

AUDIT REPORT

CITY OF GARRISON
Garrison, North Dakota

For the Year Ended December 31, 2023

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF GARRISON
Garrison, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2023

	<u>Page (s)</u>
Officials	1
Independent Auditor's Report	2 - 4
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Balance Sheet – Modified Cash Basis – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis	10
Statement of Net Position – Modified Cash Basis – Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	12
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	13
Notes to the Financial Statements	14 - 23
 SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules – Modified Cash Basis	
General Fund	24
Street Fund	25
Airport Fund	26
City Sales Tax Fund	27
Notes to the Budgetary Comparison Schedules	28
Schedule of Fund Activity Arising from Cash Transactions	29
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	30 - 31
Schedule of Findings and Responses	32 - 33

CITY OF GARRISON
Garrison, North Dakota

CITY OFFICIALS
December 31, 2023

Stuart Merry	Mayor
Shannon Jeffers	President
Bree Diffely	Vice President
Billee Jo Iglehart	Council Member
David Jeffrey	Council Member
Curtis Olson	Council Member
David Reinarts	Council Member
Diane Affeldt	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

1003 E. Interstate Ave. Ste. 7
Bismarck, ND 58503-0500
Phone 701-258-4560
rathandmehrer@hotmail.com

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Garrison
Garrison, 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 Garrison as of and for the year ended December 31, 2023, 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, 2023, 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 other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and the schedule 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 schedule 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 April 19, 2024 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

April 19, 2024

CITY OF GARRISON
Garrison, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash, Cash Equivalents and Investments	1,827,338.58	2,796,484.57	4,623,823.15
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	2,178,857.00	7,404,003.00	9,582,860.00
Machinery and Vehicles	320,632.00	38,043.00	358,675.00
 Total Capital Assets	 2,499,489.00	 7,442,046.00	 9,941,535.00
 Total Assets	 4,326,827.58	 10,238,530.57	 14,565,358.15
 <u>Liabilities:</u>			
Long-Term Liabilities:			
Due Within One Year:			
Special Assessment Bonds Payable	50,000.00		50,000.00
Revenue Bonds Payable		85,000.00	85,000.00
Due After One Year:			
Special Assessment Bonds Payable	265,000.00		265,000.00
Revenue Bonds Payable		1,935,000.00	1,935,000.00
 Total Liabilities	 315,000.00	 2,020,000.00	 2,335,000.00
 <u>NET POSITION:</u>			
Net Investment in Capital Assets	2,184,489.00	5,422,046.00	7,606,535.00
Restricted for:			
Debt Service	131,763.92		131,763.92
Special Purposes	1,686,796.01		1,686,796.01
Water Treatment Plant		627,055.22	627,055.22
Water Meters		15,786.86	15,786.86
Unrestricted	8,778.65	2,153,642.49	2,162,421.14
 Total Net Position	 4,011,827.58	 8,218,530.57	 12,230,358.15

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

	Net (Expense) Revenue and Change in Net Position				
	Program Revenues			Primary Government	
	Charges for	Operating Grants	Governmental	Business-Type	
Expenses	Services	and Contributions	Activities	Activities	Total
Functions/Programs					
Primary Government					
Governmental Activities:					
General Government	377,618.95	28,896.74	1,910.05	(346,812.16)	(346,812.16)
Public Safety	289,523.81	5,985.00		(283,538.81)	(283,538.81)
Streets and Public Works	513,948.87	86,003.50	159,866.34	(268,079.03)	(268,079.03)
Urban and Economic Development	213,710.46			(213,710.46)	(213,710.46)
Health and Welfare	20,000.00			(20,000.00)	(20,000.00)
Culture and Recreation	178,652.20	1,012.97		(177,639.23)	(177,639.23)
Other	333,405.65	40,841.98	161,126.11	(131,437.56)	(131,437.56)
Interest on Long-Term Debt	10,920.00		53,807.62	42,887.62	42,887.62
Total Governmental Activities	1,937,779.94	162,740.19	376,710.12	(1,398,329.63)	(1,398,329.63)
Business-Type Activities:					
Water	949,157.32	609,430.31	1,843,219.49	1,503,492.48	1,503,492.48
Sewer	85,024.21	134,476.62		49,452.41	49,452.41
Garbage	99,497.27	98,097.29		(1,399.98)	(1,399.98)
Trailer Park	120,914.23	99,129.23		(21,785.00)	(21,785.00)
Landfill	21,673.91	28,602.80		6,928.89	6,928.89
Total Business-Type Activities	1,276,266.94	969,736.25	1,843,219.49	1,536,688.80	1,536,688.80
Total Primary Government	3,214,046.88	1,132,476.44	2,219,929.61	(1,398,329.63)	138,359.17
General Revenues:					
Taxes:					
Property taxes; levied for general purposes			227,816.90		227,816.90
Property taxes; levied for special purposes			50,784.41		50,784.41
City sales taxes			508,152.00		508,152.00
City lodging taxes			7,203.11		7,203.11
Oil and gas production taxes			36,253.60		36,253.60
Coal severance taxes			133,787.24		133,787.24
Coal conversion taxes			45,381.28		45,381.28
Cigarette taxes			2,557.08		2,557.08
Intergovernmental revenue not restricted to specific programs			147,832.82		147,832.82
Earnings on investments and other revenue			70,880.12	15,100.38	85,980.50
Transfers			(93,875.00)	93,875.00	-
Total General Revenues and Transfers			1,136,773.56	108,975.38	1,245,748.94
Change in Net Position			(261,556.07)	1,645,664.18	1,384,108.11
Net Position - January 1			4,273,383.65	6,572,866.39	10,846,250.04
Net Position - December 31			4,011,827.58	8,218,530.57	12,230,358.15

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

CITY OF GARRISON
Garrison, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2023

	Major Funds				Other	Total
	General	Street	Airport	City Sales Tax	Governmental Funds	Governmental Funds
<u>ASSETS:</u>						
Cash, Cash Equivalents and Investments		41,277.98	261,883.56	1,028,994.95	495,182.09	1,827,338.58
Interfund Receivables				70,283.11		70,283.11
Total Assets	-	41,277.98	261,883.56	1,099,278.06	495,182.09	1,897,621.69
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Interfund Payables	63,592.29				6,690.82	70,283.11
<u>Fund Balances:</u>						
Restricted for:						
Street and Public Works		41,277.98		507,039.26	24,730.00	573,047.24
Public Safety					95.25	95.25
Community Development				228,395.30		228,395.30
Urban and Economic Dev.				363,843.50	10,748.96	374,592.46
Culture and Recreation					1,704.91	1,704.91
Governmental Services / Infrastructure					233,172.45	233,172.45
Emergency					8,128.87	8,128.87
Airport			261,883.56			261,883.56
Cemetery					5,775.97	5,775.97
Debt Service					131,763.92	131,763.92
Assigned to:						
Equipment					79,061.76	79,061.76
Unassigned	(63,592.29)				(6,690.82)	(70,283.11)
Total Fund Balances	(63,592.29)	41,277.98	261,883.56	1,099,278.06	488,491.27	1,827,338.58
Total Liabilities and Fund Balances	-	41,277.98	261,883.56	1,099,278.06	495,182.09	1,897,621.69

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

CITY OF GARRISON
Garrison, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
December 31, 2023

Total Fund Balances for Governmental Funds	1,827,338.58
--	--------------

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	10,437,981.00
Less Accumulated Depreciation	<u>(7,938,492.00)</u>
Net Capital Assets	2,499,489.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2023 are:

Special Assessment Bonds Payable	<u>(315,000.00)</u>
----------------------------------	---------------------

Total Net Position of Governmental Activities	<u><u>4,011,827.58</u></u>
---	----------------------------

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2023

	Major Funds				Other	Total
	General	Street	Airport	City Sales Tax	Governmental Funds	Governmental Funds
Revenues:						
Taxes	227,816.90		15,077.41	508,152.00	42,910.11	793,956.42
Special Assessments					53,807.62	53,807.62
Licenses, Permits and Fees	17,664.91					17,664.91
Intergovernmental	416,419.36	135,093.53	136,332.11		869.52	688,714.52
Charges for Services	9,530.00	88,085.33	40,841.98		473.50	138,930.81
Fines and Forfeits	5,985.00				159.47	6,144.47
Miscellaneous	9,374.48	5,731.72	43,023.97	2,875.83	9,874.12	70,880.12
Total Revenues	686,790.65	228,910.58	235,275.47	511,027.83	108,094.34	1,770,098.87
Expenditures:						
Current:						
General Government	369,485.95					369,485.95
Public Safety	289,523.81					289,523.81
Streets and Public Works	107,359.01	185,967.27	211,764.59			505,090.87
Urban and Economic Development				72,187.46		72,187.46
Health and Welfare				20,000.00		20,000.00
Culture and Recreation	33,515.58			91,079.29	39,112.33	163,707.20
Other	12,776.80			22.05	32,871.80	45,670.65
Capital Outlay	48,923.00				23,085.00	72,008.00
Debt Service:						
Principal					50,000.00	50,000.00
Interest and Service Charges					10,920.00	10,920.00
Total Expenditures	861,584.15	185,967.27	211,764.59	183,288.80	155,989.13	1,598,593.94
Excess (Deficiency) of Revenue Over (Under) Expenditures	(174,793.50)	42,943.31	23,510.88	327,739.03	(47,894.79)	171,504.93
Other Financing Sources (Uses):						
Transfers In					23,000.00	23,000.00
Transfers Out				(116,875.00)		(116,875.00)
Total Other Financing Sources (Uses)	-	-	-	(116,875.00)	23,000.00	(93,875.00)
Net Changes in Fund Balances	(174,793.50)	42,943.31	23,510.88	210,864.03	(24,894.79)	77,629.93
Fund Balance - January 1	111,201.21	(1,665.33)	238,372.68	888,414.03	513,386.06	1,749,708.65
Fund Balance - December 31	(63,592.29)	41,277.98	261,883.56	1,099,278.06	488,491.27	1,827,338.58

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

CITY OF GARRISON
Garrison, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	77,629.93
--	-----------

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	72,008.00	
Current Year Depreciation Expense	<u>(461,194.00)</u>	(389,186.00)

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

Debt Proceeds	-	
Repayment of Debt	<u>50,000.00</u>	<u>50,000.00</u>

Change in Net Position of Governmental Activities	<u>(261,556.07)</u>
---	---------------------

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2023

	Major Enterprise Fund		
	Water	Other Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	2,204,092.68	592,391.89	2,796,484.57
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	7,332,310.00	71,693.00	7,404,003.00
Machinery and Vehicles	1,500.00	36,543.00	38,043.00
Total Noncurrent Assets	7,333,810.00	108,236.00	7,442,046.00
Total Assets	9,537,902.68	700,627.89	10,238,530.57
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Revenue Bonds Payable	85,000.00		85,000.00
<u>Noncurrent Liabilities:</u>			
Revenue Bonds Payable	1,935,000.00		1,935,000.00
Total Liabilities	2,020,000.00	-	2,020,000.00
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,313,810.00	108,236.00	5,422,046.00
Restricted for:			
Water Treatment Plant	627,055.22		627,055.22
Water Meters	15,786.86		15,786.86
Unrestricted	1,561,250.60	592,391.89	2,153,642.49
Total Net Position	7,517,902.68	700,627.89	8,218,530.57

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2023

	Major Enterprise Fund		Other Enterprise Funds	Total Enterprise Funds
	Water			
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water User Fees	455,952.23			455,952.23
Rural Water Rates	150,605.43			150,605.43
Sewer Charges		134,476.62		134,476.62
Garbage Collections		98,097.29		98,097.29
Dumpground Charges		26,901.60		26,901.60
Landfill Surcharges		1,701.20		1,701.20
Trailer Park Rents		99,129.23		99,129.23
Miscellaneous Service	2,872.65			2,872.65
Total Operating Revenues	609,430.31	360,305.94		969,736.25
<u>Operating Expenses:</u>				
Water	447,136.71			447,136.71
Sewer		74,620.21		74,620.21
Garbage		99,497.27		99,497.27
Trailer Park		119,520.23		119,520.23
Landfill		21,673.91		21,673.91
Meter Refunds				-
Repairs and Maintenance	181,576.61			181,576.61
Depreciation	260,644.00	11,798.00		272,442.00
Total Operating Expenses	889,357.32	327,109.62		1,216,466.94
Operating Income (Loss)	(279,927.01)	33,196.32		(246,730.69)
<u>Non-Operating Revenues (Expenses):</u>				
Department of Water Resources	1,325,472.85			1,325,472.85
Rural Water District	295,488.71			295,488.71
Prairie Dog Grant Funding	222,257.93			222,257.93
Interest Income	12,249.79	1,081.25		13,331.04
Miscellaneous Revenues	1,670.34	99.00		1,769.34
Interest and Service Charges	(59,800.00)			(59,800.00)
Total Non-Operating Revenues (Expenses)	1,797,339.62	1,180.25		1,798,519.87
Income (Loss) Before Transfers	1,517,412.61	34,376.57		1,551,789.18
Transfer In	116,875.00			116,875.00
Transfer Out		(23,000.00)		(23,000.00)
Changes in Net Position	1,634,287.61	11,376.57		1,645,664.18
Net Position - January 1	5,883,615.07	689,251.32		6,572,866.39
Net Position - December 31	7,517,902.68	700,627.89		8,218,530.57

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

CITY OF GARRISON
Garrison, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2023

	<u>Major Enterprise Fund</u>	Other Enterprise Funds	Total Enterprise Funds
	Water		
<u>Cash flows from operating activities:</u>			
Receipts from customers	609,430.31	360,305.94	969,736.25
Payments to suppliers and employees	(628,713.32)	(315,311.62)	(944,024.94)
Net cash provided (used) by operating activities	(19,283.01)	44,994.32	25,711.31
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	1,670.34	99.00	1,769.34
Transfers in	116,875.00		116,875.00
Transfers out		(23,000.00)	(23,000.00)
Net cash provided (used) by noncapital financing activities	118,545.34	(22,901.00)	95,644.34
<u>Cash flows from capital and related financing activities:</u>			
Department of water resources	1,325,472.85		1,325,472.85
Rural water district	295,488.71		295,488.71
Prairie dog grant funding	222,257.93		222,257.93
Water treatment plant project	(2,209,000.00)		(2,209,000.00)
Principal payments	(165,000.00)		(165,000.00)
Interest and service charges	(59,800.00)		(59,800.00)
Net cash provided (used) by capital and related financing activities	(590,580.51)	-	(590,580.51)
<u>Cash flows from investing activities:</u>			
Interest income	12,249.79	1,081.25	13,331.04
Net increase (decrease) in cash and cash equivalents	(479,068.39)	23,174.57	(455,893.82)
Cash and cash equivalents, January 1	2,683,161.07	569,217.32	3,252,378.39
Cash and cash equivalents, December 31	2,204,092.68	592,391.89	2,796,484.57
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>			
Operating income (Loss)	(279,927.01)	33,196.32	(246,730.69)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	260,644.00	11,798.00	272,442.00
Net cash provided (used) by operating activities	(19,283.01)	44,994.32	25,711.31

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

CITY OF GARRISON
Garrison, North Dakota

Notes to the Financial Statements
December 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Street. This fund accounts for the state highway distribution tax and utility charges used for street repairs and maintenance.

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

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

The city reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and proprietary fund financial 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 financial statements would be presented on the accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

Buildings and Infrastructure	10 to 75 years
Machinery and Vehicles	5 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 financial 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, share of investments companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2023 the city's carrying amount of deposits was \$4,623,823 and the bank balance was \$4,679,634. Of the bank balance, \$526,872 was covered by Federal Depository Insurance. The remaining balance of \$4,152,762 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2023 the city held certificates of deposit in the amount of \$227,026, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLES

The interfund receivable/payables are created by a negative cash balance in the street and library funds. The amount shown as interfund payables represent the amount of negative cash in these funds. The interfund receivable/payables for the year ended December 31, 2023 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
City Sales Tax	70,283.11	
General		63,592.29
Library		6,690.82

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	9,652,760			9,652,760
Machinery and Vehicles	745,303	87,070	47,152	785,221
Total	10,398,063	87,070	47,152	10,437,981
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	7,060,735	413,168		7,473,903
Machinery and Vehicles	448,653	48,026	32,090	464,589
Total	7,509,388	461,194	32,090	7,938,492
Governmental Activities				
Capital Assets, Net	2,888,675	(374,124)	15,062	2,499,489

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,957,720	2,209,000		9,166,720
Machinery and Vehicles	205,343			205,343
Total	7,163,063	2,209,000		9,372,063
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,501,207	261,510		1,762,717
Machinery and Vehicles	156,368	10,932		167,300
Total	1,657,575	272,442		1,930,017
Business-Type Activities Capital Assets, Net	5,505,488	1,936,558	-	7,442,046

Depreciation expense was charged to functions/programs of the city as follows for the year ended December 31, 2023:

<u>Governmental Activities:</u>	
General Government	8,133
Public Safety	8,858
Streets and Public Works	141,523
Culture and Recreation	14,945
Other	287,735
Total	461,194
<u>Business-type Activities:</u>	
Water	260,644
Sewer	10,404
Trailer Park	1,394
Total	272,442

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2023, the following changes occurred in the liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Bonds	365,000		50,000	315,000	50,000

Business-Type (Proprietary Funds):

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Revenue Bonds	2,185,000		165,000	2,020,000	85,000

Outstanding debt at December 31, 2023 consists of the following:

Governmental Activities:

Special Assessment Debt. The city has issued special assessment bonds to provide funds for a water, sewer and street project. Special assessment bonds outstanding at December 31, 2021, are as follows:

\$650,000 Refunding Improvement Bonds, Series 2015, due in annual installments of \$45,000 to \$55,000 through May 1, 2029; interest is at 1.65% to 3%.	<u>315,000.00</u>
---	-------------------

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	50,000.00	8,575.00
2025	50,000.00	7,200.00
2026	50,000.00	5,700.00
2027	55,000.00	4,125.00
2028	55,000.00	2,475.00
2029	55,000.00	825.00
Total	<u>315,000.00</u>	<u>28,900.00</u>

Business-Type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2023 are as follows:

\$945,000 Utility Revenue Bonds, Series 2022, due in annual installments of \$35,000 to \$195,000 through January 1, 2032; interest is at 2.5% to 3.2%.	830,000.00
\$1,821,023 Water and Sales Tax Revenue Bonds, Series 2015, due in annual installments of \$80,000 to \$110,000 through September 1, 2035; interest is at 2%.	<u>1,190,000.00</u>
Total Revenue Bonds Payable	<u>2,020,000.00</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>
2024	85,000.00	36,215.00
2025	175,000.00	45,867.50
2026	175,000.00	41,942.50
2027	180,000.00	37,805.00
2028	185,000.00	33,280.00
2029-2033	1,005,000.00	89,025.00
2034-2035	215,000.00	6,400.00
Total	<u>2,020,000.00</u>	<u>290,535.00</u>

Note 7 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2023:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Library	6,000.00	
Landfill		6,000.00
To subsidize expenditures.		
Equipment Capital Improvements	12,000.00	
Fire Department Equipment Capital	5,000.00	
Trailer Park		17,000.00
To subsidize expenditures/set aside for reserves.		
Water: Operating	116,875.00	
City Sales Tax		116,875.00
To subsidize debt service payments.		

Note 8 DEFICIT FUND BALANCES

The following funds had a deficit balance as of December 31, 2023:

General Fund	(63,592.29)
<u>Special Revenue Fund</u>	
Library	(6,690.82)
<u>Enterprise Fund</u>	
Garbage	(4,259.87)

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

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 \$5,000,000 per occurrence for general liability and automobile; and \$1,253,758 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,941,767 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

The city provides benefits for all of its full-time employees, through a defined contribution plan with American Funds Service. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 8% of the employee's gross salary for the year. During the year ending December 31, 2023, the city contributed \$16,493.

Note 11 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2023.

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	236,650.00	227,816.90	227,816.90	-
Licenses, Permits and Fees	19,300.00	17,664.91	17,664.91	-
Intergovernmental	372,500.00	416,419.36	416,419.36	-
Charges for Services	7,400.00	9,530.00	9,530.00	-
Fines and Forfeits	7,500.00	5,985.00	5,985.00	-
Miscellaneous	6,240.00	9,374.48	9,374.48	-
Total Revenues	649,590.00	686,790.65	686,790.65	-
<u>Expenditures:</u>				
Current:				
General Government	376,365.00	376,365.00	369,485.95	6,879.05
Public Safety	344,160.00	344,160.00	289,523.81	54,636.19
Streets and Public Works	205,000.00	205,000.00	107,359.01	97,640.99
Culture and Recreation	30,000.00	30,000.00	33,515.58	(3,515.58)
Other	10,040.00	10,040.00	12,776.80	(2,736.80)
Capital Outlay			48,923.00	(48,923.00)
Total Expenditures	965,565.00	965,565.00	861,584.15	103,980.85
Excess (Deficiency) of Revenue Over (Under) Expenditures	(315,975.00)	(278,774.35)	(174,793.50)	103,980.85
<u>Other Financing Sources (Uses):</u>				
Transfers In	30,000.00			-
Transfers Out	(4,000.00)	(4,000.00)		4,000.00
Net Change in Fund Balances	(289,975.00)	(282,774.35)	(174,793.50)	107,980.85
Fund Balance - January 1	111,201.21	111,201.21	111,201.21	
Fund Balance - December 31	(178,773.79)	(171,573.14)	(63,592.29)	107,980.85

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Street Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	151,000.00	135,093.53	(15,906.47)
Charges for Services	100,000.00	88,085.33	(11,914.67)
Miscellaneous	1,500.00	5,731.72	4,231.72
Total Revenues	252,500.00	228,910.58	(23,589.42)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	284,500.00	185,967.27	98,532.73
Other	20,000.00		20,000.00
Total Expenditures	304,500.00	185,967.27	118,532.73
Net Change in Fund Balances	(52,000.00)	42,943.31	94,943.31
Fund Balance - January 1	(1,665.33)	(1,665.33)	
Fund Balance - December 31	(53,665.33)	41,277.98	94,943.31

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Airport Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	15,850.00	15,077.41	(772.59)
Intergovernmental	190,000.00	136,332.11	(53,667.89)
Charges for Services	50,000.00	40,841.98	(9,158.02)
Miscellaneous	16,125.00	43,023.97	26,898.97
Total Revenues	271,975.00	235,275.47	(36,699.53)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	205,000.00	211,764.59	(6,764.59)
Other	66,975.00		66,975.00
Total Expenditures	271,975.00	211,764.59	60,210.41
Net Change in Fund Balances	-	23,510.88	23,510.88
Fund Balance - January 1	238,372.68	238,372.68	
Fund Balance - December 31	238,372.68	261,883.56	23,510.88

CITY OF GARRISON
Garrison, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	400,000.00	508,152.00	508,152.00	-
Miscellaneous	1,904.00	2,875.83	2,875.83	-
Total Revenues	401,904.00	511,027.83	511,027.83	-
<u>Expenditures:</u>				
Current:				
Street and Public Works	200,000.00	318,000.00		318,000.00
Urban and Economic Development	75,000.00	75,000.00	72,187.46	2,812.54
Health and Welfare	20,000.00	20,000.00	20,000.00	-
Culture and Recreation	80,000.00	80,000.00	91,079.29	(11,079.29)
Other			22.05	(22.05)
Total Expenditures	375,000.00	493,000.00	183,288.80	309,711.20
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,904.00	18,027.83	327,739.03	309,711.20
<u>Other Financing (Uses):</u>				
Transfers Out	(118,000.00)	(116,875.00)	(116,875.00)	-
Net Change in Fund Balances	(91,096.00)	(98,847.17)	210,864.03	309,711.20
Fund Balance - January 1	888,414.03	888,414.03	888,414.03	
Fund Balance - December 31	797,318.03	789,566.86	1,099,278.06	309,711.20

CITY OF GARRISON
Garrison, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board approved the following amendments to the city's budget for the year ending December 31, 2023:

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
		<u>Estimated Revenues</u>	
General Fund	649,590	37,201	686,791
<u>Special Revenue Funds</u>			
City Sales Tax	401,904	109,124	511,028
City Lodging Tax	4,000	3,203	7,203
Cemetery	11,037	1,961	12,998
American Recovery Plan	1,000	797	1,797
<u>Debt Service Fund</u>			
Water, Sewer & Street Improvement District, 2013	50,000	3,808	53,808
		<u>Appropriations</u>	
<u>Special Revenue Funds</u>			
City Lodging Tax	4,000	4,500	8,500
Cemetery	38,470	8,760	47,230
Recreation	10,500	500	11,000
Water, Sewer & Street Improvement District, 2023	60,000	920	60,920
		<u>Transfers In</u>	
General Fund	30,000	(30,000)	-
		<u>Transfers Out</u>	
<u>Special Revenue Funds</u>			
City Sales Tax	(118,000)	1,125	(116,875)

CITY OF GARRISON
Garrison, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2023

	Balance 1-1-2023	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2023
<u>Major Governmental Funds</u>						
General Fund	111,201.21	686,790.65			861,584.15	(63,592.29)
Street	(1,665.33)	228,910.58			185,967.27	41,277.98
Airport	238,372.68	235,275.47			211,764.59	261,883.56
City Sales Tax	888,414.03	511,027.83		116,875.00	183,288.80	1,099,278.06
Total Major Governmental Funds	1,236,322.59	1,662,004.53	-	116,875.00	1,442,604.81	1,338,847.31
<u>Non-major Governmental Funds</u>						
Garrison PD Promotion/Training	322.10				226.85	95.25
City Lodging Tax	12,045.85	7,203.11			8,500.00	10,748.96
Emergency	8,128.87					8,128.87
Library	(7,128.03)	22,549.54	6,000.00		28,112.33	(6,690.82)
Cemetery	25,217.33	12,542.96			47,229.95	(9,469.66)
Cemetery Perpetual Maintenance	3,813.60	41.42				3,855.02
Cemetery Special	11,376.73	13.88				11,390.61
Recreation	2,650.97	10,053.94			11,000.00	1,704.91
Equipment Capital Improvements	28,291.24		12,000.00			40,291.24
Fire Department Equipment Capital	33,685.76	84.76	5,000.00			38,770.52
Sidewalk	24,730.00					24,730.00
American Recovery Plan	231,375.34	1,797.11				233,172.45
Water, Sewer & Street Improv. Dist. 2013	138,876.30	53,807.62			60,920.00	131,763.92
Total Nonmajor Governmental Funds	513,386.06	108,094.34	23,000.00	-	155,989.13	488,491.27
Total Governmental Funds	1,749,708.65	1,770,098.87	23,000.00	116,875.00	1,598,593.94	1,827,338.58
<u>Major Enterprise Fund</u>						
Water:						
Operating	930,257.68	847,551.60	116,875.00		1,448,309.97	446,374.31
Water Meter Deposits	15,738.82	48.04				15,786.86
Water Main Replacement	17,476.52	142.52				17,619.04
Water Capital Improvements	558,839.19	68,216.03				627,055.22
Water Improvement 2020-1 Construction	882,260.99	1,325,472.85			1,433,397.85	774,335.99
Municipal Infrastructure	250,422.10	225,009.05			180,805.50	294,625.65
Garrison Rural Water Escrow	28,165.77	129.84				28,295.61
Total Major Enterprise Fund	2,683,161.07	2,466,569.93	116,875.00	-	3,062,513.32	2,204,092.68
<u>Nonmajor Enterprise Funds</u>						
Sewer:						
Operating	276,736.75	135,656.87			74,620.21	337,773.41
Sewer Lagoon	124,356.10					124,356.10
Garbage	(2,859.89)	98,097.29			99,497.27	(4,259.87)
Landfill	41,217.08	28,602.80		6,000.00	21,673.91	42,145.97
Trailer Park	129,767.28	99,129.23		17,000.00	119,520.23	92,376.28
Total Nonmajor Enterprise Funds	569,217.32	361,486.19	-	23,000.00	315,311.62	592,391.89
Total Enterprise Funds	3,252,378.39	2,828,056.12	116,875.00	23,000.00	3,377,824.94	2,796,484.57
Total All Funds	5,002,087.04	4,598,154.99	139,875.00	139,875.00	4,976,418.88	4,623,823.15

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

1003 E. Interstate Ave. Ste. 7
Bismarck, ND 58503-0500
Phone 701-258-4560
rathandmehrer@hotmail.com

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Garrison
Garrison, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Garrison as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated April 19, 2024.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002, 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 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

April 19, 2024

CITY OF GARRISON
Garrison, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2023

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2023-001 – 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. 2023-002- Financial Statement Preparation

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

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

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

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

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

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