

CITY OF FORMAN
Forman, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2021

CITY OF FORMAN
Forman, North Dakota

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CITY OF FORMAN
Forman, North Dakota

OFFICIAL DIRECTORY
December 31, 2021

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



INDEPENDENT AUDITOR'S REPORT

City Council
City of Forman
Forman, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forman, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Forman's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forman as of December 31, 2021, 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 Forman 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 the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the 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 of Forman'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 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 Forman'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 Forman'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 Forman's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

The Official Directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2022 on our consideration of the City of Forman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Forman's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, ND
July 19, 2022

CITY OF FORMAN
Forman, North Dakota

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

	Governmental Activities	Business-type Activities	Total	Forman Library	Forman Housing
ASSETS					
Cash and Cash Equivalents	\$ 1,270,585	\$ 336,743	\$ 1,607,328	\$ 13,442	\$ 28,106
Savings and CD's	89,434	50,000	139,434	-	7,743
Loan Receivable	51,316	-	51,316	-	-
Capital Assets					
Non-depreciable					
Land	74,600	-	74,600	-	6,000
Depreciable, net of accumulated depreciation					
Buildings and Improvements	174,661	4,151	178,812	-	969,000
Vehicles	6,786	3,729	10,515	-	-
Equipment	66,052	-	66,052	-	-
Infrastructure	1,833,480	3,035,366	4,868,846	-	-
Total Capital Assets	<u>2,155,579</u>	<u>3,043,246</u>	<u>5,198,825</u>	<u>-</u>	<u>975,000</u>
Total Assets	3,566,914	3,429,989	6,996,903	13,442	1,010,849
LIABILITIES					
Deposits	-	-	-	-	7,700
Current Debt - due within one year					
Bonds Payable	170,000	33,200	203,200	-	35,000
Notes Payable	25,000	9,469	34,469	-	-
Noncurrent Debt - due in more than one year					
Bonds Payable	1,760,000	845,565	2,605,565	-	610,000
Notes Payable	230,000	510,537	740,537	-	-
Total Liabilities	<u>2,185,000</u>	<u>1,398,771</u>	<u>3,583,771</u>	<u>-</u>	<u>652,700</u>
NET POSITION (DEFICIT)					
Net Investment in Capital Assets (Deficit)	(29,421)	1,644,475	1,615,054	-	330,000
Restricted	474,488	-	474,488	13,442	28,149
Unrestricted	936,847	386,743	1,323,590	-	-
Total Net Position (Deficit)	<u>\$ 1,381,914</u>	<u>\$ 2,031,218</u>	<u>\$ 3,413,132</u>	<u>\$ 13,442</u>	<u>\$ 358,149</u>

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Forman Library	Forman Housing
					Governmental Activities	Business-type Activities			
Governmental Activities									
General Government	\$ 304,853	\$ 5,079	\$ 40,938	\$ -	\$ (258,836)	\$ -	\$ (258,836)	\$ -	\$ -
Public Safety	9,160	-	-	-	(9,160)	-	(9,160)	-	-
Public Works/Infrastructure	64,928	-	40,358	299,944	275,374	-	275,374	-	-
Economic Development	8,834	-	-	-	(8,834)	-	(8,834)	-	-
Interest and Other Charges	98,936	-	-	-	(98,936)	-	(98,936)	-	-
Total Governmental Activities	486,711	5,079	81,296	299,944	(100,392)	-	(100,392)	-	-
Business-type Activities									
Water	168,527	197,959	-	-	-	29,432	29,432	-	-
Sewer	85,111	29,564	-	-	-	(55,547)	(55,547)	-	-
Garbage	84,505	94,003	-	-	-	9,498	9,498	-	-
Total Business-type Activities	338,143	321,526	-	-	-	(16,617)	38,930	-	-
Total Primary Government	\$ 824,854	\$ 326,605	\$ 81,296	\$ 299,944	(100,392)	(16,617)	(61,462)	-	-
Component Units									
Forman Library	\$ 18,490	\$ 244	\$ 14,011	\$ -	-	-	-	(4,235)	-
Forman Housing	32,620	70,216	-	-	-	-	-	-	37,596
Total Component Units	\$ 51,110	\$ 70,460	\$ 14,011	\$ -	-	-	-	(4,235)	37,596
General Revenues									
Taxes									
Taxes Levied for General Purposes					121,160	-	121,160	5,766	-
Sales Taxes					72,698	-	72,698	-	-
State Aid Distribution					52,236	-	52,236	742	-
Interest and Investment Earnings					2,417	-	2,417	-	20
Gain on Sale of Assets					2,402	768	3,170	-	-
Transfers					49,025	(49,025)	-	-	-
Miscellaneous					17,906	-	17,906	63	-
Total General Revenues					317,844	(48,257)	269,587	6,571	20
Change in Net Position					217,452	(64,874)	152,578	2,336	37,616
Net Position, Beginning of Year					1,164,462	2,096,092	3,260,554	11,106	320,533
Net Position, End of Year					\$ 1,381,914	\$ 2,031,218	\$ 3,413,132	\$ 13,442	\$ 358,149

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

	Major Funds						Total Governmental Funds
	General	Highway Distribution	Streets Project 2015	Sewer Replacement Dist. #2002-1	Capital Reserve Fund	Other Governmental Funds	
ASSETS							
Cash and Cash Equivalents	\$ 165,060	\$ 49,578	\$ 191,329	\$ -	\$ 413,528	\$ 451,090	\$ 1,270,585
Savings and CD's	-	-	-	-	-	89,434	89,434
Loan Receivable	-	-	-	-	-	51,316	51,316
Total Assets	165,060	49,578	191,329	-	413,528	591,840	1,411,335
FUND BALANCE							
Restricted	-	49,578	191,329	-	-	233,581	474,488
Assigned	-	-	-	-	413,528	358,259	771,787
Unassigned	165,060	-	-	-	-	-	165,060
Total Fund Balance	<u>\$ 165,060</u>	<u>\$ 49,578</u>	<u>\$ 191,329</u>	<u>\$ -</u>	<u>\$ 413,528</u>	<u>\$ 591,840</u>	<u>\$ 1,411,335</u>

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021

Total Fund Balance - Governmental Funds		\$ 1,411,335
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	4,199,861	
Less Accumulated Depreciation	<u>(2,044,282)</u>	
Net Capital Assets		2,155,579
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Bonds Payable	(1,930,000)	
Notes Payable	<u>(255,000)</u>	
Total Long-term Liabilities		<u>(2,185,000)</u>
Net Position of Governmental Activities		<u>\$ 1,381,914</u>

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Major Funds						Total Governmental Funds
	General	Highway Distribution	Streets Project 2015	Sewer Replacement Dist. #2002-1	Capital Reserve Fund	Other Governmental Funds	
REVENUES							
Taxes	\$ 117,511	\$ -	\$ 18,178	\$ -	\$ -	\$ 58,169	\$ 193,858
Special Assessments	-	-	191,158	108,786	-	-	299,944
Licenses, Permits, and Fees	4,479	-	-	-	-	600	5,079
Intergovernmental	92,964	40,358	-	-	-	-	133,322
Interest Income	1,050	-	-	-	-	1,367	2,417
Miscellaneous Income	14,419	2,900	-	-	-	797	18,116
Total Revenues	230,423	43,258	209,336	108,786	-	60,933	652,736
EXPENDITURES							
Current							
General Government	160,594	-	-	-	-	5,979	166,573
Public Safety	9,160	-	-	-	-	-	9,160
Public Works/Infrastructure	37,533	27,395	-	-	-	-	64,928
Economic Development	-	-	-	-	-	8,834	8,834
Debt Service							
Principal	-	32,788	115,000	50,000	-	20,000	217,788
Interest and Other Charges	-	1,408	69,675	19,583	-	8,270	98,936
Facilities Acquisition and Construction	15,485	-	-	-	-	1,000	16,485
Total Expenditures	222,772	61,591	184,675	69,583	-	44,083	582,704
Excess (Deficiency) of Revenues Over Expenditures	7,651	(18,333)	24,661	39,203	-	16,850	70,032
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Capital Asset	-	-	-	-	-	9,316	9,316
Operating Transfer In	45,000	25,000	-	-	43,228	500	113,728
Operating Transfer Out	-	-	-	(39,203)	(25,000)	(500)	(64,703)
Total Other Financing Sources (Uses)	45,000	25,000	-	(39,203)	18,228	9,316	58,341
NET CHANGE IN FUND BALANCE	52,651	6,667	24,661	-	18,228	26,166	128,373
FUND BALANCE, BEGINNING OF YEAR	112,409	42,911	166,668	-	395,300	565,674	1,282,962
FUND BALANCE, END OF YEAR	\$ 165,060	\$ 49,578	\$ 191,329	\$ -	\$ 413,528	\$ 591,840	\$ 1,411,335

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

Net Change in Fund Balance - Total Governmental Funds	\$ 128,373
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.	(121,795)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>217,788</u>
Change in Net Position of Governmental Activities	<u><u>\$ 217,452</u></u>

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 132,493	\$ 141,153	\$ 63,097	\$ 336,743
Savings and CD's	25,000	25,000	-	50,000
Total Current Assets	157,493	166,153	63,097	386,743
Capital Assets				
Depreciable, net of accumulated depreciation				
Buildings and Improvements	4,151	-	-	4,151
Vehicles	-	-	3,729	3,729
Infrastructure	1,574,244	1,461,122	-	3,035,366
Total Capital Assets	1,578,395	1,461,122	3,729	3,043,246
Total Assets	1,735,888	1,627,275	66,826	3,429,989
LIABILITIES				
Current Liabilities				
Bonds Payable	33,200	-	-	33,200
Notes Payable	9,469	-	-	9,469
Total Current Liabilities	42,669	-	-	42,669
Long-term Liabilities				
Bonds Payable	845,565	-	-	845,565
Notes Payable	510,537	-	-	510,537
Total Long-term Liabilities	1,356,102	-	-	1,356,102
Total Liabilities	1,398,771	-	-	1,398,771
NET POSITION				
Net Investment in Capital Assets	179,624	1,461,122	3,729	1,644,475
Unrestricted	157,493	166,153	63,097	386,743
Total Net Position	\$ 337,117	\$ 1,627,275	\$ 66,826	\$ 2,031,218

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2021

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for Services	\$ 197,959	\$ 29,564	\$ 94,003	\$ 321,526
Other Income	-	-	768	768
Total Operating Revenues	197,959	29,564	94,771	322,294
OPERATING EXPENSES				
Utilities	16,797	2,686	14,980	34,463
Contracted Services	-	-	25,136	25,136
Salaries	25,687	8,747	29,087	63,521
Repairs and Maintenance	19,217	16,922	3,466	39,605
Depreciation	64,886	56,756	8,947	130,589
Supplies	-	-	2,864	2,864
Miscellaneous	-	-	25	25
Total Operating Expenses	126,587	85,111	84,505	296,203
OPERATING INCOME (LOSS)	71,372	(55,547)	10,266	26,091
NONOPERATING REVENUES (EXPENSES)				
Interest and Fiscal Fees	(41,940)	-	-	(41,940)
Transfers In	83,879	39,203	-	123,082
Transfers Out	(132,107)	(20,000)	(20,000)	(172,107)
Total Nonoperating Revenues (Expenses)	(90,168)	19,203	(20,000)	(90,965)
CHANGE IN NET POSITION	(18,796)	(36,344)	(9,734)	(64,874)
NET POSITION, BEGINNING OF YEAR	355,913	1,663,619	76,560	2,096,092
NET POSITION, END OF YEAR	\$ 337,117	\$ 1,627,275	\$ 66,826	\$ 2,031,218

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 197,959	\$ 29,564	\$ 94,771	\$ 322,294
Payments to Suppliers	(36,014)	(19,608)	(46,471)	(102,093)
Payments to Employees	(25,687)	(8,747)	(29,087)	(63,521)
Net Cash Provided by Operating Activities	136,258	1,209	19,213	156,680
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers to Other Funds	83,879	39,203	-	123,082
Transfers from Other Funds	(132,107)	(20,000)	(20,000)	(172,107)
Net Cash Provided by (Used By) Noncapital Financing Activities	(48,228)	19,203	(20,000)	(49,025)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Fees	(41,940)	-	-	(41,940)
Principal Paid on Capital Debt	(41,939)	-	-	(41,939)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(83,879)	-	-	(83,879)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,151	20,412	(787)	23,776
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	153,342	145,741	63,884	362,967
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 157,493	\$ 166,153	\$ 63,097	\$ 386,743
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:				
Operating Income (Loss)	\$ 71,372	\$ (55,547)	\$ 10,266	\$ 26,091
Depreciation Expense	64,886	56,756	8,947	130,589
Net Cash Provided by Operating Activities	\$ 136,258	\$ 1,209	\$ 19,213	\$ 156,680

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

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

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 6,193
Total Assets	6,193
NET POSITION	
Restricted	6,193
Total Net Position	<u>\$ 6,193</u>

See Notes to Financial Statements

CITY OF FORMAN
Forman, North Dakota

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – MODIFIED CASH BASIS
Year Ended December 31, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Contributions	\$ 36,778
Total Additions	36,778
DEDUCTIONS	
Recipient Payments	39,536
Total Deductions	39,536
NET DECREASE IN FIDUCIARY NET POSITION	(2,758)
NET POSITION, BEGINNING OF YEAR	8,951
NET POSITION, END OF YEAR	<u>\$ 6,193</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF FORMAN
Notes to Financial Statements – Continued

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

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

The City reports the following major governmental funds:

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

Highway Distribution Fund – This fund is used to account for construction, reconstruction, repair, and maintenance of public highways within the City.

Streets Project 2015 Fund – This fund is used to account for special assessments collected and related principal and interest payments on the Streets Project 2015 bond.

Sewer Replacement 2002-1 Fund – This fund is used to account for special assessments collected and related principal and interest payments on the sewer replacement bonds.

Capital Reserve Fund – This fund accounts for the accumulation of funds for various capital improvements to the City.

The City reports the following major proprietary funds:

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

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

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

In addition, the City reports for the following fund types:

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The City’s fiduciary fund consist of the Forman Park Board.

Cash and Investments

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

The investments of the City at December 31, 2021, consists of certificates of deposit stated at cost.

CITY OF FORMAN
Notes to Financial Statements – Continued

Capital Assets

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

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

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

Long-term Obligations

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

Fund 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.

CITY OF FORMAN
Notes to Financial Statements – Continued

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.

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, the City's carrying amount of deposits was \$1,754,485 and the bank balances were \$1,752,725. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk

The City may invest idle funds as authorized in North Dakota 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, the City held \$139,434 in certificates of deposit.

CITY OF FORMAN
Notes to Financial Statements – Continued

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 – PROPERTY TAXES

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

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

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

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

CITY OF FORMAN
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

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

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 80,514	\$ 1,000	\$ (6,914)	\$ 74,600
Total Capital Assets, not being depreciated	80,514	1,000	(6,914)	74,600
Capital Assets, being depreciated				
Buildings and Improvements	322,028	-	-	322,028
Vehicles	116,339	-	-	116,339
Equipment	404,856	5,622	-	410,478
Infrastructure	3,260,931	15,485	-	3,276,416
Total Capital Assets, being depreciated	4,104,154	21,107	-	4,125,261
Less Accumulated Depreciation for:				
Buildings and Improvements	139,189	8,178	-	147,367
Vehicles	101,553	8,000	-	109,553
Equipment	320,547	23,879	-	344,426
Infrastructure	1,339,091	103,845	-	1,442,936
Total Accumulated Depreciation	1,900,380	143,902	-	2,044,282
Total Capital Assets Being Depreciated, net	2,203,774	(122,795)	-	2,080,979
Governmental Activities Capital Assets, net	<u>\$ 2,284,288</u>	<u>\$ (121,795)</u>	<u>\$ (6,914)</u>	<u>\$ 2,155,579</u>
	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Business-type Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 17,900	\$ -	\$ -	\$ 17,900
Vehicles	62,631	-	-	62,631
Equipment	19,500	-	-	19,500
Infrastructure	4,777,363	-	-	4,777,363
Total Capital Assets, being depreciated	4,877,394	-	-	4,877,394
Less Accumulated Depreciation for:				
Buildings and Improvements	13,573	176	-	13,749
Vehicles	49,955	8,947	-	58,902
Equipment	19,500	-	-	19,500
Infrastructure	1,620,531	121,466	-	1,741,997
Total Accumulated Depreciation	1,703,559	130,589	-	1,834,148
Total Capital Assets Being Depreciated, net	3,173,835	(130,589)	-	3,043,246
Business-type Activities Capital Assets, net	<u>\$ 3,173,835</u>	<u>\$ (130,589)</u>	<u>\$ -</u>	<u>\$ 3,043,246</u>

CITY OF FORMAN
Notes to Financial Statements – Continued

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

Governmental Activities:	
General Government	\$ 143,902
Total Depreciation Expense - Governmental Activities	<u>\$ 143,902</u>
Business-type Activities:	
Water	\$ 64,886
Sewer	56,756
Garbage	8,947
Total Depreciation Expense - Business-type Activities	<u>\$ 130,589</u>

NOTE 5 – LOAN RECEIVABLE

The City loaned the Forman Park Board \$63,828 at 1% for capital expenditures. The loan will be paid back as follows:

2022	\$ 12,638
2023	12,765
2024	12,892
2025	13,021
Total	<u>\$ 51,316</u>

There is no early prepayment penalty on the note.

NOTE 6 – FUND TRANSFERS

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

	Operating Transfer In	Operating Transfer Out
General	\$ 45,000	\$ -
Highway Distribution	25,000	-
Cemetery	-	500
Perpetual	500	-
Sewer Replacement Dist. #2002-1	-	39,203
Capital Reserve Fund	43,228	25,000
Total Governmental Activities	113,728	64,703
Water	83,879	132,107
Sewer	39,203	20,000
Garbage	-	20,000
Total Business-type Activities	123,082	172,107
Total	<u>\$ 236,810</u>	<u>\$ 236,810</u>

The proprietary funds transferred \$45,000 to the general fund for unallocated expenditures. The Water Fund transferred \$43,228 to the Capital Reserve Fund for future capital expenditures. The Capital Reserve Fund transferred \$25,000 to the Highway Distribution Fund for future capital expenditures. The Sewer Replacement District transfers any residual funds to the Sewer Fund every year.

CITY OF FORMAN
Notes to Financial Statements – Continued

NOTE 7 – LONG-TERM LIABILITIES

During the year ended December 31, 2021, 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					
Bonds Payable	\$ 2,095,000	\$ -	\$ (165,000)	\$ 1,930,000	\$ 170,000
Notes Payable	307,788	-	(52,788)	255,000	25,000
Total - Business-type Activities	<u>\$ 2,402,788</u>	<u>\$ -</u>	<u>\$ (217,788)</u>	<u>\$ 2,185,000</u>	<u>\$ 195,000</u>
	Long-term Liabilites at January 1, 2021	Increases	Decreases	Long-term Liabilites at December 31, 2021	Due Within One Year
Business-type Activities					
Bonds Payable	\$ 911,465	\$ -	\$ (32,700)	\$ 878,765	\$ 33,200
Notes Payable	529,245	-	(9,239)	520,006	9,469
Total - Business-type Activities	<u>\$ 1,440,710</u>	<u>\$ -</u>	<u>\$ (41,939)</u>	<u>\$ 1,398,771</u>	<u>\$ 42,669</u>

Long-term debt of the governmental and business-type activities at December 31, 2021 consists of the following issues:

- Governmental Activities
 - Bonds Payable
 - § \$1,090,000 refunding sewer main replacement due in annual principal instalments of \$50,000 - \$55,000 through June 1, 2033 at rates of 2.00% - 3.50%, \$600,000 remains outstanding.
 - § \$1,965,000 refunding improvement bond due in annual principal installments of \$90,000 - \$180,000 through June 1, 2030 at rates of 2.00% - 5.25%, \$1,330,000 remains outstanding.
 - Notes Payable
 - § \$434,337 Sewer Drain #4, due in annual principal installments of \$19,337 - \$30,000 through September 1, 2031 at 2.50%, \$255,000 remains outstanding.
- Business-type Activities
 - Bonds Payable
 - § \$740,000 water plant revenue bonds of 2001, due in annal principal installments of \$10,700 - \$31,800 through December 10, 2041 at 3.00%, \$488,765 remains outstanding.
 - § \$505,000 refunding water plant revenue bonds of 2001, due in annual principal installments of \$10,000 - \$25,000 through December 31, 2042 at 2.00% - 3.75%, \$390,000 remains outstanding.
 - Notes Payable
 - § \$555,630 USDA water improvement loan, due in annual principal installments of \$8,579 - \$21,925 through January 1, 2056 at 2.5%, \$520,006 remains outstanding.

CITY OF FORMAN
Notes to Financial Statements – Continued

The debt service requirements are as follows:

	Governmental Activities	Business-type Activities
2022	\$ 195,000	\$ 42,669
2023	200,000	43,507
2024	210,000	44,249
2025	215,000	45,198
2026	885,000	45,952
2027 - 2031	380,000	258,518
2032 - 2036	100,000	293,818
2037 - 2041	-	346,756
2042 - 2046	-	81,564
2047 - 2051	-	92,283
2052 - 2056	-	104,257
Total	<u>\$ 2,185,000</u>	<u>\$ 1,398,771</u>

NOTE 8 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Forman pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile coverage and to \$468,281 for inland marine.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a twelve-month period.

The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$683,532 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 9 – LEGAL COMPLIANCE - BUDGETS

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

NOTE 10 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 19, 2022, the date on which the financial statements were available to be issued. The City anticipates refinancing approximately \$1,400,000 worth of bonds and notes payable and purchasing \$100,000 worth of equipment during 2022.

CITY OF FORMAN
Forman, North Dakota

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

	Cemetery	Perpetual	Flood	Forman Industrial Park	Forman Improvement	Forman Job Development	Sewer Drain #4 Repl 2011	Total Other Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 4,268	\$ 11,400	\$ 1,321	\$ 184,540	\$ 44,445	\$ 4,856	\$ 200,260	\$ 451,090
Savings and CD's	-	12,750	-	23,757	20,927	-	32,000	89,434
Loan Receivable	-	-	-	-	51,316	-	-	51,316
Total Assets	4,268	24,150	1,321	208,297	116,688	4,856	232,260	591,840
FUND BALANCE								
Restricted	-	-	1,321	-	-	-	232,260	233,581
Assigned	4,268	24,150	-	208,297	116,688	4,856	-	358,259
Total Fund Balance	\$ 4,268	\$ 24,150	\$ 1,321	\$ 208,297	\$ 116,688	\$ 4,856	\$ 232,260	\$ 591,840

CITY OF FORMAN
Forman, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS**
Year Ended December 31, 2021

	Ce me te ry	Perpetual	Flood	Forman Industrial Park	Forman Improve ment	Forman Job Deve lopment	Sewer Drain #4 Rep12011	Total Other Governmental Funds
REVENUES								
Taxes	\$ 3,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,520	\$ 58,169
Licenses, Permits, and Fees	-	600	-	-	-	-	-	600
Interest Income	38	-	-	275	914	-	140	1,367
Miscellaneous Income	660	-	-	-	137	-	-	797
Total Revenues	4,347	600	-	275	1,051	-	54,660	60,933
EXPENDITURES								
Current								
General Government	3,677	-	-	2,302	-	-	-	5,979
Economic Development	-	-	-	-	8,834	-	-	8,834
Debt Service								
Principal	-	-	-	-	-	-	20,000	20,000
Interest and Other Charges	-	-	-	-	-	-	8,270	8,270
Facilities Acquisition and Construction	-	-	-	-	1,000	-	-	1,000
Total Expenditures	3,677	-	-	2,302	9,834	-	28,270	44,083
Excess (Deficiency) of Revenues Over Expenditures								
	670	600	-	(2,027)	(8,783)	-	26,390	16,850
OTHER FINANCING SOURCES (USES)								
Proceeds from Sale of Capital Asset	-	-	-	9,216	100	-	-	9,316
Operating Transfer In	-	500	-	-	-	-	-	500
Operating Transfer Out	(500)	-	-	-	-	-	-	(500)
Total Other Financing Sources (Uses)	(500)	500	-	9,216	100	-	-	9,316
NET CHANGE IN FUND BALANCE	170	1,100	-	7,189	(8,683)	-	26,390	26,166
FUND BALANCE, BEGINNING OF YEAR	4,098	23,050	1,321	201,108	125,371	4,856	205,870	565,674
FUND BALANCE, END OF YEAR	\$ 4,268	\$ 24,150	\$ 1,321	\$ 208,297	\$ 116,688	\$ 4,856	\$ 232,260	\$ 591,840

CITY OF FORMAN
Forman, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 121,845	\$ 121,845	\$ 117,511	\$ (4,334)
Licenses, Permits, and Fees	4,820	4,820	4,479	(341)
Intergovernmental	37,854	37,854	92,964	55,110
Interest Income	2,200	2,200	1,050	(1,150)
Miscellaneous Income	8,242	8,242	14,419	6,177
Total Revenues	174,961	174,961	230,423	55,462
EXPENDITURES				
Current				
General Government	180,860	180,860	160,594	20,266
Public Safety	9,160	9,160	9,160	-
Public Works/Infrastructure	50,650	50,650	37,533	13,117
Facilities Acquisition and Construction	15,485	15,485	15,485	-
Total Expenditures	256,155	256,155	222,772	33,383
Excess (Deficiency) of Revenues over Expenditures	(81,194)	(81,194)	7,651	88,845
OTHER FINANCING SOURCES				
Operating Transfer In	45,000	45,000	45,000	-
Total Other Financing Sources	45,000	45,000	45,000	-
NET CHANGE IN FUND BALANCE	(36,194)	(36,194)	52,651	88,845
FUND BALANCE, BEGINNING OF YEAR			112,409	
FUND BALANCE, END OF YEAR			<u>\$ 165,060</u>	

CITY OF FORMAN
Forman, North Dakota

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 33,500	\$ 33,500	\$ 40,358	\$ 6,858
Miscellaneous Income	-	-	2,900	2,900
Total Revenues	<u>33,500</u>	<u>33,500</u>	<u>43,258</u>	<u>9,758</u>
EXPENDITURES				
Current				
Public Works/Infrastructure	72,900	72,900	27,395	45,505
Debt Service				
Principal	15,989	15,989	32,788	(16,799)
Interest and Other Charges	474	474	1,408	(934)
Total Expenditures	<u>89,363</u>	<u>89,363</u>	<u>61,591</u>	<u>27,772</u>
Excess (Deficiency) of Revenues over Expenditures	(55,863)	(55,863)	(18,333)	37,530
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Asset	38,000	38,000	-	(38,000)
Operating Transfer In	-	-	25,000	25,000
Total Other Financing Sources	<u>38,000</u>	<u>38,000</u>	<u>25,000</u>	<u>(13,000)</u>
NET CHANGE IN FUND BALANCE	(17,863)	(17,863)	6,667	24,530
FUND BALANCE, BEGINNING OF YEAR			<u>42,911</u>	
FUND BALANCE, END OF YEAR			<u>\$ 49,578</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 Forman
Forman, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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, the aggregate discretely presented component unites, each major fund, and the aggregate remaining fund information of the City of Forman, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Forman's basic financial statements, and have issued our report thereon dated July 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Forman's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The City of Forman'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
July 19, 2022

SCHEDULE OF CURRENT YEAR FINDINGS
Year ended December 31, 2021

2021-001 INADEQUATE 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 significantly 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.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

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 FORMAN
Schedule of Current Year Findings – Continued

2021-002 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 a 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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2021

Prior Financial Statement Findings:

2020-001

A material weakness 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 2021-001.

2020-002

A material weakness was reported for preparation of financial statements.

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 number 2021-002.