	-
Nonmajor Governmental Funds	534,650	9,843
Proprietary Funds	<u>6,500</u>	<u>6,500</u>
Total	<u>\$ 890,993</u>	<u>\$ 890,993</u>
<u>2020</u>		
	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
General Fund	\$ -	\$ 389,257
Chip Seal	125,000	-
Nonmajor Governmental Funds	260,010	600
Proprietary Funds	<u>11,348</u>	<u>6,501</u>
Total	<u>\$ 396,358</u>	<u>\$ 396,358</u>

Transfers are made for funding various projects and operational expenses. The transfers in and out during 2021 and 2020 were budgeted transfers.

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 6 – LONG-TERM LIABILITIES

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term liabilities of the City:

	Long-term Liabilites at January 1, 2021	Increases	Decreases	Long-term Liabilites at December 31, 2021	Due Within One Year
Governmental Activities					
Notes Payable	\$ 14,874	\$ -	\$ (7,223)	\$ 7,651	\$ 7,651
Total - Governmental-type Activities	<u>\$ 14,874</u>	<u>\$ -</u>	<u>\$ (7,223)</u>	<u>\$ 7,651</u>	<u>\$ 7,651</u>
	Long-term Liabilites at January 1, 2020	Increases	Decreases	Long-term Liabilites at December 31, 2020	Due Within One Year
Governmental Activities					
Notes Payable	\$ 21,695	\$ -	\$ (6,821)	\$ 14,874	\$ 7,223
Total - Governmental-type Activities	<u>\$ 21,695</u>	<u>\$ -</u>	<u>\$ (6,821)</u>	<u>\$ 14,874</u>	<u>\$ 7,223</u>

Long-term debt of the governmental activities at December 31, 2021 and 2020 consists of the following issue:

- Note Payable
 - \$36,239 note payable to equipment company, due in annual principal instalments of \$8,101 through October 24, 2022 at 5.75%, \$7,651 remains outstanding.

NOTE 7 – RISK MANAGEMENT

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

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

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

The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 8 – LEGAL COMPLIANCE - BUDGETS

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

NOTE 9 – CORRECTION OF MISSTATEMENT

The City changed from the accrual basis of accounting to the modified cash basis of accounting and discovered errors in fixed assets and net position. The City made the following correction:

	Primary Government	
	Governmental Activities	Business-type Activities
Net Position, previously reported	\$ 6,658,985	\$ 2,312,789
Receivables	(459,489)	(89,284)
Prepaid Expenses	(21,648)	(6,661)
Intangible Assets	(577,750)	-
Fixed Assets	4,451,859	-
Deferred Outflows	(217,109)	(221,938)
Accounts Payable	33,572	9,607
Compensated Absences	38,737	29,733
Net Pension and OPEB Liabilities	427,215	436,715
Deferred Inflows	226,489	231,526
Net Position	<u>(553,366)</u>	<u>553,852</u>
Net Position, restated	<u>\$ 10,007,495</u>	<u>\$ 3,256,339</u>

NOTE 10 – PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2021 and 2020, if the City were to report on the full accrual basis, a liability of \$596,258 and \$1,762,118 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30 2021 and 2020, the City's proportion was .057206 and .056011 percent. The City's pension contributions for the years ended December 31, 2021 and 2020 was \$46,382 and \$45,552.

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Pension Plan Fiduciary Net Position

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

NDPERS Law Enforcement Retirement System (Law Enforcement System)

The following brief description of the Law Enforcement System is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service in the Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

Member and Employer Contributions

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

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2021 and 2020, if the City were to report on the full accrual basis, a liability of \$59,963 and \$245,892 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At December 31, 2021 and 2020, the City's proportion was .361842 and .375133 percent. The City’s pension contributions for the years ended December 31, 2021 and 2020 was \$21,075 and \$20,873.

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Pension Plan Fiduciary Net Position

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFIT PLAN

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2021 and 2020, if the City were to report on the full accrual basis, a liability of \$39,571 and \$51,765 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30 2021 and 2020, the City's proportion was .071149 and .061537 percent. The City's OPEB contributions for the years ended December 31, 2021 and 2020 was \$8,837 and \$8,857.

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

CITY OF BOWMAN, NORTH DAKOTA
Notes to Financial Statements – Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 22, 2022, the date on which the financial statements were available to be issued.

CITY OF BOWMAN, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 907,030	\$ 907,030	\$ 1,508,397	\$ 601,367
Special Assessments	300	300	350	50
Licenses, Permits, and Fees	25,045	25,045	25,746	701
Intergovernmental	95,940	95,940	300,396	204,456
Charges for Services	10,100	10,100	9,337	(763)
Interest Income	50,500	50,500	24,068	(26,432)
Miscellaneous Income	56,314	56,314	64,632	8,318
Total Revenues	1,145,229	1,145,229	1,932,926	787,697
EXPENDITURES				
Current				
General Government	447,341	492,328	457,345	34,983
Public Safety	505,027	522,626	498,039	24,587
Public Works/Infrastructure	284,841	308,849	180,110	128,739
Economic Development	62,879	67,879	56,882	10,997
Total Expenditures	1,300,088	1,391,682	1,192,376	199,306
Excess (Deficiency) of Revenues over Expenditures	(154,859)	(246,453)	740,550	987,003
OTHER FINANCING SOURCES (USES)				
Operating Transfer In	-	-	9,843	9,843
Operating Transfer Out	(145,000)	(874,650)	(874,650)	-
Total Other Financing Sources (Uses)	(145,000)	(874,650)	(864,807)	9,843
NET CHANGE IN FUND BALANCE	(299,859)	(1,121,103)	(124,257)	996,846
FUND BALANCE, BEGINNING OF YEAR			2,435,613	
FUND BALANCE, END OF YEAR			\$ 2,311,356	

CITY OF BOWMAN, NORTH DAKOTA

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,380,762	\$ 1,380,762	\$ 1,043,403	\$ (337,359)
Special Assessments	300	300	825	525
Licenses, Permits, and Fees	26,645	26,645	24,018	(2,627)
Intergovernmental	131,856	131,856	375,029	243,173
Charges for Services	7,100	7,100	7,210	110
Interest Income	100,300	100,300	129,241	28,941
Miscellaneous Income	57,466	57,466	78,470	21,004
Total Revenues	<u>1,704,429</u>	<u>1,704,429</u>	<u>1,658,196</u>	<u>(46,233)</u>
EXPENDITURES				
Current				
General Government	562,749	574,673	480,368	94,305
Public Safety	499,521	504,217	475,132	29,085
Public Works/Infrastructure	239,853	258,935	175,546	83,389
Economic Development	70,351	70,351	68,167	2,184
Total Expenditures	<u>1,372,474</u>	<u>1,408,176</u>	<u>1,199,213</u>	<u>208,963</u>
Excess of Revenues over over Expenditures	331,955	296,253	458,983	162,730
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	<u>(331,800)</u>	<u>(389,257)</u>	<u>(389,257)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(331,800)</u>	<u>(389,257)</u>	<u>(389,257)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	155	(93,004)	69,726	162,730
FUND BALANCE, BEGINNING OF YEAR			<u>2,365,887</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,435,613</u>	



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

City Council
City of Bowman
Bowman, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Bowman, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Bowman's basic financial statements, and have issued our report thereon dated December 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bowman's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bowman's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of current year findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of current year findings as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of current year findings as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Nadine Julson, LLC
Wahpeton, North Dakota
December 22, 2022

CITY OF BOWMAN, NORTH DAKOTA

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended December 31, 2021 and 2020

2021-001 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Effect or Potential Effect

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

Recommendation

We recommend the City be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the City should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2021-001 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

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

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

CITY OF BOWMAN, NORTH DAKOTA
Schedule of Findings and Questioned Costs – Continued

Recommendation

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

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the City. The City will segregate functions where feasible.

CITY OF BOWMAN, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended December 31, 2021 and 2020

Prior Financial Statement Findings

2019-001

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the City to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2019-002

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-002.

2019-003

A material weakness was reported for recording of fixed assets.

Corrective Action Plan

The City has updated fixed asset listings.

2019-004

A significant deficiency was reported for compensated absences policy.

Corrective Action Plan

The City has made updates to internal policies.