

AUDIT REPORT

CITY OF FLASHER
Flasher, North Dakota

For the Years Ended December 31, 2021 and 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FLASHER
Flasher, North Dakota

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CITY OF FLASHER
Flasher, North Dakota

CITY OFFICIALS

Tamara Bartz	Commission President
Heather Kopp	Commissioner
Emily Lachenmeier	Commissioner
Alesia Medeiros	Commissioner
Shelly Meyhoff	Commissioner
Sherry Schmidt	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Flasher
Flasher, North Dakota

Report on the Audit of 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 Flasher, 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's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the city as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the years then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audits 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, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city'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.

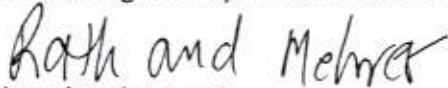
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and the schedules of fund activity arising from cash transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and the schedules of fund activity arising from cash transactions 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2022 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehra, P.C.

Bismarck, North Dakota

August 5, 2022

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	148,461.92	165,877.41	314,339.33
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	289,293.00	355,808.00	645,101.00
Machinery and Vehicles	79,146.00		79,146.00
	<hr/>		
Total Capital Assets	368,439.00	355,808.00	724,247.00
	<hr/>		
Total Assets	516,900.92	521,685.41	1,038,586.33
	<hr/>		
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loans Payable	9,956.53		9,956.53
Revenue Bonds Payable		9,400.00	9,400.00
Due After One Year:			
Bank Loans Payable	129,613.88		129,613.88
Revenue Bonds Payable		18,999.81	18,999.81
	<hr/>		
Total Liabilities	139,570.41	28,399.81	167,970.22
	<hr/>		
NET POSITION:			
Net Investment in Capital Assets	228,868.59	327,408.19	556,276.78
Restricted for:			
Special Purposes	78,471.24	94.71	78,565.95
Unrestricted	69,990.68	165,782.70	235,773.38
	<hr/>		
Total Net Position	377,330.51	493,285.60	870,616.11
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The accompanying notes are an integral part of these financial statements.

CITY OF FLASHER
Flasher, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	141,364.44	170,605.18	311,969.62
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	138,461.00	382,405.00	520,866.00
Machinery and Vehicles	92,513.00	2,030.00	94,543.00
Total Capital Assets	230,974.00	384,435.00	615,409.00
Total Assets	372,338.44	555,040.18	927,378.62
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loans Payable	5,495.43		5,495.43
Revenue Bonds Payable		15,300.00	15,300.00
Due After One Year:			
Bank Loans Payable	11,570.41		11,570.41
Revenue Bonds Payable		28,399.81	28,399.81
Total Liabilities	17,065.84	43,699.81	60,765.65
NET POSITION:			
Net Investment in Capital Assets	213,908.16	340,735.19	554,643.35
Restricted for:			
Special Purposes	73,782.79	109.01	73,891.80
Unrestricted	67,581.65	170,496.17	238,077.82
Total Net Position	355,272.60	511,340.37	866,612.97

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<u>Governmental Activities:</u>						
General Government	63,475.07	3,436.98		(60,038.09)		(60,038.09)
Streets and Public Works	67,747.16	28,585.27	31,399.39	(7,762.50)		(7,762.50)
Culture and Recreation	437.33	3,370.00		2,932.67		2,932.67
Interest on Long-Term Debt	560.80			(560.80)		(560.80)
Total Governmental Activities	132,220.36	35,392.25	31,399.39	(65,428.72)		(65,428.72)
<u>Business-Type Activities:</u>						
Waterworks	111,373.39	86,324.37			(25,049.02)	(25,049.02)
Sewer	32,844.20	40,390.61			7,546.41	7,546.41
Garbage	43,331.63	42,343.30			(988.33)	(988.33)
Total Business-Type Activities	187,549.22	169,058.28			(18,490.94)	(18,490.94)
Total Primary Government	319,769.58	204,450.53	31,399.39	(65,428.72)	(18,490.94)	(83,919.66)
 General Revenues:						
Taxes:						
Property taxes; levied for general purposes				50,441.47		50,441.47
Cigarette tax				515.67		515.67
Intergovernmental revenue not restricted to specific programs				18,610.13		18,610.13
Earnings on investments and other revenue				7,919.36	10,436.17	18,355.53
Transfers				10,000.00	(10,000.00)	
Total General Revenues and Transfers				87,486.63	436.17	87,922.80
Change in Net Position				22,057.91	(18,054.77)	4,003.14
Net Position - January 1				355,272.60	511,340.37	866,612.97
Net Position - December 31				377,330.51	493,285.60	870,616.11

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<u>Governmental Activities:</u>						
General Government	61,903.77	1,903.30		(60,000.47)		(60,000.47)
Streets and Public Works	49,509.33	29,941.67	16,420.66	(3,147.00)		(3,147.00)
Culture and Recreation	612.01	1,965.00		1,352.99		1,352.99
Interest on Long-Term Debt	733.68			(733.68)		(733.68)
Total Governmental Activities	112,758.79	33,809.97	16,420.66	(62,528.16)		(62,528.16)
<u>Business-Type Activities:</u>						
Waterworks	72,526.08	93,529.82			21,003.74	21,003.74
Sewer	20,943.53	37,594.36	10,818.00		27,468.83	27,468.83
Garbage	39,069.29	38,490.73			(578.56)	(578.56)
Total Business-Type Activities	132,538.90	169,614.91			47,894.01	47,894.01
Total Primary Government	245,297.69	203,424.88	16,420.66	(62,528.16)	47,894.01	(14,634.15)
 <u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				48,603.50		48,603.50
Cigarette tax				611.11		611.11
Intergovernmental revenue not restricted to specific programs				15,896.28		15,896.28
Earnings on investments and other revenue				9,968.52	711.80	10,680.32
Total General Revenues				75,079.41	711.80	75,791.21
Change in Net Position				12,551.25	48,605.81	61,157.06
Net Position - January 1				342,721.35	462,734.56	805,455.91
Net Position - December 31				355,272.60	511,340.37	866,612.97

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

CITY OF FLASHER
Flasher, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2021

	Major Funds		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	69,990.68	32,118.03	46,353.21	148,461.92
 <u>FUND BALANCES:</u>				
Restricted for:				
Street and Public Works		32,118.03	45,238.87	77,356.90
Emergency Services			339.25	339.25
Legion Hall			775.09	775.09
Unassigned	69,990.68			69,990.68
Total Fund Balances	69,990.68	32,118.03	46,353.21	148,461.92

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Funds		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	67,581.65	41,105.11	32,677.68	141,364.44
<u>FUND BALANCES:</u>				
Restricted for:				
Street and Public Works		41,105.11	31,563.34	72,668.45
Emergency Services			339.25	339.25
Legion Hall			775.09	775.09
Unassigned	67,581.65			67,581.65
Total Fund Balances	67,581.65	41,105.11	32,677.68	141,364.44

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

Total Fund Balances for Governmental Funds		148,461.92
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	657,272.00	
Less Accumulated Depreciation	<u>(288,833.00)</u>	
Net Capital Assets		368,439.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2021 are:		
Bank Loans Payable		<u>(139,570.41)</u>
Total Net Position of Governmental Activities		<u><u>377,330.51</u></u>

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

CITY OF FLASHER
Flasher, North Dakota

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

Total Fund Balances for Governmental Funds		141,364.44
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	497,272.00	
Less Accumulated Depreciation	<u>(266,298.00)</u>	
Net Capital Assets		230,974.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:		
Bank Loans Payable		<u>(17,065.84)</u>
Total Net Position of Governmental Activities		<u>355,272.60</u>

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2021

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Highway		
Revenues:				
Taxes	50,441.47			50,441.47
Licenses, Permits and Fees	3,436.98			3,436.98
Intergovernmental	19,125.80	15,306.03	16,093.36	50,525.19
Charges for Services		22,271.97	9,683.30	31,955.27
Miscellaneous	6,330.74	1,588.62		7,919.36
Total Revenues	79,334.99	39,166.62	25,776.66	144,278.27
Expenditures:				
Current:				
General Government	60,225.07			60,225.07
Streets and Public Works	263.56	36,097.47	12,101.13	48,462.16
Culture and Recreation	437.33			437.33
Capital Outlay	144,000.00	16,000.00		160,000.00
Debt Service:				
Principal		5,495.43		5,495.43
Interest and Service Charges		560.80		560.80
Total Expenditures	204,925.96	58,153.70	12,101.13	275,180.79
Excess (Deficiency) of Revenues Over Expenditures	(125,590.97)	(18,987.08)	13,675.53	(130,902.52)
Other Financing Sources:				
Transfers In		10,000.00		10,000.00
Proceeds from Bank Loan	128,000.00			128,000.00
Total Other Financing Sources	128,000.00	10,000.00	-	138,000.00
Net Change in Fund Balances	2,409.03	(8,987.08)	13,675.53	7,097.48
Fund Balance - January 1	67,581.65	41,105.11	32,677.68	141,364.44
Fund Balance - December 31	69,990.68	32,118.03	46,353.21	148,461.92

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Highway		
<u>Revenues:</u>				
Taxes	48,603.50			48,603.50
Licenses, Permits and Fees	1,903.30			1,903.30
Intergovernmental	16,507.39	16,420.66		32,928.05
Charges for Services		22,309.82	9,596.85	31,906.67
Miscellaneous	6,548.43	3,420.09		9,968.52
Total Revenues	73,562.62	42,150.57	9,596.85	125,310.04
<u>Expenditures:</u>				
Current:				
General Government	58,653.77			58,653.77
Streets and Public Works	1,143.92	27,190.71	4,556.70	32,891.33
Culture and Recreation	612.01			612.01
Debt Service:				
Principal		5,322.55		5,322.55
Interest and Service Charges		733.68		733.68
Total Expenditures	60,409.70	33,246.94	4,556.70	98,213.34
Net Change in Fund Balances	13,152.92	8,903.63	5,040.15	27,096.70
Fund Balance - January 1	54,428.73	32,201.48	27,637.53	114,267.74
Fund Balance - December 31	67,581.65	41,105.11	32,677.68	141,364.44

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds 7,097.48

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	160,000.00	
Current Year Depreciation Expense	<u>(22,535.00)</u>	137,465.00

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

Debt Proceeds	(128,000.00)	
Repayment of Debt	<u>5,495.43</u>	<u>(122,504.57)</u>

Change in Net Position of Governmental Activities 22,057.91

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

CITY OF FLASHER
Flasher, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	27,096.70
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(19,868.00)</u>	(19,868.00)

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

Debt Proceeds	-	
Repayment of Debt	<u>5,322.55</u>	<u>5,322.55</u>

Change in Net Position of Governmental Activities	<u><u>12,551.25</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	109,129.49	29,370.98	27,376.94	165,877.41
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	259,088.00	96,720.00		355,808.00
Total Noncurrent Assets	259,088.00	96,720.00	-	355,808.00
Total Assets	368,217.49	126,090.98	27,376.94	521,685.41
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	5,400.00	4,000.00		9,400.00
Noncurrent Liabilities:				
Revenue Bonds Payable	18,999.81			18,999.81
Total Liabilities	24,399.81	4,000.00	-	28,399.81
NET POSITION				
Net Investment in Capital Assets	234,688.19	92,720.00		327,408.19
Restricted for Water Project	94.71			94.71
Unrestricted	109,034.78	29,370.98	27,376.94	165,782.70
Total Net Position	343,817.68	122,090.98	27,376.94	493,285.60

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	110,505.34	31,734.57	28,365.27	170,605.18
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	277,625.00	104,780.00		382,405.00
Machinery and Vehicles		2,030.00		2,030.00
Total Noncurrent Assets	277,625.00	106,810.00	-	384,435.00
Total Assets	388,130.34	138,544.57	28,365.27	555,040.18
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	5,300.00	10,000.00		15,300.00
<u>Noncurrent Liabilities:</u>				
Revenue Bonds Payable	24,399.81	4,000.00		28,399.81
Total Liabilities	29,699.81	14,000.00	-	43,699.81
<u>NET POSITION</u>				
Net Investment in Capital Assets	247,925.19	92,810.00		340,735.19
Restricted for Water Project	109.01			109.01
Unrestricted	110,396.33	31,734.57	28,365.27	170,496.17
Total Net Position	358,430.53	124,544.57	28,365.27	511,340.37

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	85,049.37			85,049.37
Sewer Fees		40,390.61		40,390.61
Garbage Fees			41,768.30	41,768.30
Landfill Charges			575.00	575.00
Surcharge Fees	10,138.19			10,138.19
Water Hookup Fee	1,275.00			1,275.00
Total Operating Revenues	96,462.56	40,390.61	42,343.30	179,196.47
<u>Operating Expenses:</u>				
Salaries and Benefits	7,289.91	2,798.26	1,574.49	11,662.66
Electricity	2,850.97	1,050.84		3,901.81
Office Supplies	3,568.83		50.00	3,618.83
Repairs, Supplies and Maintenance	31,602.85	18,485.10	3,536.59	53,624.54
Garbage Contract			38,170.55	38,170.55
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	32,888.35			32,888.35
Depreciation	18,537.00	10,090.00		28,627.00
Total Operating Expenses	110,561.91	32,424.20	43,331.63	186,317.74
Operating Income (Loss)	(14,099.35)	7,966.41	(988.33)	(7,121.27)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	297.98			297.98
Debt Service - Interest and Service Charges	(811.48)	(420.00)		(1,231.48)
Total Non-Operating Revenues (Expenses)	(513.50)	(420.00)	-	(933.50)
Income (Loss) Before Transfers	(14,612.85)	7,546.41	(988.33)	(8,054.77)
Transfers Out		(10,000.00)		(10,000.00)
Changes in Net Position	(14,612.85)	(2,453.59)	(988.33)	(18,054.77)
Net Position - January 1	358,430.53	124,544.57	28,365.27	511,340.37
Net Position - December 31	343,817.68	122,090.98	27,376.94	493,285.60

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	75,149.82			75,149.82
Sewer Fees		37,594.36		37,594.36
Garbage Fees			38,015.73	38,015.73
Landfill Charges			475.00	475.00
Surcharge Fees	17,330.00			17,330.00
Water Hookup Fee	900.00			900.00
Water Reconnect Fee	150.00			150.00
Total Operating Revenues	93,529.82	37,594.36	38,490.73	169,614.91
<u>Operating Expenses:</u>				
Salaries and Benefits	4,973.37	1,387.90	1,197.08	7,558.35
Electricity	2,997.93	1,305.09		4,303.02
Office Supplies	2,867.68		895.50	3,763.18
Repairs, Supplies and Maintenance	5,328.10	5,980.56	1,368.73	12,677.39
Garbage Contract			35,607.98	35,607.98
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	27,252.64			27,252.64
Depreciation	11,737.00	10,090.00		21,827.00
Total Operating Expenses	68,980.72	18,763.55	39,069.29	126,813.56
Operating Income (Loss)	24,549.10	18,830.81	(578.56)	42,801.35
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	421.18			421.18
FEMA Grant		10,818.00		10,818.00
Miscellaneous Revenues	290.62			290.62
Debt Service - Interest and Service Charges	(3,545.36)	(2,179.98)		(5,725.34)
Total Non-Operating Revenues (Expenses)	(2,833.56)	8,638.02	-	5,804.46
Income (Loss) Before Transfers	21,715.54	27,468.83	(578.56)	48,605.81
Transfers In	26,838.43			26,838.43
Transfers Out		(26,838.43)		(26,838.43)
Changes in Net Position	48,553.97	630.40	(578.56)	48,605.81
Net Position - January 1	309,876.56	123,914.17	28,943.83	462,734.56
Net Position - December 31	358,430.53	124,544.57	28,365.27	511,340.37

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Water and Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	96,462.56	40,390.61	42,343.30	179,196.47
Payments to suppliers	(84,735.00)	(19,535.94)	(41,757.14)	(146,028.08)
Payments to employees	(7,289.91)	(2,798.26)	(1,574.49)	(11,662.66)
Net cash provided (used) by operating activities	4,437.65	18,056.41	(988.33)	21,505.73
<u>Cash flows from noncapital financing activities:</u>				
Transfers out		(10,000.00)		(10,000.00)
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(5,300.00)	(10,000.00)		(15,300.00)
Interest payments	(811.48)	(420.00)		(1,231.48)
Net cash provided (used) by capital and related financing activities	(6,111.48)	(10,420.00)	-	(16,531.48)
<u>Cash Flows from investing activities:</u>				
Interest income	297.98			297.98
Net increase in cash and cash equivalents	(1,375.85)	(2,363.59)	(988.33)	(4,727.77)
Cash and cash equivalents, January 1	110,505.34	31,734.57	28,365.27	170,605.18
Cash and cash equivalents, December 31	109,129.49	29,370.98	27,376.94	165,877.41
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (loss)	(14,099.35)	7,966.41	(988.33)	(7,121.27)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	18,537.00	10,090.00		28,627.00
Net cash provided (used) by operating activities	4,437.65	18,056.41	(988.33)	21,505.73

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water and Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	93,529.82	37,594.36	38,490.73	169,614.91
Payments to suppliers	(52,270.35)	(7,285.65)	(37,872.21)	(97,428.21)
Payments to employees	(4,973.37)	(1,387.90)	(1,197.08)	(7,558.35)
Net cash provided (used) by operating activities	36,286.10	28,920.81	(578.56)	64,628.35
<u>Cash flows from noncapital financing activities:</u>				
FEMA Grant		10,818.00		10,818.00
Transfers in	26,838.43			26,838.43
Transfers out		(26,838.43)		(26,838.43)
Total cash flows from noncapital financing activities:	26,838.43	(16,020.43)	-	10,818.00
<u>Cash flows from capital and related financing activities:</u>				
Miscellaneous receipts	290.62			290.62
Principal payments	(72,325.22)	(10,000.00)		(82,325.22)
Interest payments	(3,545.36)	(2,179.98)		(5,725.34)
Net cash provided (used) by capital and related financing activities	(75,579.96)	(12,179.98)	-	(87,759.94)
<u>Cash Flows from investing activities:</u>				
Interest income	421.18	-		421.18
Net increase in cash and cash equivalents	(12,034.25)	720.40	(578.56)	(11,892.41)
Cash and cash equivalents, January 1	122,539.59	31,014.17	28,943.83	182,497.59
Cash and cash equivalents, December 31	110,505.34	31,734.57	28,365.27	170,605.18
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (loss)	24,549.10	18,830.81	(578.56)	42,801.35
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	11,737.00	10,090.00		21,827.00
Net cash provided (used) by operating activities	36,286.10	28,920.81	(578.56)	64,628.35

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

CITY OF FLASHER
Flasher, North Dakota

Notes to the Financial Statements
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flasher operates under a city commission form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Flasher and its component units. 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 and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the city's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The city reports the following major governmental funds:

General Fund. This is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Highway Fund. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

The city reports the following major enterprise funds:

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

Sewer Fund. This fund accounts for the activities of the city's sewage collection system.

Garbage Fund. This fund accounts for the activities of the city's garbage collection system.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting.

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 to 20 years

F. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

G. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

H. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

I. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2021 the city's carrying amount of deposits was \$314,339 and the bank balance was \$326,398 which was covered by Federal Depository Insurance.

At December 31, 2020 the city's carrying amount of deposits was \$311,970 and the bank balance was \$341,388 which was covered by Federal Depository Insurance.

Credit Risk

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2021, the city held certificates of deposit in the amount of \$39,632, which are all considered deposits.

At December 31, 2020, the city held certificates of deposit in the amount of \$39,346, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on the property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended:

<u>December 31, 2021</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	312,600	160,000		472,600
Machinery and Vehicles	184,672			184,672
Total	497,272	160,000	-	657,272
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	174,139	9,168		183,307
Machinery and Vehicles	92,159	13,367		105,526
Total	266,298	22,535	-	288,833
Governmental Activities Capital Assets, Net	230,974	137,465	-	368,439
<u>December 31, 2020</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	312,600			312,600
Machinery and Vehicles	184,672			184,672
Total	497,272	-	-	497,272
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	167,638	6,501		174,139
Machinery and Vehicles	78,792	13,367		92,159
Total	246,430	19,868	-	266,298
Governmental Activities Capital Assets, Net	250,842	(19,868)	-	230,974

<u>December 31, 2021</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	817,236			817,236
Machinery and Vehicles	20,300			20,300
Total	837,536	-	-	837,536
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	434,831	26,597		461,428
Machinery and Vehicles	18,270	2,030		20,300
Total	453,101	28,627	-	481,728
Business-type Activities Capital Assets, Net	384,435	(28,627)	-	355,808
<u>December 31, 2020</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	817,236			817,236
Machinery and Vehicles	20,300			20,300
Total	837,536	-	-	837,536
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	415,034	19,797		434,831
Machinery and Vehicles	16,240	2,030		18,270
Total	431,274	21,827	-	453,101
Business-type Activities Capital Assets, Net	406,262	(21,827)	-	384,435

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

Governmental Activities:

General Government	3,250	3,250
Streets and Public Works	19,285	16,618
Total Depreciation Expense	22,535	19,868

Business-type Activities:

Water	18,537	11,737
Sewer	10,090	10,090
Total Depreciation Expense	28,627	21,827

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2021 and 2020, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities:

	Balance January 1	2021		Balance December 31	Due Within One Year
		Increases	Decreases		
Bank Loans Payable	17,066	128,000	5,495	139,571	9,957

	Balance January 1	2020		Balance December 31	Due Within One Year
		Increases	Decreases		
Bank Loan Payable	22,388		5,322	17,066	5,495

Business-type Activities (Proprietary Funds):

	Balance January 1	2021		Balance December 31	Due Within One Year
		Increases	Decreases		
Revenue Bonds Payable	43,700	-	15,300	28,400	9,400

	Balance January 1	2020		Balance December 31	Due Within One Year
		Increases	Decreases		
Bank Loan Payable	67,225		67,225	-	-
Revenue Bonds Payable	58,800		15,100	43,700	15,300
Total	126,025	-	82,325	43,700	15,300

Outstanding debt at December 31, 2021 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2021, is as follows:

Bank Loans Payable. The city has taken out two loans to provide funds the construction of a shop and the purchase of a Dodge pickup. Bank loans payable outstanding at December 31, 2021 are as follows:

\$27,503.00 loan payable with Starion Bank dated September 5, 2018. Payments of \$6,056.23 are due annually through September 5, 2023; interest is at 3.25%.	11,570.00
\$128,000.00 loan payable with BNC Bank dated December 21, 2021. Payments of \$9,467.04 are due annually through December 21, 2041; interest is at 4%.	128,000.00
Total	<u>139,570.00</u>

The annual requirements to amortize the outstanding bank loans payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	9,956.53	5,566.74
2023	10,339.15	5,184.12
2024	4,616.53	4,850.51
2025	4,817.01	4,650.03
2026	5,012.37	4,454.67
2027-2031	28,268.55	19,066.65
2032-2036	34,481.97	12,853.23
2037-2041	42,078.30	5,256.90
Total	<u>139,570.41</u>	<u>61,882.85</u>

Business-type Activities (Proprietary Funds):

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2021 is as follows:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2019 are as follows:

\$150,000.00 Waterworks Project Revenue Bonds 1987A, due in annual installments of \$1,700 to \$5,900 through February 10, 2026; interest is at 3%.	24,399.81
\$121,414.00 Sewer Revenue Bonds of 2008, due in a final installment of \$4,000 on September 1, 2022; interest is at 2.5%.	<u>4,000.00</u>
Total	<u>28,399.81</u>

The annual requirements to amortize the outstanding bank loan payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	9,400.00	750.10
2023	5,600.00	485.09
2024	5,800.00	314.08
2025	5,900.00	138.59
2026	1,699.81	25.05
Total	<u>28,399.81</u>	<u>1,712.91</u>

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>December 31, 2021</u>		
Highway Fund	10,000.00	
Sewer Fund		10,000.00
To subsidize the purchase of a new shop.		
<u>December 31, 2020</u>		
Waterworks Fund	26,838.43	
Sewer Fund		26,838.43
To subsidize debt service expenditures.		

Note 6 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$256,045 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$186,280 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 7 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2021 and 2020.

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	52,815.00	52,815.00	50,441.47	(2,373.53)
Licenses, Permits and Fees	1,700.00	1,700.00	3,436.98	1,736.98
Intergovernmental	12,911.00	12,911.00	19,125.80	6,214.80
Miscellaneous	1,700.00	1,700.00	6,330.74	4,630.74
Total Revenues	69,126.00	69,126.00	79,334.99	10,208.99
<u>Expenditures:</u>				
Current:				
General Government	58,825.00	58,825.00	60,225.07	(1,400.07)
Public Safety	100.00	100.00	263.56	(163.56)
Streets and Public Works	2,200.00	2,200.00	437.33	1,762.67
Culture and Recreation	1,200.00	1,200.00		1,200.00
Capital Outlay	7,500.00	142,700.00	144,000.00	(1,300.00)
Total Expenditures	69,825.00	205,025.00	204,925.96	99.04
Excess (Deficiency) of Revenues over Expenditures	(699.00)	(135,899.00)	(125,590.97)	10,308.03
<u>Other Financing Sources</u>				
Proceeds from Bank Loan		128,000.00	128,000.00	-
Net Change in Fund Balances	(699.00)	(7,899.00)	2,409.03	10,308.03
Fund Balance - January 1	67,581.65	67,581.65	67,581.65	
Fund Balance - December 31	66,882.65	59,682.65	69,990.68	10,308.03

CITY OF FLASHER
Flasher, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	47,000.00	48,603.50	1,603.50
Licenses, Permits and Fees	1,650.00	1,903.30	253.30
Intergovernmental	16,200.00	16,507.39	307.39
Miscellaneous	1,700.00	6,548.43	4,848.43
Total Revenues	66,550.00	73,562.62	7,012.62
<u>Expenditures:</u>			
Current:			
General Government	79,775.00	58,653.77	21,121.23
Public Safety	100.00		100.00
Streets and Public Works	2,200.00	1,143.92	1,056.08
Culture and Recreation	1,200.00	612.01	587.99
Total Expenditures	83,275.00	60,409.70	22,865.30
Net Change in Fund Balances	(16,725.00)	13,152.92	29,877.92
Fund Balance - January 1	54,428.73	54,428.73	
Fund Balance - December 31	37,703.73	67,581.65	29,877.92

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Tax Distribution
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	13,979.00	13,979.00	15,306.03	1,327.03
Charges for Services	20,000.00	20,000.00	22,271.97	2,271.97
Miscellaneous	1,000.00	1,000.00	1,588.62	588.62
Total Revenues	34,979.00	34,979.00	39,166.62	4,187.62
<u>Expenditures:</u>				
Current:				
Streets and Public Works	17,893.77	26,193.77	36,097.47	(9,903.70)
Capital Outlay	16,000.00	16,000.00	16,000.00	-
Debt Service:				
Principal	5,495.43	5,495.43	5,495.43	-
Interest	560.80	560.80	560.80	-
Total Expenditures	39,950.00	48,250.00	58,153.70	(9,903.70)
Excess (Deficiency) of Revenues Over Expenditures	(4,971.00)	(13,271.00)	(18,987.08)	(5,716.08)
<u>Other Financing Sources:</u>				
Transfers In			10,000.00	10,000.00
Net Change in Fund Balances	(4,971.00)	(13,271.00)	(8,987.08)	4,283.92
Fund Balance - January 1	41,105.11	41,105.11	41,105.11	
Fund Balance - December 31	36,134.11	27,834.11	32,118.03	4,283.92

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Tax Distribution
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	18,000.00	16,420.66	(1,579.34)
Charges for Services	20,000.00	22,309.82	2,309.82
Miscellaneous	1,000.00	3,420.09	2,420.09
Total Revenues	39,000.00	42,150.57	3,150.57
<u>Expenditures:</u>			
Current:			
Streets and Public Works	32,943.77	27,190.71	5,753.06
Debt Service:			
Principal	5,322.55	5,322.55	-
Interest	733.68	733.68	-
Total Expenditures	39,000.00	33,246.94	5,753.06
Net Change in Fund Balances	-	8,903.63	8,903.63
Fund Balance - January 1	32,201.48	32,201.48	
Fund Balance - December 31	32,201.48	41,105.11	8,903.63

CITY OF FLASHER
Flasher, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board adopted the following amendments to the city's budgets for the year ended December 31, 2021:

	<u>Original Budget</u>	<u>Appropriations Amendment</u>	<u>Amended Budget</u>
General Fund	69,825	135,200	205,025
<u>Special Revenue Fund</u>			
Highway Fund	39,950	8,300	48,250

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ended December 31, 2021:

<u>Special Revenue Fund</u>	
Highway Fund	9,904

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF FLASHER
Flasher, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2021

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
Major Governmental Funds						
General Fund	67,581.65	79,334.99			76,925.96	69,990.68
Highway	41,105.11	39,166.62	10,000.00		58,153.70	32,118.03
Total Major Governmental Funds	108,686.76	118,501.61	10,000.00	-	135,079.66	102,108.71
Non-Major Governmental Funds						
Emergency	339.25					339.25
Legion Hall	775.09					775.09
American Rescue Plan		16,093.36				16,093.36
Street Improvement	31,563.34	9,683.30			12,101.13	29,145.51
Total Non-Major Governmental Funds	32,677.68	25,776.66	-	-	12,101.13	46,353.21
Total Governmental Funds	141,364.44	144,278.27	10,000.00	-	147,180.79	148,461.92
Major Enterprise Funds						
Waterworks:						
Operating	110,396.33	96,760.54			98,122.09	109,034.78
CDBG Water Project	109.01				14.30	94.71
Sewer						
Operating	31,734.57	40,390.61		10,000.00	32,754.20	29,370.98
Garbage	28,365.27	42,343.30			43,331.63	27,376.94
Total Major Enterprise Funds	170,605.18	179,494.45	-	10,000.00	174,222.22	165,877.41
Total All Funds	311,969.62	323,772.72	10,000.00	10,000.00	321,403.01	314,339.33

CITY OF FLASHER
Flasher, North Dakota

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

	Balance 1-1-2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
<u>Major Governmental Funds</u>						
General Fund	54,428.73	73,562.62			60,409.70	67,581.65
Highway	32,201.48	42,150.57			33,246.94	41,105.11
Total Major Governmental Funds	86,630.21	115,713.19	-	-	93,656.64	108,686.76
<u>Non-Major Governmental Funds</u>						
Emergency	339.25					339.25
Legion Hall	775.09					775.09
Street Improvement	26,523.19	9,596.85			4,556.70	31,563.34
Total Non-Major Governmental Funds	27,637.53	9,596.85	-	-	4,556.70	32,677.68
Total Governmental Funds	114,267.74	125,310.04	-	-	98,213.34	141,364.44
<u>Major Enterprise Funds</u>						
Waterworks:						
Operating	122,430.58	67,403.19	26,838.43		106,275.87	110,396.33
CDBG Water Project	109.01					109.01
Sewer						
Operating	31,014.17	48,412.36		26,838.43	20,853.53	31,734.57
Garbage	28,943.83	38,490.73			39,069.29	28,365.27
Total Major Enterprise Funds	182,497.59	154,306.28	26,838.43	26,838.43	166,198.69	170,605.18
Total All Funds	296,765.33	279,616.32	26,838.43	26,838.43	264,412.03	311,969.62

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Flasher
Flasher, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, , each major fund and the aggregate remaining fund information of the City of Flasher, as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 5, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

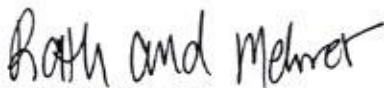
As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

Government Auditing Standards require 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 Findings and Responses*. The city's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 5, 2022

CITY OF FLASHER
Flasher, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2021-001 – Segregation of Duties

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

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

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

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

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

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

2. 2021-002- Financial Statement Preparation

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

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

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

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

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

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