



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

2023 Annual Financial Report of **City of Karlsruhe**



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HAVE QUESTIONS? ASK US.

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Basic Review Summary

We have reviewed the cash basis Annual Financial Report for the City of Karlsruhe for the year ended 2023. This review was done under the authority of North Dakota Century Code 54-10-14. These reviews are limited in scope and are not completed under the Auditing or Attestation standards issued by the American Institute of Certified Public Accountants.

This review was limited to verifying the following:

- Fund balances submitted on the Annual Financial Report agreed to the balances held at the bank.
- Long-term debt reported agrees to debt statements.
- Required fund breakouts are reported.

During the basic review, we identified that bank balances didn't agree to total balances reported on the Annual Financial Report.

Additional procedures for the bank balances were completed. We received a listing of outstanding checks and deposits at the year end. These were verified with accounting records to ensure they were an outstanding item that would impact the Annual Financial Report. There were additional differences identified.

We determined the total amount of revenue and expenditures from bank records. We performed a comparison between the bank records and the accounting records and identified the transactions that were not recorded to the accounting ledger. Finally, we reviewed the support for those transactions to ensure nothing appeared unusual.

Any comments from either the Basic Review or Extended Review are included at the back of the report.

North Dakota State Auditor's Office
Bismarck, North Dakota
August 25, 2025



	<u>General Fund</u>	<u>Total Funds</u>
Receipts		
General Property Taxes	\$ 3,636.87	\$ 3,636.87
Oil And Gas Taxes	724.44	724.44
Highway Taxes	8,682.83	8,682.83
All Other Taxes	<u>152.16</u>	<u>152.16</u>
Total Taxes	<u>13,196.30</u>	<u>13,196.30</u>
Licenses And Permits	<u>1,400.00</u>	<u>1,400.00</u>
Total Licenses And Permits, And Fees	<u>1,400.00</u>	<u>1,400.00</u>
Grants From State Government	15,853.63	15,853.63
State Aid Distribution	<u>8,627.91</u>	<u>8,627.91</u>
Total Intergovernmental	<u>24,481.54</u>	<u>24,481.54</u>
Municipal Utilities	<u>52,736.00</u>	<u>52,736.00</u>
Total Service Revenue	<u>52,736.00</u>	<u>52,736.00</u>
Interest And Dividends	280.31	280.31
Donations	<u>1,500.00</u>	<u>1,500.00</u>
Total Miscellaneous Receipts	<u>1,780.31</u>	<u>1,780.31</u>
Total Receipts	<u>\$ 93,594.15</u>	<u>\$ 93,594.15</u>
Disbursements		
Payroll And Benefits	\$ 12,836.00	\$ 12,836.00
Insurance	2,354.00	2,354.00
Utilities	8,951.93	8,951.93
Other Operating	<u>4,652.60</u>	<u>4,652.60</u>
Total Personnel And Administrative	<u>28,794.53</u>	<u>28,794.53</u>
Repairs And Maintenance	<u>14,262.00</u>	<u>14,262.00</u>
Total Capital And Infrastructure	<u>14,262.00</u>	<u>14,262.00</u>
Debt Payments	<u>8,560.00</u>	<u>8,560.00</u>
Total Debt	<u>8,560.00</u>	<u>8,560.00</u>
Municipal Utilities	<u>17,184.03</u>	<u>17,184.03</u>
Total Cost Of Service Revenue	<u>17,184.03</u>	<u>17,184.03</u>
Total Disbursements	<u>\$ 68,800.56</u>	<u>\$ 68,800.56</u>
Beginning Fund Balance	\$ 95,465.49	\$ 95,465.49
Current Year Activity	<u>24,793.59</u>	<u>24,793.59</u>
Ending Fund Balance	<u>\$ 120,259.08</u>	<u>\$ 120,259.08</u>



Long-Term Debt Table

Long-Term Debt					Total	48,000.00
Type	Bank/Institution	Purpose of Debt	Maturity Date	Original Amount	Balance Amount	
Loans Payable	Bank of ND	Water Treatment Plant	9/1/2029	134,415.00	48,000.00	



Comments Letter

Inaccurate Reporting of Revenues and Expenditures (2023)

The submitted Annual Financial Report does not tie to the bank statements at the end of the year, nor are revenues or expenditures recorded accurately.

Suggested Change:

Adjustments were made to the Annual Financial Report to reflect the missing activity. All receipts and disbursements throughout the year to ensure the accuracy of accounting records.

Municipal Infrastructure Fund - Not in its own Fund

During the review of the Annual Financial Report, we found Municipal Infrastructure Funds, also known as Prairie Dog funds, were received not recorded in a Capital Projects Fund.

HB 1066 from the 66th Legislative Assembly during the 2019 Legislative Session allocated Prairie Dog Funds for "essential infrastructure projects". "Essential infrastructure projects" are defined as capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a city.

GASB 54 state capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

Suggested Change:

Receipts and disbursements related to the Municipal Infrastructure Funds should be recorded in a Capital Project Fund.

Highway Tax Dollars - Not in its own Fund (2023)

During review of the Annual Financial Report, we found Highway Tax receipts were deposited into the General Fund.

North Dakota Century Code 54-27-19(5) requires all highway tax funds to be deposited into a separate fund by cities.

Suggested Change:

Receipts and disbursement related to Highway Tax funds should be reported in a separate Special Revenue fund.

Enterprise Funds Reported in the General Fund (2023)

Municipal utility fund receipts and disbursements were recorded in the General Fund.

Under GASB Statement 34, enterprise funds are used to report activities where fees are charged to external users for goods or services, and the costs of providing those services.

Suggested Change:

An enterprise fund should be created to track receipts and disbursements for municipal utility services provided.



Office of the
State Auditor


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