

AUDIT REPORT

CITY OF SAWYER
Sawyer, North Dakota

For the Years Ended December 31, 2021 and 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SAWYER
Sawyer, North Dakota

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CITY OF SAWYER
Sawyer, North Dakota

CITY OFFICIALS

Brian Reamann	Mayor
Eileen Darkow	Chairperson
Mike Beeter	Council Member
Andy Hoff	Council Member
Phil Kampman	Council Member
Susan Schmidt	Auditor

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Sawyer
Sawyer, 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 Sawyer, 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 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 and to meet our ethical responsibilities, in accordance with 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 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 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 and *Government Auditing Standards*, 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'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'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 July 22, 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 Mehrer, P.C.

Bismarck, North Dakota

July 22, 2022

CITY OF SAWYER
Sawyer, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	259,379.10	315,051.57	574,430.67
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	21,600.00	871,595.00	893,195.00
Machinery and Vehicles	37,357.00		37,357.00
Total Capital Assets	58,957.00	871,595.00	930,552.00
Total Assets	318,336.10	1,186,646.57	1,504,982.67
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Loans Payable		27,291.94	27,291.94
Revenue Bonds Payable		15,000.00	15,000.00
Due After One Year:			
Loans Payable		99,253.06	99,253.06
Revenue Bonds Payable		160,000.00	160,000.00
Total Liabilities		301,545.00	301,545.00
NET POSITION:			
Net Investment in Capital Assets	58,957.00	570,050.00	629,007.00
Restricted for:			
Special Purposes	23,995.43		23,995.43
Debt Service		97,478.13	97,478.13
Unrestricted	235,383.67	217,573.44	452,957.11
Total Net Position	318,336.10	885,101.57	1,203,437.67

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	212,297.81	282,889.23	495,187.04
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	22,400.00	916,930.00	939,330.00
Machinery and Vehicles	41,980.00		41,980.00
Total Capital Assets	64,380.00	916,930.00	981,310.00
Total Assets	276,677.81	1,199,819.23	1,476,497.04
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Notes Payable	4,228.64		4,228.64
Loans Payable		27,056.46	27,056.46
Revenue Bonds Payable		15,000.00	15,000.00
Due After One Year:			
Loans Payable		126,545.00	126,545.00
Revenue Bonds Payable		175,000.00	175,000.00
Total Liabilities	4,228.64	343,601.46	347,830.10
NET POSITION:			
Net Investment in Capital Assets	60,151.36	573,328.54	633,479.90
Restricted for:			
Special Purposes	12,000.00		12,000.00
Debt Service		87,266.77	87,266.77
Unrestricted	200,297.81	195,622.46	395,920.27
Total Net Position	272,449.17	856,217.77	1,128,666.94

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	96,353.80	4,325.00	25,592.37	(66,436.43)		(66,436.43)
Streets and Public Works	33,855.31	14,792.88	23,244.74	4,182.31		4,182.31
Culture and Recreation	2,241.92			(2,241.92)		(2,241.92)
Interest on Long-Term Debt	41.28			(41.28)		(41.28)
Total Governmental Activities	132,492.31	19,117.88	48,837.11	(64,537.32)		(64,537.32)
<u>Business-Type Activities:</u>						
Water, Sewer and Sanitation	174,470.11	197,241.15			22,771.04	22,771.04
Total Primary Government	306,962.42	216,359.03	48,837.11	(64,537.32)	22,771.04	(41,766.28)

<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				74,660.56		74,660.56
Oil and gas production taxes				523.01		523.01
Cigarette taxes				776.75		776.75
Homestead/Disabled Veteran's tax credit				6,800.74		6,800.74
Intergovernmental revenue not restricted to specific programs				29,636.81		29,636.81
Earnings on investments and other revenue				3,017.86	1,121.28	4,139.14
Transfers				(4,991.48)	4,991.48	
Total General Revenues and Transfers				110,424.25	6,112.76	116,537.01
Change in Net Position				45,886.93	28,883.80	74,770.73
Net Position - January 1				272,449.17	856,217.77	1,128,666.94
Net Position - December 31				318,336.10	885,101.57	1,203,437.67
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The accompanying notes are an integral part of these financial statements.

CITY OF SAWYER
Sawyer, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	95,039.25	2,130.00		(92,909.25)		(92,909.25)
Streets and Public Works	40,050.10	13,133.58	25,268.01	(1,648.51)		(1,648.51)
Culture and Recreation	1,213.36			(1,213.36)		(1,213.36)
Interest on Long-Term Debt	197.69			(197.69)		(197.69)
Total Governmental Activities	136,500.40	15,263.58	25,268.01	(95,968.81)		(95,968.81)
<u>Business-Type Activities:</u>						
Water, Sewer and Sanitation	199,239.44	184,545.19	7,448.27		(7,245.98)	(7,245.98)
Total Primary Government	335,739.84	199,808.77	32,716.28	(95,968.81)	(7,245.98)	(103,214.79)

<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				80,595.04		80,595.04
Oil and gas production taxes				310.57		310.57
Cigarette taxes				940.37		940.37
Homestead/Disabled Veteran's tax credit				4,935.25		4,935.25
Intergovernmental revenue not restricted to specific programs				25,200.73		25,200.73
Earnings on investments and other revenue				3,084.59	4,020.63	7,105.22
Total General Revenues				115,066.55	4,020.63	119,087.18
Change in Net Position				19,097.74	(3,225.35)	15,872.39
Net Position - January 1				253,351.43	859,443.12	1,112,794.55
Net Position - December 31				272,449.17	856,217.77	1,128,666.94
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The accompanying notes are an integral part of these financial statements.

CITY OF SAWYER
Sawyer, North Dakota

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

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Fund	
ASSETS:				
Cash and Cash Equivalents	235,383.67	16,986.91	7,008.52	259,379.10
FUND BALANCES:				
Restricted for:				
Streets and Public Works		16,986.91	7,008.52	23,995.43
Unassigned	235,383.67			235,383.67
Total Fund Balances	235,383.67	16,986.91	7,008.52	259,379.10

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Fund	
ASSETS:				
Cash and Cash Equivalents	200,297.81		12,000.00	212,297.81
Interfund Receivable	15,434.83			15,434.83
<hr/>				
Total Assets	215,732.64	-0-	12,000.00	227,732.64
<hr style="border-top: 1px dashed black;"/>				
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable		15,434.83		15,434.83
<hr/>				
FUND BALANCES:				
Restricted for:				
Streets and Public Works			12,000.00	12,000.00
Unassigned	215,732.64	(15,434.83)		200,297.81
<hr/>				
Total Fund Balances	215,732.64	(15,434.83)	12,000.00	212,297.81
<hr/>				
Total Liabilities and Fund Balances	215,732.64	-0-	12,000.00	227,732.64
<hr style="border-top: 1px dashed black;"/>				

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

CITY OF SAWYER
Sawyer, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2021

Total Fund Balances for Governmental Funds		259,379.10
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	257,778.00	
Less Accumulated Depreciation	(198,821.00)	
Net Capital Assets	<hr/>	58,957.00
Total Net Position of Governmental Activities		<hr/> <u>318,336.10</u> =====

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

CITY OF SAWYER
Sawyer, North Dakota

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

Total Fund Balances for Governmental Funds		212,297.81
<p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	257,778.00	
Less Accumulated Depreciation	(193,398.00)	
Net Capital Assets	64,380.00	64,380.00
<p>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:</p>		
Notes Payable		(4,228.64)
Total Net Position of Governmental Activities		272,449.17

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Major Funds		Other Governmental Fund	Total Governmental Funds
	General	Highway		
<u>Revenues:</u>				
Taxes	74,660.56			74,660.56
Licenses, Permits and Fees	4,325.00			4,325.00
Intergovernmental	65,475.72	21,098.70		86,574.42
Charges for Services		14,792.88		14,792.88
Miscellaneous	2,985.47	32.39		3,017.86
Total Revenues	147,446.75	35,923.97		183,370.72
<u>Expenditures:</u>				
Current:				
General Government	95,553.80			95,553.80
Streets and Public Works		29,232.31		29,232.31
Culture and Recreation	2,241.92			2,241.92
Debt Service:				
Principal		4,228.64		4,228.64
Interest and Service Charges		41.28		41.28
Total Expenditures	97,795.72	33,502.23		131,297.95
Excess (Deficiency) of Revenues Over Expenditures	49,651.03	2,421.74		52,072.77
<u>Other Financing Sources (Uses):</u>				
Transfers In		30,000.00		30,000.00
Transfers Out	(30,000.00)		(4,991.48)	(34,991.48)
Total Other Financing Sources (Uses)	(30,000.00)	30,000.00	(4,991.48)	(4,991.48)
Net Change in Fund Balances	19,651.03	32,421.74	(4,991.48)	47,081.29
Fund Balance - January 1	215,732.64	(15,434.83)	12,000.00	212,297.81
Fund Balance - December 31	235,383.67	16,986.91	7,008.52	259,379.10

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

CITY OF SAWYER
Sawyer, 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			Total Governmental Funds
	General	Highway	Other Governmental Fund	
<u>Revenues:</u>				
Taxes	80,595.04			80,595.04
Licenses, Permits and Fees	2,130.00			2,130.00
Intergovernmental	31,386.92	25,268.01		56,654.93
Charges for Services		13,133.58		13,133.58
Miscellaneous	3,008.78	75.81		3,084.59
Total Revenues	117,120.74	38,477.40		155,598.14
<u>Expenditures:</u>				
Current:				
General Government	94,239.25			94,239.25
Streets and Public Works		32,664.62	185.48	32,850.10
Culture and Recreation	1,213.36			1,213.36
Debt Service:				
Principal		6,207.19		6,207.19
Interest and Service Charges		197.69		197.69
Total Expenditures	95,452.61	39,069.50	185.48	134,707.59
Excess (Deficiency) of Revenues Over Expenditures	21,668.13	(592.10)	(185.48)	20,890.55
<u>Other Financing Sources (Uses):</u>				
Transfers In		30,000.00	5,742.60	35,742.60
Transfers Out	(35,742.60)			(35,742.60)
Total Other Financing Sources (Uses)	(35,742.60)	30,000.00	5,742.60	
Net Change in Fund Balances	(14,074.47)	29,407.90	5,557.12	20,890.55
Fund Balance - January 1	229,807.11	(44,842.73)	6,442.88	191,407.26
Fund Balance - December 31	215,732.64	(15,434.83)	12,000.00	212,297.81

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

CITY OF SAWYER
Sawyer, 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 47,081.29

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(5,423.00)	(5,423.00)

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	0.00	
Repayment of Debt	4,228.64	4,228.64

Change in Net Position of Governmental Activities 45,886.93

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

CITY OF SAWYER
Sawyer, 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 20,890.55

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(8,000.00)	(8,000.00)

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	0.00	
Repayment of Debt	6,207.19	6,207.19

Change in Net Position of Governmental Activities 19,097.74
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The accompanying notes are an integral part of these financial statements.

CITY OF SAWYER
Sawyer, North Dakota

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

	Water, Sewer & Sanitation Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	315,051.57
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Buildings and Infrastructure	871,595.00
Total Assets	1,186,646.57
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	27,291.94
Revenue Bonds Payable	15,000.00
Total Current Liabilities	42,291.94
<u>Noncurrent Liabilities:</u>	
Loans Payable	99,253.06
Revenue Bonds Payable	160,000.00
Total Noncurrent Liabilities	259,253.06
Total Liabilities	301,545.00
<u>NET POSITION</u>	
Net Investment in Capital Assets	570,050.00
Restricted for Debt Service	97,478.13
Unrestricted	217,573.44
Total Net Position	885,101.57

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Water, Sewer & Sanitation Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	282,889.23
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Buildings and Infrastructure	916,930.00
Total Assets	1,199,819.23
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	27,056.46
Revenue Bonds Payable	15,000.00
Total Current Liabilities	42,056.46
<u>Noncurrent Liabilities:</u>	
Loans Payable	126,545.00
Revenue Bonds Payable	175,000.00
Total Noncurrent Liabilities	301,545.00
Total Liabilities	343,601.46
<u>NET POSITION</u>	
Net Investment in Capital Assets	573,328.54
Restricted for Debt Service	87,266.77
Unrestricted	195,622.46
Total Net Position	856,217.77

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2021

	Water, Sewer & Sanitation Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Collections	75,915.63
Water Surcharge	30,941.36
Sewer Collections	21,426.30
Sanitation Charges	32,160.22
Maintenance Fee	20,946.96
Meter Fee	13,608.95
Late Fees	1,293.33
Other Fees	948.40
Total Operating Revenues	197,241.15
<u>Operating Expenses:</u>	
Salaries and Benefits	20,633.20
Utilities	3,589.29
Testing, Chemicals and Supplies	867.47
Training	1,427.24
Repair & Maintenance	13,829.07
Sanitation	32,245.98
Water Expense	49,052.19
Miscellaneous	69.68
Depreciation	45,335.00
Total Operating Expenses	167,049.12
Operating Income (Loss)	30,192.03
<u>Non-Operating Revenues (Expenses):</u>	
Other Revenues	1,121.28
Debt Service - Interest and Service Charges	(7,420.99)
Total Non-Operating Revenues (Expenses)	(6,299.71)
Income (Loss) Before Transfers	23,892.32
Transfer In	4,991.48
Change in Net Position	28,883.80
Net Position - January 1	856,217.77
Net Position - December 31	885,101.57

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2020

	Water, Sewer & Sanitation Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Collections	74,734.74
Water Surcharge	28,681.81
Sewer Collections	17,951.05
Sanitation Charges	29,398.55
Maintenance Fee	18,111.54
Meter Fee	12,708.91
Late Fees	1,345.19
Other Fees	1,613.40
Total Operating Revenues	184,545.19
<u>Operating Expenses:</u>	
Salaries and Benefits	20,385.34
Utilities	3,517.35
Testing, Chemicals and Supplies	2,135.95
Training	1,277.13
Repair & Maintenance	7,518.71
Sanitation	31,341.08
Water Expense	43,736.54
Miscellaneous	588.52
Depreciation	45,335.00
Total Operating Expenses	155,835.62
Operating Income (Loss)	28,709.57
<u>Non-Operating Revenues (Expenses):</u>	
CDBG #4296-CD161718-PF-U	4,448.27
Other Revenues	4,020.63
Special Assessments	3,000.00
Curb Stop Project	(35,354.52)
Debt Service - Interest and Service Charges	(8,049.30)
Total Non-Operating Revenues (Expenses)	(31,934.92)
Change in Net Position	(3,225.35)
Net Position - January 1	859,443.12
Net Position - December 31	856,217.77

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Water, Sewer & Sanitation Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	197,241.15
Payments to suppliers	(101,080.92)
Payments to employees	(20,633.20)
	75,527.03
<u>Cash flows from noncapital financing activities:</u>	
Miscellaneous receipts	1,121.28
Transfer in	4,991.48
	6,112.76
<u>Cash flows from capital and related financing activities:</u>	
Principal payments	(42,056.46)
Interest expense and service charges	(7,420.99)
	(49,477.45)
Net decrease in cash and cash equivalents	32,162.34
Cash and cash equivalents, January 1	282,889.23
Cash and cash equivalents, December 31	315,051.57
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	30,192.03
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	45,335.00
Net cash provided (used) by operating activities	75,527.03

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Water, Sewer & Sanitation Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	184,545.19
Payments to suppliers	(90,115.28)
Payments to employees	(20,385.34)
	74,044.57
<u>Cash flows from noncapital financing activities:</u>	
Miscellaneous receipts	4,020.63
<u>Cash flows from capital and related financing activities:</u>	
CDBG #4296-CD161718-PF-U	4,448.27
Special assessments	3,000.00
Bank loan issued	26,540.00
Curb stop project	(35,354.52)
Principal payments	(40,167.07)
Interest expense and service charges	(8,049.30)
	(49,582.62)
Net cash provided (used) by capital and related financing activities	(49,582.62)
	28,482.58
Net decrease in cash and cash equivalents	28,482.58
Cash and cash equivalents, January 1	254,406.65
Cash and cash equivalents, December 31	282,889.23
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating income (loss)	28,709.57
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	45,335.00
Net cash provided (used) by operating activities	74,044.57

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

CITY OF SAWYER
Sawyer, North Dakota

Notes to the Financial Statements
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Sawyer 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 Sawyer. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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. This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance.

The city reports the following major enterprise fund:

Water, Sewer and Sanitation Fund. This fund accounts for the activities of the city's water distribution system, sewage collection system and 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 and Cash Equivalents

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.

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	20 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 investments companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2021 the city's carrying amount of deposits was \$574,431 and the bank balance was \$574,461. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$324,461 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

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

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

Note 4 INTERFUND RECEIVABLES/PAYABLES

The interfund receivables/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in these funds. The interfund receivables/payables for the year ended December 31, 2020 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General	15,434.83	
Highway		15,434.83

Note 5 CAPITAL ASSETS

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

	<u>2021</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	145,000			145,000
Machinery and Vehicles	112,778			112,778
Total	<u>257,778</u>			<u>257,778</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	122,600	800		123,400
Machinery and Vehicles	70,798	4,623		75,421
Total	<u>193,398</u>	<u>5,423</u>		<u>198,821</u>
Governmental Activities Capital Assets, Net	<u>64,380</u>	<u>(5,423)</u>	<u>-0-</u>	<u>58,957</u>
	=====	=====	=====	=====
	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	145,000			145,000
Machinery and Vehicles	112,778			112,778
Total	<u>257,778</u>			<u>257,778</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	121,800	800		122,600
Machinery and Vehicles	63,598	7,200		70,798
Total	<u>185,398</u>	<u>8,000</u>		<u>193,398</u>
Governmental Activities Capital Assets, Net	<u>72,380</u>	<u>(8,000)</u>	<u>-0-</u>	<u>64,380</u>
	=====	=====	=====	=====

	<u>2021</u>			
	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,405,430			1,405,430
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	488,500	45,335		533,835
Business-type Activities Capital Assets, Net	916,930	(45,335)	-0-	871,595
	=====	=====	=====	=====

	<u>2020</u>			
	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,405,430			1,405,430
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	443,165	45,335		488,500
Business-type Activities Capital Assets, Net	962,265	(45,335)	-0-	916,930
	=====	=====	=====	=====

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

	<u>2021</u>	<u>2020</u>
<u>Governmental Activities:</u>		
General Government	800	800
Streets and Public Works	4,623	7,200
Total	5,423	8,000
	=====	=====
<u>Business-type Activities:</u>		
Water, Sewer & Sanitation Fund	45,335	45,335
	=====	=====

Note 6 LONG-TERM DEBT

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

Governmental Activities:

	<u>2021</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Notes Payable	4,228	-0-	4,228	-0-	
	=====	=====	=====	=====	=====

	<u>2020</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Notes Payable	10,436	-0-	6,008	4,228	4,228
	=====	=====	=====	=====	=====

Business-type Activities (Proprietary Funds):

	<u>2021</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Loans Payable	153,602		27,057	126,545	27,292
Revenue Bonds	190,000		15,000	175,000	15,000
Total	343,602	-0-	42,057	301,545	42,292
	=====	=====	=====	=====	=====

	<u>2020</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Loans Payable	152,229	26,540	25,167	153,602	27,057
Revenue Bonds	205,000		15,000	190,000	15,000
Total	357,229	26,540	40,167	343,602	42,057
	=====	=====	=====	=====	=====

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

Business-type Activities:

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:

Loans Payable. The city has entered into loan agreements for the construction of a new lift station and the costs related to connecting to Rural Water. Loans payable at December 31, 2021 are as follows:

\$100,000.00 Rural Development Community Capital Loan due in annual payments of \$10,558.21, including interest, through July 17, 2024; interest is at 1%.	31,051.53
\$125,000.00 Rural Development Community Capital Loan due in annual payments of \$13,197.76, including interest, through June 16, 2027; interest is at 1%.	76,487.31
\$26,540.00 Rural Development Community Capital Loan due in annual payments of \$4,991.48, including interest, through May 1, 2025; interest is at 2%.	19,006.16
Total Loans Payable	<u>126,545.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	27,291.94	1,455.51
2023	27,610.97	1,136.48
2024	27,934.12	813.33
2025	17,703.18	486.01
2026	12,937.71	260.05
2027	13,067.08	130.67
Total	<u>126,545.00</u> =====	<u>4,282.05</u> =====

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, 2021 are as follows:

\$296,708.00 Water Revenue Bonds of 2011, due in annual installments of \$15,000.00 to \$20,000.00 through September 1, 2031; interest is at 2.5%.	175,000.00
	<u>175,000.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	15,000.00	4,375.00
2023	15,000.00	4,000.00
2024	15,000.00	3,625.00
2025	15,000.00	3,250.00
2026	15,000.00	2,875.00
2027-2031	100,000.00	7,500.00
Total	<u>175,000.00</u> =====	<u>25,625.00</u> =====

Note 7 DEFICIT FUND BALANCE

The following fund had a deficit balance at December 31, 2020:

<u>Special Revenue Fund</u>	
Highway	(15,434.83)

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

Note 8 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>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2021</u>		
Highway	30,000.00	
General		30,000.00
To subsidize expenditures.		
Water, Sewer & Sanitation	4,991.48	
Projects Fund		4,991.48
To subsidize debt service payments.		
<u>December 31, 2020</u>		
Highway	30,000.00	
General		30,000.00
To subsidize expenditures.		
General	5,742.60	
Social Security		5,742.60
To close fund.		

Note 9 RISK MANAGEMENT

The City of Sawyer 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 pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$129,800 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 \$222,271 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 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 or 2020.

CITY OF SAWYER
Sawyer, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	81,891.75	74,660.56	(7,231.19)
Licenses, Permits and Fees	1,640.00	4,325.00	2,685.00
Intergovernmental	21,965.00	65,475.72	43,510.72
Miscellaneous		2,985.47	2,985.47
Total Revenues	105,496.75	147,446.75	41,950.00
<u>Expenditures:</u>			
Current:			
General Government	83,140.00	95,553.80	(12,413.80)
Culture and Recreation	500.00	2,241.92	(1,741.92)
Total Expenditures	83,640.00	97,795.72	(14,155.72)
Excess (Deficiency) of Revenues Over Expenditures	21,856.75	49,651.03	27,794.28
<u>Other Financing (Uses):</u>			
Transfers Out		(30,000.00)	(30,000.00)
Net Change in Fund Balances	21,856.75	19,651.03	(2,205.72)
Fund Balance - January 1	215,732.64	215,732.64	
Fund Balance - December 31	237,589.39	235,383.67	(2,205.72)

CITY OF SAWYER
Sawyer, 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	99,966.25	80,595.04	(19,371.21)
Licenses, Permits and Fees	1,465.00	2,130.00	665.00
Intergovernmental	29,650.00	31,386.92	1,736.92
Miscellaneous	600.00	3,008.78	2,408.78
Total Revenues	131,681.25	117,120.74	(14,560.51)
<u>Expenditures:</u>			
Current:			
General Government	84,440.00	94,239.25	(9,799.25)
Culture and Recreation	2,500.00	1,213.36	1,286.64
Total Expenditures	86,940.00	95,452.61	(8,512.61)
Excess (Deficiency) of Revenues Over Expenditures	44,741.25	21,668.13	(23,073.12)
<u>Other Financing (Uses):</u>			
Transfers Out		(35,742.60)	(35,742.60)
Net Change in Fund Balances	44,741.25	(14,074.47)	(58,815.72)
Fund Balance - January 1	229,807.11	229,807.11	
Fund Balance - December 31	274,548.36	215,732.64	(58,815.72)

CITY OF SAWYER
Sawyer, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	24,500.00	21,098.70	(3,401.30)
Charges for Services	9,000.00	14,792.88	5,792.88
Miscellaneous	15.00	32.39	17.39
Total Revenues	33,515.00	35,923.97	2,408.97
<u>Expenditures:</u>			
Current:			
Streets and Public Works	51,820.00	29,232.31	22,587.69
Debt Service:			
Principal	6,300.00	4,228.64	2,071.36
Interest and Service Charges	200.00	41.28	158.72
Total Expenditures	58,320.00	33,502.23	24,817.77
Excess (Deficiency) of Revenues Over Expenditures	(24,805.00)	2,421.74	27,226.74
<u>Other Financing Sources:</u>			
Transfers In	30,000.00	30,000.00	
Net Change in Fund Balances	5,195.00	32,421.74	27,226.74
Fund Balance - January 1	(15,434.83)	(15,434.83)	
Fund Balance - December 31	(10,239.83)	16,986.91	27,226.74

CITY OF SAWYER
Sawyer, North Dakota

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

	Original and Final Budget	Actual Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	18,000.00	25,268.01	7,268.01
Charges for Services	12,000.00	13,133.58	1,133.58
Miscellaneous	15.00	75.81	60.81
Total Revenues	30,015.00	38,477.40	8,462.40
<u>Expenditures:</u>			
Current:			
Streets and Public Works	51,720.00	32,664.62	19,055.38
Debt Service:			
Principal	6,500.00	6,207.19	292.81
Interest and Service Charges	200.00	197.69	2.31
Total Expenditures	58,420.00	39,069.50	19,350.50
Excess (Deficiency) of Revenues Over Expenditures	(28,405.00)	(592.10)	27,812.90
<u>Other Financing Sources:</u>			
Transfers In	30,000.00	30,000.00	
Net Change in Fund Balances	1,595.00	29,407.90	27,812.90
Fund Balance - January 1	(44,842.73)	(44,842.73)	
Fund Balance - December 31	(43,247.73)	(15,434.83)	27,812.90

CITY OF SAWYER
Sawyer, 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

The governing board did not amend the budgets during the years ended December 31, 2021 and 2020.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the years ending December 31:

	<u>2021</u>	<u>2020</u>
General Fund	14,155.72	8,512.61

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Balance 1-1-21	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-21
<u>Major Governmental Funds</u>						
General Fund	215,732.64	147,446.75		30,000.00	97,795.72	235,383.67
Highway	(15,434.83)	35,923.97	30,000.00		33,502.23	16,986.91
Total Major Governmental Funds	200,297.81	183,370.72	30,000.00	30,000.00	131,297.95	252,370.58
<u>Non-Major Governmental Fund</u>						
Projects Fund	12,000.00			4,991.48		7,008.52
Total Governmental Funds	212,297.81	183,370.72	30,000.00	34,991.48	131,297.95	259,379.10
<u>Major Enterprise Fund</u>						
Water, Sewer & Sanitation:						
Operating	195,622.46	167,421.07	4,991.48		150,461.57	217,573.44
Line Looping	87,266.77	30,941.36			20,730.00	97,478.13
Total Major Enterprise Fund	282,889.23	198,362.43	4,991.48		171,191.57	315,051.57
Total All Funds	495,187.04	381,733.15	34,991.48	34,991.48	302,489.52	574,430.67

CITY OF SAWYER
Sawyer, North Dakota

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

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-20
<u>Major Governmental Funds</u>						
General Fund	229,807.11	117,120.74		35,742.60	95,452.61	215,732.64
Highway	(44,842.73)	38,477.40	30,000.00		39,069.50	(15,434.83)
Total Major Governmental Funds	184,964.38	155,598.14	30,000.00	35,742.60	134,522.11	200,297.81
<u>Non-Major Governmental Funds</u>						
Social Security	(5,742.60)		5,742.60			
Projects Fund	12,185.48				185.48	12,000.00
Total Non-Major Governmental Funds	6,442.88		5,742.60		185.48	12,000.00
Total Governmental Funds	191,407.26	155,598.14	35,742.60	35,742.60	134,707.59	212,297.81
<u>Major Enterprise Fund</u>						
Water, Sewer & Sanitation:						
Operating	174,626.69	193,872.28			172,876.51	195,622.46
Line Looping	79,779.96	28,681.81			21,195.00	87,266.77
Total Major Enterprise Fund	254,406.65	222,554.09			194,071.51	282,889.23
Total All Funds	445,813.91	378,152.23	35,742.60	35,742.60	328,779.10	495,187.04

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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 Sawyer
Sawyer, 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 Sawyer, 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, and have issued our report thereon dated July 22, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified 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 was not subjected to the other 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

July 22, 2022

CITY OF SAWYER
Sawyer, 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 Fund	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

* Significant deficiency(ies) identified? X Yes None Reported

Noncompliance Material to financial statements noted? Yes X No

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 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 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.