



Financial Statements
December 31, 2017, 2016, 2015, 2014, and 2013
City of Dunseith

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Independent Auditor's Report

The Honorable Mayor, City Council and City Auditor
City of Dunseith, North Dakota

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the business-type activities and we have audited the accompanying financial statements of the governmental activities, each major fund (except as described below for the proprietary funds), and the aggregate remaining fund information of the City of Dunseith, North Dakota ("the City"), as of and for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion on Business-Type Activities and Each Major Proprietary Fund – All Years paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the business-type activities and each major proprietary fund.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified, qualified and disclaimer of opinion.

Basis for Disclaimer of Opinion on Business-Type Activities and Each Major Proprietary Fund – All Years

Because of the inadequacy of the accounting records for the major proprietary fund receipts, we were unable to form an opinion regarding the amounts at which these receipts are recorded and the allocation among the water, sewer and garbage funds in the accompanying statement of net position, statement of changes in net position and statement of cash flows for the years ending December 31, 2017, 2016, 2015, 2014, and 2013, for the business-type activities and each major proprietary fund financial statements.

Disclaimer of Opinion on Business-Type Activities and Each Major Proprietary Fund – All Years

In our opinion, because of the significance of the matters discussed in the “Basis for Disclaimer of Opinion on Business-Type Activities and Each Major Proprietary Fund – All Years” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion to enable us to express, and we do not express, an opinion on the financial statements of the Business-Type Activities Each Major Proprietary Funds for the years ended December 31, 2017, 2016, 2015, 2014, and 2013,.

Basis for Qualified Opinion on General Fund – All Years

We were unable to obtain sufficient appropriate audit evidence about the receipts of the City’s fines, forfeitures and penalties as of December 31, 2017, 2016, 2015, 2014, and 2013 recorded in the general fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the general fund in each of these years.

Qualified Opinion on General Fund – All Years

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on General Fund – All Years” paragraph, the financial statements referred to in the previous paragraph present fairly, in all material respects, the respective financial position of the general fund information of the City of Dunseith, North Dakota as of December 31, 2017, 2016, 2015, 2014, and 2013, and the respective changes in financial position, thereof, for the years then ended in conformity with the cash basis of accounting.

Basis for Qualified Opinion on Governmental Activities - 2013

We were unable to obtain sufficient appropriate audit evidence about the receipts of the City’s fines, forfeitures and penalties recorded in governmental activities as of December 31, 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the governmental activities as of December 31, 2013.

Qualified Opinion on Governmental Activities - 2013

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on Governmental Activities – 2013” paragraph, the financial statements referred to in the previous paragraph present fairly, in all material respects, the respective financial position of the governmental activities of the City of Dunseith, North Dakota as of December 31, 2013, and the respective changes in financial position, thereof, for the years then ended in conformity with the cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the street fund, industrial development fund, and the aggregate remaining fund information of the City of Dunseith, North Dakota, as of December 31, 2017, 2016, 2015, 2014, and 2013, and the respective changes in financial position for the years then ended in accordance with the cash basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Dunseith, North Dakota, as of December 31, 2017, 2016, 2015, and 2014, and the respective changes in financial position for the years then ended in accordance with the cash basis of accounting.

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 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.

Other Matters**Other Information**

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The budgetary comparison schedules are presented for the purposes of additional analysis and not a required part of the financial statements. Because of the significance of the matter described above in the “Basis for Disclaimer of Opinion on Business-Type Activities and Each Major Proprietary Fund – All Years”, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of City of Dunseith, North Dakota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dunseith’s internal control over financial reporting and compliance.



Bismarck, North Dakota
March 14, 2022

City of Dunseith
 Statements of Net Position – Cash Basis
 December 31, 2017 and 2016

	2017		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 741,623	\$ -	\$ 741,623
Internal balances	15,224	(15,224)	-
Total Assets	\$ 756,847	\$ (15,224)	\$ 741,623
Net Position (Deficit)			
Restricted for special purposes			
Streets	\$ 237,079	\$ -	\$ 237,079
Industrial revenue	146,030	-	146,030
Social security	37,214	-	37,214
Law enforcement	31,119	-	31,119
Planning study	15,923	-	15,923
Unrestricted	289,482	(15,224)	274,258
Total net position (deficit)	\$ 756,847	\$ (15,224)	\$ 741,623
	2016		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 700,971	\$ -	\$ 700,971
Internal balances	10,384	(10,384)	-
Total Assets	\$ 711,355	\$ (10,384)	\$ 700,971
Net Position (Deficit)			
Restricted for special purposes			
Streets	\$ 198,959	\$ -	\$ 198,959
Industrial revenue	140,755	-	140,755
Social security	40,179	-	40,179
Law enforcement	30,999	-	30,999
Planning study	15,879	-	15,879
Unrestricted	284,584	(10,384)	274,200
Total net position (deficit)	\$ 711,355	\$ (10,384)	\$ 700,971

City of Dunseith
 Statements of Net Position – Cash Basis
 December 31, 2015 and 2014

	2015		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 591,175	\$ -	\$ 591,175
Internal balances	8,279	(8,279)	-
Total Assets	\$ 599,454	\$ (8,279)	\$ 591,175
Net Position (Deficit)			
Restricted for special purposes			
Streets	\$ 175,900	\$ -	\$ 175,900
Industrial revenue	87,211	-	87,211
Social security	44,393	-	44,393
Law enforcement	30,832	-	30,832
Planning study	15,819	-	15,819
Unrestricted	245,299	(8,279)	237,020
Total net position (deficit)	\$ 599,454	\$ (8,279)	\$ 591,175
	2014		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 749,066	\$ -	\$ 749,066
Internal balances	71,052	(71,052)	-
Total Assets	\$ 820,118	\$ (71,052)	\$ 749,066
Net Position (Deficit)			
Restricted for special purposes			
Streets	\$ 193,272	\$ -	\$ 193,272
Industrial revenue	148,136	-	148,136
Social security	44,834	-	44,834
Law enforcement	29,409	-	29,409
Planning study	15,293	-	15,293
Unrestricted	389,174	(71,052)	318,122
Total net position (deficit)	\$ 820,118	\$ (71,052)	\$ 749,066

City of Dunseith
 Statements of Net Position – Cash Basis
 December 31, 2013

	2013		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 877,222	\$ 8,528	\$ 885,750
Net Position			
Restricted			
Streets	\$ 145,542	\$ -	\$ 145,542
Industrial revenue	241,973	-	241,973
Social security	44,558	-	44,558
Law enforcement	27,956	-	27,956
Planning study	14,760	-	14,760
Unrestricted	402,433	8,528	410,961
Total net position	\$ 877,222	\$ 8,528	\$ 885,750

City of Dunseith
Statements of Activities – Cash Basis
Year Ended December 31, 2017

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 144,100	\$ -	\$ -	\$ -	\$ (144,100)	\$ -	\$ (144,100)
Public safety	110,661	-	-	-	(110,661)	-	(110,661)
Streets and highways	47,174	-	85,294	-	38,120	-	38,120
Total governmental activities	<u>301,935</u>	<u>-</u>	<u>85,294</u>	<u>-</u>	<u>(216,641)</u>	<u>-</u>	<u>(216,641)</u>
Business-type activities							
Water	46,394	39,616	-	-	-	(6,778)	(6,778)
Sewer	20,835	23,531	-	-	-	2,696	2,696
Garbage	84,164	83,406	-	-	-	(758)	(758)
Total business-type activities	<u>151,393</u>	<u>146,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,840)</u>	<u>(4,840)</u>
Total Primary Government	<u>\$ 453,328</u>	<u>\$ 146,553</u>	<u>\$ 85,294</u>	<u>\$ -</u>	<u>(216,641)</u>	<u>(4,840)</u>	<u>(221,481)</u>
General receipts							
Property taxes					45,127	-	45,127
Sales tax					68,998	-	68,998
Licenses, permits, and fees					3,555	-	3,555
State aid distribution					68,305	-	68,305
Fines, forfeitures and penalties					8,035	-	8,035
Interest					1,183	-	1,183
Rent/lease					9,854	-	9,854
Miscellaneous					57,076	-	57,076
Total general receipts					<u>262,133</u>	<u>-</u>	<u>262,133</u>
Change in net position (deficit)					45,492	(4,840)	40,652
Net position (deficit) - January 1					711,355	(10,384)	700,971
Net position (deficit) - December 31					<u>\$ 756,847</u>	<u>\$ (15,224)</u>	<u>\$ 741,623</u>

City of Dunseith
Statements of Activities – Cash Basis
Year Ended December 31, 2016

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 191,941	\$ -	\$ -	\$ -	\$ (191,941)	\$ -	\$ (191,941)
Public safety	111,311	-	-	-	(111,311)	-	(111,311)
Streets and highways	66,882	-	89,941	-	23,059	-	23,059
Total governmental activities	<u>370,134</u>	<u>-</u>	<u>89,941</u>	<u>-</u>	<u>(280,193)</u>	<u>-</u>	<u>(280,193)</u>
Business-type activities							
Water	36,500	36,096	-	-	-	(404)	(404)
Sewer	22,777	22,944	-	-	-	167	167
Garbage	84,504	82,636	-	-	-	(1,868)	(1,868)
Total business-type activities	<u>143,781</u>	<u>141,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,105)</u>	<u>(2,105)</u>
Total Primary Government	<u>\$ 513,915</u>	<u>\$ 141,676</u>	<u>\$ 89,941</u>	<u>\$ -</u>	<u>(280,193)</u>	<u>(2,105)</u>	<u>(282,298)</u>
General receipts							
Property taxes					51,385	-	51,385
Sales tax					68,998	-	68,998
Licenses, permits, and fees					3,525	-	3,525
State aid distribution					74,865	-	74,865
Fines, forfeitures and penalties					7,251	-	7,251
Interest					756	-	756
Rent/lease					62,307	-	62,307
Miscellaneous					123,007	-	123,007
Total general receipts					<u>392,094</u>	<u>-</u>	<u>392,094</u>
Change in net position (deficit)					111,901	(2,105)	109,796
Net position (deficit) - January 1					599,454	(8,279)	591,175
Net position (deficit) - December 31					<u>\$ 711,355</u>	<u>\$ (10,384)</u>	<u>\$ 700,971</u>

City of Dunseith
 Statements of Activities – Cash Basis
 Year Ended December 31, 2015

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 173,221	\$ -	\$ -	\$ -	\$ (173,221)	\$ -	\$ (173,221)
Public safety	112,146	-	-	-	(112,146)	-	(112,146)
Streets and highways	117,003	-	99,631	-	(17,372)	-	(17,372)
Economic development	2,209	-	-	-	(2,209)	-	(2,209)
Capital outlay	174,640	-	-	-	(174,640)	-	(174,640)
Total governmental activities	<u>579,219</u>	<u>-</u>	<u>99,631</u>	<u>-</u>	<u>(479,588)</u>	<u>-</u>	<u>(479,588)</u>
Business-type activities							
Water	32,324	33,150	-	-	-	826	826
Sewer	21,812	23,548	-	-	-	1,736	1,736
Garbage	92,061	87,272	-	-	-	(4,789)	(4,789)
Total business-type activities	<u>146,197</u>	<u>143,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,227)</u>	<u>(2,227)</u>
Total Primary Government	<u>\$ 725,416</u>	<u>\$ 143,970</u>	<u>\$ 99,631</u>	<u>\$ -</u>	<u>(479,588)</u>	<u>(2,227)</u>	<u>(481,815)</u>
General receipts							
Property taxes					44,280	-	44,280
Sales tax					71,058	-	71,058
Licenses, permits, and fees					3,520	-	3,520
State aid distribution					103,375	-	103,375
Fines, forfeitures and penalties					9,071	-	9,071
Interest					1,964	-	1,964
Rent/lease					69,069	-	69,069
Miscellaneous					21,587	-	21,587
Total general receipts					<u>323,924</u>	<u>-</u>	<u>323,924</u>
Transfers					<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
Change in net position (deficit)					<u>(220,664)</u>	<u>62,773</u>	<u>(157,891)</u>
Net position (deficit) - January 1					<u>820,118</u>	<u>(71,052)</u>	<u>749,066</u>
Net position (deficit) - December 31					<u>\$ 599,454</u>	<u>\$ (8,279)</u>	<u>\$ 591,175</u>

City of Dunseith
Statements of Activities – Cash Basis
Year Ended December 31, 2014

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government						
Governmental activities						
General government	\$ 170,045	\$ -	\$ -	\$ -	\$ (170,045)	\$ (170,045)
Public safety	112,498	-	-	-	(112,498)	(112,498)
Streets and highways	53,544	-	101,274	-	47,730	47,730
Economic development	1,000	-	-	-	(1,000)	(1,000)
Capital outlay	119,346	-	-	-	(119,346)	(119,346)
Total governmental activities	<u>456,433</u>	<u>-</u>	<u>101,274</u>	<u>-</u>	<u>(355,159)</u>	<u>(355,159)</u>
Business-type activities						
Water	57,466	38,984	-	-	-	(18,482)
Sewer	91,380	26,041	-	-	-	(65,339)
Garbage	87,469	91,710	-	-	-	4,241
Total business-type activities	<u>236,315</u>	<u>156,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,580)</u>
Total Primary Government	<u>\$ 692,748</u>	<u>\$ 156,735</u>	<u>\$ 101,274</u>	<u>\$ -</u>	<u>(355,159)</u>	<u>(434,739)</u>
General receipts						
Property taxes					26,396	-
Sales tax					71,058	-
Licenses, permits, and fees					3,550	-
State aid distribution					100,454	-
Fines, forfeitures and penalties					12,533	-
Interest					1,446	-
Rent/lease					57,666	-
Miscellaneous					24,952	-
Total general receipts					<u>298,055</u>	<u>-</u>
Change in net position					(57,104)	(79,580)
Net position - January 1					877,222	8,528
Net position (deficit) - December 31					<u>\$ 820,118</u>	<u>\$ (71,052)</u>

City of Dunseith
Statements of Activities – Cash Basis
Year Ended December 31, 2013

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 155,898	\$ -	\$ -	\$ -	\$ (155,898)	\$ -	\$ (155,898)
Public safety	109,952	-	-	-	(109,952)	-	(109,952)
Streets and highways	228,453	-	179,094	-	(49,359)	-	(49,359)
Total governmental activities	<u>494,303</u>	<u>-</u>	<u>179,094</u>	<u>-</u>	<u>(315,209)</u>	<u>-</u>	<u>(315,209)</u>
Business-type activities							
Water	35,087	40,568	-	-	-	5,481	5,481
Sewer	24,406	23,926	-	-	-	(480)	(480)
Garbage	77,385	86,249	-	-	-	8,864	8,864
Total business-type activities	<u>136,878</u>	<u>150,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,865</u>	<u>13,865</u>
Total Primary Government	<u>\$ 631,181</u>	<u>\$ 150,743</u>	<u>\$ 179,094</u>	<u>\$ -</u>	<u>(315,209)</u>	<u>13,865</u>	<u>(301,344)</u>
General receipts							
Property taxes					98,598	-	98,598
Sales tax					71,058	-	71,058
Licenses, permits, and fees					3,550	-	3,550
State aid distribution					95,285	-	95,285
Fines, forfeitures and penalties					20,030	-	20,030
Interest					2,543	-	2,543
Rent/lease					58,278	-	58,278
Miscellaneous					17,973	-	17,973
Total general receipts					<u>367,315</u>	<u>-</u>	<u>367,315</u>
Change in net position (deficit)					52,106	13,865	65,971
Net position (deficit) - January 1					<u>825,116</u>	<u>(5,337)</u>	<u>819,779</u>
Net position - December 31					<u>\$ 877,222</u>	<u>\$ 8,528</u>	<u>\$ 885,750</u>

City of Dunseith
Balance Sheets – Cash Basis
Governmental Funds
December 31, 2017

	<u>General</u>	<u>Streets</u>	<u>Industrial Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 282,323	\$ 237,079	\$ 146,030	\$ 76,191	\$ 741,623
Due from other funds	15,224	-	-	-	15,224
Total Assets	<u>\$ 297,547</u>	<u>\$ 237,079</u>	<u>\$ 146,030</u>	<u>\$ 76,191</u>	<u>\$ 756,847</u>
Fund Balances					
Restricted	\$ -	\$ 237,079	\$ 146,030	\$ 84,256	\$ 467,365
Unassigned	297,547	-	-	(8,065)	289,482
Total fund balances	<u>\$ 297,547</u>	<u>\$ 237,079</u>	<u>\$ 146,030</u>	<u>\$ 76,191</u>	<u>\$ 756,847</u>

City of Dunseith
Balance Sheets – Cash Basis
Governmental Funds
December 31, 2016

	<u>General</u>	<u>Streets</u>	<u>Industrial Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 282,509	\$ 198,959	\$ 140,755	\$ 78,748	\$ 700,971
Due from other funds	10,384	-	-	-	10,384
Total Assets	<u>\$ 292,893</u>	<u>\$ 198,959</u>	<u>\$ 140,755</u>	<u>\$ 78,748</u>	<u>\$ 711,355</u>
Fund Balances					
Restricted	\$ -	\$ 198,959	\$ 140,755	\$ 86,813	\$ 426,527
Unassigned	292,893	-	-	(8,065)	284,828
Total fund balances	<u>\$ 292,893</u>	<u>\$ 198,959</u>	<u>\$ 140,755</u>	<u>\$ 78,748</u>	<u>\$ 711,355</u>

City of Dunseith
Balance Sheets – Cash Basis
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Streets</u>	<u>Industrial Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 242,973	\$ 175,900	\$ 87,211	\$ 85,091	\$ 591,175
Due from other funds	8,279	-	-	-	8,279
Total Assets	<u>\$ 251,252</u>	<u>\$ 175,900</u>	<u>\$ 87,211</u>	<u>\$ 85,091</u>	<u>\$ 599,454</u>
Fund Balances					
Restricted	\$ -	\$ 175,900	\$ 87,211	\$ 93,156	\$ 356,267
Unassigned	251,252	-	-	(8,065)	243,187
Total fund balances	<u>\$ 251,252</u>	<u>\$ 175,900</u>	<u>\$ 87,211</u>	<u>\$ 85,091</u>	<u>\$ 599,454</u>

City of Dunseith
Balance Sheets – Cash Basis
Governmental Funds
December 31, 2014

	<u>General</u>	<u>Streets</u>	<u>Industrial Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 326,187	\$ 193,272	\$ 148,136	\$ 81,471	\$ 749,066
Due from other funds	<u>71,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,052</u>
Total Assets	<u>\$ 397,239</u>	<u>\$ 193,272</u>	<u>\$ 148,136</u>	<u>\$ 81,471</u>	<u>\$ 820,118</u>
Fund Balances					
Restricted	\$ -	\$ 193,272	\$ 148,136	\$ 89,536	\$ 430,944
Unassigned	<u>397,239</u>	<u>-</u>	<u>-</u>	<u>(8,065)</u>	<u>389,174</u>
Total fund balances	<u>\$ 397,239</u>	<u>\$ 193,272</u>	<u>\$ 148,136</u>	<u>\$ 81,471</u>	<u>\$ 820,118</u>

City of Dunseith
Balance Sheets – Cash Basis
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Streets</u>	<u>Industrial Development</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 410,110	\$ 145,542	\$ 241,973	\$ 79,597	\$ 877,222
Fund Balances					
Restricted	\$ -	\$ 145,542	\$ 241,973	\$ 87,662	\$ 475,177
Unassigned	410,110	-	-	(8,065)	402,045
Total fund balances	<u>\$ 410,110</u>	<u>\$ 145,542</u>	<u>\$ 241,973</u>	<u>\$ 79,597</u>	<u>\$ 877,222</u>

City of Dunseith
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis
 Governmental Funds
 Year Ended December 31, 2017

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 111,700	\$ -	\$ -	\$ 2,425	\$ 114,125
Licenses, permits, and fees	3,555	-	-	-	3,555
Intergovernmental	68,305	85,294	-	-	153,599
Fines, forfeitures and penalties	8,035	-	-	-	8,035
Interest	724	-	459	-	1,183
Rent/lease	5,038	-	4,816	-	9,854
Miscellaneous	57,076	-	-	-	57,076
Total receipts	<u>254,433</u>	<u>85,294</u>	<u>5,275</u>	<u>2,425</u>	<u>347,427</u>
Disbursements					
General government	141,151	-	-	2,949	144,100
Public safety	108,807	-	-	1,854	110,661
Streets and highways	-	47,174	-	-	47,174
Total disbursements	<u>249,958</u>	<u>47,174</u>	<u>-</u>	<u>4,803</u>	<u>301,935</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>4,475</u>	<u>38,120</u>	<u>5,275</u>	<u>(2,378)</u>	<u>45,492</u>
Other Financing Sources (Uses)					
Transfers in	179	-	-	-	179
Transfers out	-	-	-	(179)	(179)
Total other financing sources (uses)	<u>179</u>	<u>-</u>	<u>-</u>	<u>(179)</u>	<u>-</u>
Net change in fund balances	4,654	38,120	5,275	(2,557)	45,492
Fund Balance - January 1	<u>292,893</u>	<u>198,959</u>	<u>140,755</u>	<u>78,748</u>	<u>711,355</u>
Fund Balance - December 31	<u>\$ 297,547</u>	<u>\$ 237,079</u>	<u>\$ 146,030</u>	<u>\$ 76,191</u>	<u>\$ 756,847</u>

City of Dunseith
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis
 Governmental Funds
 Year Ended December 31, 2016

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 118,174	\$ -	\$ -	\$ 2,209	\$ 120,383
Licenses, permits, and fees	3,525	-	-	-	3,525
Intergovernmental	74,865	89,941	-	-	164,806
Fines, forfeitures and penalties	7,251	-	-	-	7,251
Interest	523	-	233	-	756
Rent/lease	8,996	-	53,311	-	62,307
Miscellaneous	123,007	-	-	-	123,007
Total receipts	<u>336,341</u>	<u>89,941</u>	<u>53,544</u>	<u>2,209</u>	<u>482,035</u>
Disbursements					
General government	185,243	-	-	6,698	191,941
Public safety	109,457	-	-	1,854	111,311
Streets and highways	-	66,882	-	-	66,882
Total disbursements	<u>294,700</u>	<u>66,882</u>	<u>-</u>	<u>8,552</u>	<u>370,134</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>41,641</u>	<u>23,059</u>	<u>53,544</u>	<u>(6,343)</u>	<u>111,901</u>
Net change in fund balances	41,641	23,059	53,544	(6,343)	111,901
Fund Balance - January 1	<u>251,252</u>	<u>175,900</u>	<u>87,211</u>	<u>85,091</u>	<u>599,454</u>
Fund Balance - December 31	<u>\$ 292,893</u>	<u>\$ 198,959</u>	<u>\$ 140,755</u>	<u>\$ 78,748</u>	<u>\$ 711,355</u>

City of Dunseith
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis
 Governmental Funds
 Year Ended December 31, 2015

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 106,141	\$ -	\$ -	\$ 9,197	\$ 115,338
Licenses, permits, and fees	3,520	-	-	-	3,520
Intergovernmental	103,375	99,631	-	-	203,006
Fines, forfeitures and penalties	9,071	-	-	-	9,071
Interest	1,533	-	431	-	1,964
Rent/lease	34,156	-	34,913	-	69,069
Miscellaneous	21,587	-	-	-	21,587
Total receipts	279,383	99,631	35,344	9,197	423,555
Disbursements					
General government	169,583	-	-	3,638	173,221
Public safety	110,207	-	-	1,939	112,146
Streets and highways	-	117,003	-	-	117,003
Economic development	-	-	2,209	-	2,209
Capital outlay	174,640	-	-	-	174,640
Total disbursements	454,430	117,003	2,209	5,577	579,219
Excess (Deficiency) of Receipts over (under) Disbursements	(175,047)	(17,372)	33,135	3,620	(155,664)
Other Financing Sources (Uses)					
Transfers in	94,060	-	-	-	94,060
Transfers out	(65,000)	-	(94,060)	-	(159,060)
Total other financing sources (uses)	29,060	-	(94,060)	-	(65,000)
Net change in fund balances	(145,987)	(17,372)	(60,925)	3,620	(220,664)
Fund Balance - January 1	397,239	193,272	148,136	81,471	820,118
Fund Balance - December 31	\$ 251,252	\$ 175,900	\$ 87,211	\$ 85,091	\$ 599,454

City of Dunseith
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis
 Governmental Funds
 Year Ended December 31, 2014

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 88,137	\$ -	\$ -	\$ 9,317	\$ 97,454
Licenses, permits, and fees	3,550	-	-	-	3,550
Intergovernmental	100,454	101,274	-	-	201,728
Fines, forfeitures and penalties	12,533	-	-	-	12,533
Interest	823	-	623	-	1,446
Rent/lease	33,849	-	23,817	-	57,666
Miscellaneous	24,952	-	-	-	24,952
Total receipts	<u>264,298</u>	<u>101,274</u>	<u>24,440</u>	<u>9,317</u>	<u>399,329</u>
Disbursements					
General government	168,105	-	-	1,940	170,045
Public safety	109,129	-	-	3,369	112,498
Streets and highways	-	53,544	-	-	53,544
Economic development	-	-	1,000	-	1,000
Capital outlay	119,346	-	-	-	119,346
Total disbursements	<u>396,580</u>	<u>53,544</u>	<u>1,000</u>	<u>5,309</u>	<u>456,433</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(132,282)</u>	<u>47,730</u>	<u>23,440</u>	<u>4,008</u>	<u>(57,104)</u>
Other Financing Sources (Uses)					
Transfers in	119,411	-	-	-	119,411
Transfers out	-	-	(117,277)	(2,134)	(119,411)
Total other financing sources (uses)	<u>119,411</u>	<u>-</u>	<u>(117,277)</u>	<u>(2,134)</u>	<u>-</u>
Net change in fund balances	<u>(12,871)</u>	<u>47,730</u>	<u>(93,837)</u>	<u>1,874</u>	<u>(57,104)</u>
Fund Balance - January 1	<u>410,110</u>	<u>145,542</u>	<u>241,973</u>	<u>79,597</u>	<u>877,222</u>
Fund Balance - December 31	<u>\$ 397,239</u>	<u>\$ 193,272</u>	<u>\$ 148,136</u>	<u>\$ 81,471</u>	<u>\$ 820,118</u>

City of Dunseith
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis
 Governmental Funds
 Year Ended December 31, 2013

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 159,379	\$ -	\$ -	\$ 10,277	\$ 169,656
Licenses, permits, and fees	3,550	-	-	-	3,550
Intergovernmental	95,285	179,094	-	-	274,379
Fines, forfeitures and penalties	20,030	-	-	-	20,030
Interest	1,610	-	933	-	2,543
Rent/lease	35,616	-	22,662	-	58,278
Miscellaneous	17,973	-	-	-	17,973
Total receipts	<u>333,443</u>	<u>179,094</u>	<u>23,595</u>	<u>10,277</u>	<u>546,409</u>
Disbursements					
General government	152,783	-	-	2,585	155,368
Public safety	107,815	-	-	2,137	109,952
Streets and highways	-	228,453	-	-	228,453
Capital outlay	530	-	-	-	530
Total disbursements	<u>261,128</u>	<u>228,453</u>	<u>-</u>	<u>4,722</u>	<u>494,303</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>72,315</u>	<u>(49,359)</u>	<u>23,595</u>	<u>5,555</u>	<u>52,106</u>
Other Financing Sources (Uses)					
Transfers in	2,350	-	-	-	2,350
Transfers out	-	-	-	(2,350)	(2,350)
Total other financing sources (uses)	<u>2,350</u>	<u>-</u>	<u>-</u>	<u>(2,350)</u>	<u>-</u>
Net change in fund balances	<u>74,665</u>	<u>(49,359)</u>	<u>23,595</u>	<u>3,205</u>	<u>52,106</u>
Fund Balance - January 1	<u>335,445</u>	<u>194,901</u>	<u>218,378</u>	<u>76,392</u>	<u>825,116</u>
Fund Balance - December 31	<u>\$ 410,110</u>	<u>\$ 145,542</u>	<u>\$ 241,973</u>	<u>\$ 79,597</u>	<u>\$ 877,222</u>

City of Dunseith
 Statements of Net Position – Cash Basis
 Proprietary Funds
 December 31, 2017 and 2016

	2017			Total Proprietary Funds
	Water	Sewer	Garbage	
Assets				
Current Assets				
Due from other funds	\$ -	\$ 6,583	\$ 13,553	\$ 20,136
Liabilities				
Due to other funds	\$ 35,360	\$ -	\$ -	\$ 35,360
Net Position (Deficit)				
Unrestricted	(35,360)	6,583	13,553	(15,224)
Total Liabilities and Net Position (Deficit)	\$ -	\$ 6,583	\$ 13,553	\$ 20,136
	2016			Total Proprietary Funds
	Water	Sewer	Garbage	
Assets				
Current Assets				
Due from other funds	\$ -	\$ 3,887	\$ 14,311	\$ 18,198
Liabilities				
Due to other funds	\$ 28,582	\$ -	\$ -	\$ 28,582
Net Position (Deficit)				
Unrestricted	(28,582)	3,887	14,311	(10,384)
Total Liabilities and Net Position (Deficit)	\$ -	\$ 3,887	\$ 14,311	\$ 18,198

City of Dunseith
 Statements of Net Position– Cash Basis
 Proprietary Funds
 December 31, 2015, 2014, and 2013

	2015			Total Proprietary Funds
	Water	Sewer	Garbage	
Assets				
Current Assets				
Due from other funds	\$ -	\$ 3,720	\$ 16,179	\$ 19,899
Liabilities				
Due to other funds	\$ 28,178	\$ -	\$ -	\$ 28,178
Net Position (Deficit)				
Unrestricted	(28,178)	3,720	16,179	(8,279)
Total Liabilities and Net Position (Deficit)	\$ -	\$ 3,720	\$ 16,179	\$ 19,899
	2014			Total Proprietary Funds
	Water	Sewer	Garbage	
Assets				
Current Assets				
Due from other funds	\$ -	\$ -	\$ 20,968	\$ 20,968
Liabilities				
Due to other funds	\$ 79,004	\$ 13,016	\$ -	\$ 92,020
Net Position (Deficit)				
Unrestricted	(79,004)	(13,016)	20,968	(71,052)
Total Liabilities and Net Position (Deficit)	\$ -	\$ -	\$ 20,968	\$ 20,968
	2013			Total Proprietary Funds
	Water	Sewer	Garbage	
Assets				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 8,528	\$ 8,528
Due from other funds	-	52,323	8,199	60,522
Total Assets	\$ -	\$ 52,323	\$ 16,727	\$ 69,050
Liabilities				
Due to other funds	\$ 60,522	\$ -	\$ -	\$ 60,522
Net Position (Deficit)				
Unrestricted	(60,522)	52,323	16,727	8,528
Total Liabilities and Net Position (Deficit)	\$ -	\$ 52,323	\$ 16,727	\$ 69,050

City of Dunseith
 Statements of Changes in Net Position – Cash Basis
 Proprietary Funds
 Years Ended December 31, 2017 and 2016

	2017			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Receipts				
Charges for services	\$ 39,616	\$ 23,531	\$ 83,406	\$ 146,553
Operating Disbursements				
Wages and benefits	18,233	18,233	-	36,466
Power and utilities	6,438	2,202	-	8,640
Chemicals	6,252	-	-	6,252
Supplies	2,672	-	-	2,672
Equipment	10,373	400	-	10,773
Contracted services	-	-	84,164	84,164
Other	2,426	-	-	2,426
Total operating disbursements	46,394	20,835	84,164	151,393
Change in net position (deficit)	(6,778)	2,696	(758)	(4,840)
Net Position (Deficit) - January 1	(28,582)	3,887	14,311	(10,384)
Net Position (Deficit) - December 31	\$ (35,360)	\$ 6,583	\$ 13,553	\$ (15,224)
	2016			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Receipts				
Charges for services	\$ 36,096	\$ 22,944	\$ 82,636	\$ 141,676
Operating Disbursements				
Wages and benefits	18,141	18,141	-	36,282
Power and utilities	6,441	2,660	-	9,101
Chemicals	5,665	-	-	5,665
Supplies	3,673	-	-	3,673
Equipment	1,575	1,976	-	3,551
Contracted services	-	-	84,504	84,504
Other	1,005	-	-	1,005
Total operating disbursements	36,500	22,777	84,504	143,781
Change in net position (deficit)	(404)	167	(1,868)	(2,105)
Net Position (Deficit) - January 1	(28,178)	3,720	16,179	(8,279)
Net Position (Deficit) - December 31	\$ (28,582)	\$ 3,887	\$ 14,311	\$ (10,384)

City of Dunseith
 Statements of Changes in Net Position – Cash Basis
 Proprietary Funds
 Years Ended December 31, 2015 and 2014

	2015			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Receipts				
Charges for services	\$ 33,150	\$ 23,548	\$ 87,272	\$ 143,970
Operating Disbursements				
Wages and benefits	17,676	17,676	-	35,352
Power and utilities	6,417	2,727	-	9,144
Chemicals	4,598	-	-	4,598
Supplies	3,321	-	-	3,321
Equipment	-	1,409	-	1,409
Contracted services	-	-	92,061	92,061
Other	312	-	-	312
Total operating disbursements	32,324	21,812	92,061	146,197
Operating (Loss) Income	826	1,736	(4,789)	(2,227)
Other Financing Sources				
Transfers in	50,000	15,000	-	65,000
Change in net position (deficit)	50,826	16,736	(4,789)	62,773
Net Position (Deficit) - January 1	(79,004)	(13,016)	20,968	(71,052)
Net Position (Deficit) - December 31	\$ (28,178)	\$ 3,720	\$ 16,179	\$ (8,279)

	2014			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Receipts				
Charges for services	\$ 38,984	\$ 26,041	\$ 91,710	\$ 156,735
Operating Disbursements				
Wages and benefits	16,944	16,944	-	33,888
Power and utilities	6,413	3,258	-	9,671
Chemicals	3,956	-	-	3,956
Supplies	29,460	-	-	29,460
Equipment	-	71,178	-	71,178
Contracted services	-	-	87,469	87,469
Other	693	-	-	693
Total operating disbursements	57,466	91,380	87,469	236,315
Change in net position (deficit)	(18,482)	(65,339)	4,241	(79,580)
Net Position (Deficit) - January 1	(60,522)	52,323	16,727	8,528
Net Position (Deficit) - December 31	\$ (79,004)	\$ (13,016)	\$ 20,968	\$ (71,052)

City of Dunseith
 Statements of Changes in Net Position – Cash Basis
 Proprietary Funds
 Year Ended December 31, 2013

	2013			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Receipts				
Charges for services	\$ 40,568	\$ 23,926	\$ 86,249	\$ 150,743
Operating Disbursements				
Wages and benefits	14,732	14,732	-	29,464
Power and utilities	5,863	2,462	-	8,325
Chemicals	5,700	-	-	5,700
Supplies	5,128	-	-	5,128
Equipment	3,340	7,212	-	10,552
Contracted services	-	-	77,385	77,385
Other	324	-	-	324
Total operating disbursements	35,087	24,406	77,385	136,878
Change in net position (deficit)	5,481	(480)	8,864	13,865
Net Position (Deficit) - January 1	(66,003)	52,803	7,863	(5,337)
Net Position (Deficit) - December 31	\$ (60,522)	\$ 52,323	\$ 16,727	\$ 8,528

City of Dunseith
 Statements of Cash Flows – Cash Basis
 Proprietary Funds
 Years Ended December 31, 2017 and 2016

	2017			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Activities				
Receipts from customers	\$ 39,616	\$ 23,531	\$ 83,406	\$ 146,553
Payments to suppliers	(28,161)	(2,602)	(84,164)	(114,927)
Payments to employees	(18,233)	(18,233)	-	(36,466)
Net cash provided by (used for) operating activities	<u>(6,778)</u>	<u>2,696</u>	<u>(758)</u>	<u>(4,840)</u>
Noncapital Financing Activities				
Interfund borrowing	<u>6,778</u>	<u>(2,696)</u>	<u>758</u>	<u>4,840</u>
Change in Cash and cash equivalents	-	-	-	-
Cash and cash equivalents balance - January 1	-	-	-	-
Cash and cash equivalents balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2016			
	Water	Sewer	Garbage	Total Proprietary Funds
Operating Activities				
Receipts from customers	\$ 36,096	\$ 22,944	\$ 82,636	\$ 141,676
Payments to suppliers	(18,359)	(4,636)	(84,504)	(107,499)
Payments to employees	(18,141)	(18,141)	-	(36,282)
Net cash provided by (used for) operating activities	<u>(404)</u>	<u>167</u>	<u>(1,868)</u>	<u>(2,105)</u>
Noncapital Financing Activities				
Interfund borrowing	<u>404</u>	<u>(167)</u>	<u>1,868</u>	<u>2,105</u>
Change in Cash and cash equivalents	-	-	-	-
Cash and cash equivalents balance - January 1	-	-	-	-
Cash and cash equivalents balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Dunseith
 Statements of Cash Flows – Cash Basis
 Proprietary Funds
 Year Ended December 31, 2013

	2013			Total Proprietary Funds
	Water	Sewer	Garbage	
Operating Activities				
Receipts from customers	\$ 40,568	\$ 23,926	\$ 86,249	\$ 150,743
Payments to suppliers	(20,355)	(9,674)	(77,385)	(107,414)
Payments to employees	(14,732)	(14,732)	-	(29,464)
Net cash provided by (used for) operating activities	<u>5,481</u>	<u>(480)</u>	<u>8,864</u>	<u>13,865</u>
Noncapital Financing Activities				
Interfund borrowing	<u>(5,481)</u>	<u>(52,323)</u>	<u>(8,199)</u>	<u>(66,003)</u>
Change in Cash and cash equivalents	-	(52,803)	665	(52,138)
Cash and cash equivalents balance - January 1	<u>-</u>	<u>52,803</u>	<u>7,863</u>	<u>60,666</u>
Cash and cash equivalents balance - December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,528</u></u>	<u><u>\$ 8,528</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Basis of Presentation

The City of Dunseith operates under a City commission form of government. As described below, the financial statements of the City have not been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City maintains its accounting records on a cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, records are not maintained for the general fixed assets account group and the general long-term debt account group. The more significant of the government's accounting policies are described below.

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

- able to impose its will on that organization or
- there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

No component units were combined with the City's financial report.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. Governmental activities, which are normally financed through taxes and intergovernmental receipts, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct disbursements by function reduced by program receipts. This results in a measurement of net receipts or disbursements for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program receipts are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program receipts are reported instead as general receipts.

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

Fund Balance Classification Policies and Procedures

In 2010, the City of Dunseith adopted the Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”, which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on governmental fund balance more transparent. The City classifies governmental fund balances as follows:

- **Nonspendable** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- **Restricted** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- **Committed** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- **Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- **Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed*, then *assigned*, and lastly *unassigned* amounts of unrestricted fund balance when expenditures are made.

Equity Classifications

Government-wide Statements

Equity is classified as net position and is displayed in two components:

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted”.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund and proprietary fund financial statements are reported using the financial resources measurement focus and the cash basis. Under this method, receipts are recognized only when the City receives cash, and expenditures are recognized only when the City disburses cash.

The City reports the following major governmental funds:

General Fund – For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the general fund is a major governmental fund that is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Streets Fund - For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the streets fund is a major governmental fund in which the City accounts for cash receipts and disbursements relating to upkeep of City streets for the City and surrounding townships in this fund.

Industrial Development Fund – For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the industrial development fund is a major governmental fund in which, in conjunction with the reimbursement fund, the City accounts for cash receipts and disbursements relating to the rental agreement with Turtle Mountain Corporation.

The City reports the following major proprietary funds:

Water Fund - For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the water fund is a major proprietary fund in which the City accounts for cash receipts and disbursements relating to the furnishing of water service to residents of the City.

Sewer Fund – For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the water fund is a major proprietary fund in which the City accounts for cash receipts and disbursements relating to the furnishing of sewer service to residents of the City.

Garbage Fund - For the years ended December 31, 2017, 2016, 2015, 2014, and 2013, the water fund is a major proprietary fund in which the City accounts for cash receipts and disbursements relating to the furnishing of garbage service to residents of the City.

Amounts reported as program receipts include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Receipts that do not meet the previous criteria are reported as general receipts, including all taxes.

Proprietary funds report operating receipts and disbursements separately from nonoperating items. Operating receipts and disbursements generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the costs of sales and services and administrative disbursements. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in net current assets.

All funds of the City are accounted for using the cash basis of accounting. Under the cash basis of accounting, receipts is recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred. The cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Property Taxes

Property taxes levied and due are recognized as receipts when collected within the current period.

All real estate is assessed as of the current value on February 1 of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes are not paid. Additional penalty and interest are added October 15 to those taxes which are not paid. Taxes are collected by the County and remitted monthly to the City.

Cash and Cash Equivalents

The City maintains cash pools that are used by substantially all City funds. The City considers cash equivalents to be money market accounts and certificates of deposit with original maturities of 3 months or less.

Note 2 - Cash Deposits

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All such 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 Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special receipts or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2017, 2016, 2015, 2014, and 2013, the City's carrying amount of pooled deposits was \$741,623, \$700,971, \$591,175, \$749,066, and \$885,750, respectively. The bank balances, \$250,000 was covered by Federal Depository Insurance each with the remaining balances collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

The City does not have a formal policy that limits investment maturities. However, the City does limit the maturities of certificates of deposit to less than one year as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

- a) 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.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

As of December 31, 2017, 2016, 2015, 2014, and 2013, the City held certificates of deposit in the amount of \$410,063, \$404,080, \$400,000, \$338,804 and \$337,557, respectively. The certificates of deposit all mature in less than one year and are considered deposits and are included in the above amounts of total deposits.

Note 3 - Interfund Receivables/Payables

The following is a summary of interfund receivables (due from other funds) and payables (due to other funds) as of December 31, 2017, 2016, 2015, 2014, and 2013:

Year ending December 31, 2017:

	Water Fund	Total
Due To		
General Fund	\$ 15,224	\$ 15,224
Sewer Fund	6,583	6,583
Garbage Fund	13,553	13,553
	\$ 35,360	\$ 35,360

Year ending December 31, 2016:

	Water Fund	Total
Due To		
General Fund	\$ 10,384	\$ 10,384
Sewer Fund	3,887	3,887
Garbage Fund	14,311	14,311
	\$ 28,582	\$ 28,582

Year ending December 31, 2015:

	Water Fund	Total
Due To		
General Fund	\$ 8,279	\$ 8,279
Sewer Fund	3,720	3,720
Garbage Fund	16,179	16,179
	\$ 28,178	\$ 28,178

Year ending December 31, 2014:

	Water Fund	Sewer Fund	Total
Due To			
General Fund	\$ 58,036	\$ 13,016	\$ 71,052
Garbage Fund	20,968	-	20,968
	\$ 79,004	\$ 13,016	\$ 92,020

Year ending December 31, 2013:

	Water Fund	Total
Due To		
Sewer Fund	\$ 52,323	\$ 52,323
Garbage Fund	8,199	8,199
	\$ 60,522	\$ 60,522

The above receivables/payables are the result of the recurring deficit spending from the different funds. The above receivables/payables will be repaid by future receipts generated from these funds.

Note 4 - Commitments

In January 2020, the City entered into a contract to provide police services to the City for 2020 in the amount of \$143,355. In 2021, the City started its own police department.

Note 5 - Risk Management

The City of Dunseith is exposed to various risks of loss related 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 over 2,000 state agencies and political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence.

The City also participates in the North Dakota Fire and Tornado Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building 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 one million dollars per occurrence during a 12 month period.

The City participates in the North Dakota Worker’s Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a “no fault” insurance system covering the state’s employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past five fiscal years.

Note 6 - Deficit Fund Balances

Deficit fund balances for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, are as follows:

Fund	2017	2016	2015	2014	2013
Water Fund	\$ 35,360	\$ 28,582	\$ 28,178	\$ 79,004	\$ 60,522
Sewer Fund	-	-	-	13,016	-

The City plans to eliminate the deficit balance in the Water Fund by transferring additional funds from the General Fund to the Water Fund in 2021 to eliminate the deficit.

The City's Sewer Fund had a deficit balance as of December 31, 2014. The deficit was eliminated through a transfer from the General Fund during the year ended December 31, 2015. No further action is necessary for this deficit.

Note 7 - Excess of Disbursements over Budget

The City's disbursements exceeded budget by the following amounts:

Fund	2016	2015	2014	2013
General Fund	\$ 44,180	\$ 210,360	\$ 154,350	\$ 40,058
Streets Fund	-	28,503		160,453

The above disbursements exceeding budget we covered by either excess receipts or cash reserves.

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, 2017, 2016, 2015, 2014, and 2013:

	<u>Transfer In</u>	<u>Transfer Out</u>
2017		
General fund	\$ 179	\$ -
Other governmental funds	-	179
	<u>\$ 179</u>	<u>\$ 179</u>
2015		
General fund	\$ 94,060	\$ 65,000
Water	50,000	-
Sewer	15,000	-
	<u>\$ 159,060</u>	<u>\$ 159,060</u>
2014		
General fund	\$ 119,411	\$ -
Industrial revenue	-	117,277
Other governmental funds	-	2,134
	<u>\$ 119,411</u>	<u>\$ 119,411</u>
2013		
General fund	\$ 2,350	\$ -
Other governmental funds	-	2,350
	<u>\$ 2,350</u>	<u>\$ 2,350</u>

Note 9 - Related Party Transactions

During the year ended December 31, 2016, 2015, 2014 and 2013, the City donated \$12,000, \$12,000, \$15,000 and \$13,000, respectively to the Dunseith Community Nursing Home.



Supplementary Information
December 31, 2017, 2016, 2015, 2014, and 2013
City of Dunseith

City of Dunseith
 Budgetary Comparison Schedules – Cash Basis
 General Fund
 Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Taxes	\$ 91,000	\$ 111,700	\$ 20,700
Licenses, permits, and fees	3,650	3,555	(95)
Intergovernmental	99,500	68,305	(31,195)
Fines, forfeitures and penalties	10,000	8,035	(1,965)
Interest	1,000	724	(276)
Rent/lease	5,000	5,038	38
Miscellaneous	27,500	57,076	29,576
Total receipts	<u>237,650</u>	<u>254,433</u>	<u>16,783</u>
Disbursements			
General government	140,520	141,151	(631)
Public safety	120,000	108,807	11,193
Total disbursements	<u>260,520</u>	<u>249,958</u>	<u>10,562</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(22,870)</u>	<u>4,475</u>	<u>27,345</u>
Other Financing Sources			
Transfer in	<u>-</u>	<u>179</u>	<u>179</u>
Net Change in Fund Balance	<u>\$ (22,870)</u>	4,654	<u>\$ 27,524</u>
Fund balance - January 1		<u>292,893</u>	
Fund Balance, December 31		<u>\$ 297,547</u>	

City of Dunseith
 Budgetary Comparison Schedules – Cash Basis
 General Fund
 Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Taxes	\$ 86,000	\$ 118,174	\$ 32,174
Licenses, permits, and fees	3,650	3,525	(125)
Intergovernmental	99,500	74,865	(24,635)
Fines, forfeitures and penalties	15,000	7,251	(7,749)
Interest	500	523	23
Rent/lease	5,000	8,996	3,996
Miscellaneous	26,500	123,007	96,507
Total receipts	<u>236,150</u>	<u>336,341</u>	<u>100,191</u>
Disbursements			
General government	130,520	185,243	(54,723)
Public safety	120,000	109,457	10,543
Total disbursements	<u>250,520</u>	<u>294,700</u>	<u>(44,180)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(14,370)</u>	<u>41,641</u>	<u>56,011</u>
Other Financing Sources			
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (14,370)</u>	41,641	<u>\$ 56,011</u>
Fund balance - January 1		<u>251,252</u>	
Fund Balance, December 31		<u>\$ 292,893</u>	

City of Dunseith
 Budgetary Comparison Schedule – Cash Basis
 General Fund
 Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Taxes	\$ 86,000	\$ 106,141	\$ 20,141
Licenses, permits, and fees	3,650	3,520	(130)
Intergovernmental	79,500	103,375	23,875
Fines, forfeitures and penalties	20,000	9,071	(10,929)
Interest	2,000	1,533	(467)
Rent/lease	35,000	34,156	(844)
Miscellaneous	16,500	21,587	5,087
Total receipts	<u>242,650</u>	<u>279,383</u>	<u>36,733</u>
Disbursements			
General government	125,070	169,583	(44,513)
Public safety	119,000	110,207	8,793
Capital outlay	-	174,640	(174,640)
Total disbursements	<u>244,070</u>	<u>454,430</u>	<u>(210,360)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,420)</u>	<u>(175,047)</u>	<u>(173,627)</u>
Other Financing Sources			
Transfer In	-	94,060	94,060
Transfer out	-	(65,000)	(65,000)
Total Other Financing Uses	<u>-</u>	<u>29,060</u>	<u>29,060</u>
Net Change in Fund Balance	<u>\$ (1,420)</u>	<u>(145,987)</u>	<u>\$ (144,567)</u>
Fund balance - January 1		<u>397,239</u>	
Fund Balance, December 31		<u>\$ 251,252</u>	

City of Dunseith
 Budgetary Comparison Schedule – Cash Basis
 General Fund
 Year Ended December 31, 2014

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Taxes	\$ 86,000	\$ 88,137	\$ 2,137
Licenses, permits, and fees	3,650	3,550	(100)
Intergovernmental	62,500	100,454	37,954
Fines, forfeitures and penalties	20,000	12,533	(7,467)
Interest	2,000	823	(1,177)
Rent/lease	30,000	33,849	3,849
Miscellaneous	16,500	24,952	8,452
Total receipts	<u>220,650</u>	<u>264,298</u>	<u>43,648</u>
Disbursements			
General government	125,230	168,105	(42,875)
Public safety	117,000	109,129	7,871
Capital outlay	-	119,346	(119,346)
Total disbursements	<u>242,230</u>	<u>396,580</u>	<u>(154,350)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(21,580)</u>	<u>(132,282)</u>	<u>(110,702)</u>
Other Financing Sources			
Transfer In	-	119,411	119,411
Net Change in Fund Balance	<u>\$ (21,580)</u>	<u>(12,871)</u>	<u>\$ 8,709</u>
Fund balance - January 1		<u>410,110</u>	
Fund Balance, December 31		<u>\$ 397,239</u>	

City of Dunseith
 Budgetary Comparison Schedule – Cash Basis
 General Fund
 Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Taxes	\$ 71,000	\$ 159,379	\$ 88,379
Licenses, permits, and fees	3,650	3,550	(100)
Intergovernmental	52,500	95,285	42,785
Fines, forfeitures and penalties	20,000	20,030	30
Interest	3,000	1,610	(1,390)
Rent/lease	40,000	35,616	(4,384)
Miscellaneous	12,500	17,973	5,473
Total receipts	<u>202,650</u>	<u>333,443</u>	<u>130,793</u>
Disbursements			
General government	109,730	152,783	(43,053)
Public safety	111,240	107,815	3,425
Capital outlay	100	530	(430)
Total disbursements	<u>221,070</u>	<u>261,128</u>	<u>(40,058)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(18,420)	72,315	90,735
Other Financing Sources			
Transfer out	-	2,350	2,350
Net Change in Fund Balance	<u>\$ (18,420)</u>	74,665	<u>\$ 93,085</u>
Fund balance - January 1		<u>335,445</u>	
Fund Balance, December 31		<u>\$ 410,110</u>	

City of Dunseith
 Budgetary Comparison Schedules – Cash Basis
 Street Fund
 Years Ended December 31, 2017 and 2016

	2017		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,100	\$ 85,294	\$ (14,806)
Disbursements			
Streets and highways	88,500	47,174	41,326
Excess of Receipts Over Disbursements	<u>\$ 11,600</u>	38,120	<u>\$ 26,520</u>
Fund balance - January 1		198,959	
Fund Balance, December 31		<u>\$ 237,079</u>	
	2016		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,100	\$ 89,941	\$ (10,159)
Disbursements			
Streets and highways	88,500	66,882	21,618
Excess of Receipts Over Disbursements	<u>\$ 11,600</u>	23,059	<u>\$ 11,459</u>
Fund balance - January 1		175,900	
Fund Balance, December 31		<u>\$ 198,959</u>	

City of Dunseith
 Budgetary Comparison Schedules – Cash Basis
 Street Fund
 Year Ended December 31, 2015 and 2014

	2015		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,450	\$ 99,631	\$ (819)
Disbursements			
Streets and highways	88,500	117,003	(28,503)
Excess of Receipts Over Disbursements	<u>\$ 11,950</u>	(17,372)	<u>\$ (29,322)</u>
Fund balance - January 1		193,272	
Fund Balance, December 31		<u>\$ 175,900</u>	
	2014		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,450	\$ 101,274	\$ 824
Disbursements			
Streets and highways	83,000	53,544	29,456
Excess of Receipts Over Disbursements	<u>\$ 17,450</u>	47,730	<u>\$ 30,280</u>
Fund balance - January 1		145,542	
Fund Balance, December 31		<u>\$ 193,272</u>	

City of Dunseith
 Budgetary Comparison Schedules – Cash Basis
 Street Fund
 Year Ended December 31, 2013

	<u>Original and Final Budget</u>	<u>2013 Actual Amounts</u>	<u>Variance with Final Budget</u>
Receipts			
Intergovernmental	<u>\$ 80,450</u>	<u>\$ 179,094</u>	<u>\$ 98,644</u>
Disbursements			
Streets and highways	<u>68,000</u>	<u>228,453</u>	<u>(160,453)</u>
Excess of Receipts Over Disbursements	<u><u>\$ 12,450</u></u>	<u>(49,359)</u>	<u><u>\$ (61,809)</u></u>
Fund balance - January 1		<u>194,901</u>	
Fund Balance, December 31		<u><u>\$ 145,542</u></u>	

Note 1 - Stewardship, Compliance and Accountability

Budgetary Information

The City auditor prepares an annual City budget on the cash basis. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. The City's governing board holds a public hearing where any City taxpayer may testify in favor or against any proposed disbursements or tax levies. After the budget hearing and on or before October 1, the board adopts the final budget. The final budget is sent to the county auditor by October 10.

No disbursement shall be made or liability incurred in excess of the appropriation except for transfers as authorized by North Dakota Century Code Section 40-40-15. The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10. At year end, the balance of each appropriation becomes a part of the unappropriated fund balance, except for a special appropriation that does not lapse until the work is completed.

Note 2 - Special Revenue Budgeting Basis

The City does not prepare a budget for the following specific special revenue funds: industrial development, juvenile counseling, housing project, water project, and economic development agency program funds. Therefore, the City has omitted these funds from its combined budget vs. actual statement.



Additional Reports
December 31, 2017, 2016, 2015, 2014, and 2013

City of Dunseith



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor, City Council, and City Auditor
City of Dunseith, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunseith, North Dakota, as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the City of Dunseith’s basic financial statements and have issued our report thereon dated March 14, 2022. Our report included an explanatory paragraph describing the other comprehensive basis of accounting used by the City. We did not express an opinion on the proprietary major funds and the fines, forfeitures and permits in the general fund because of a scope limitation due to inadequacy of receipt records.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dunseith’s internal control over financial reporting (internal control) to determine 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 of Dunseith’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dunseith’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. . A significant deficiency is a deficiency, or 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 over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, 2017-003, 2017-004, and 2017-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dunseith's financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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*.

The City of Dunseith's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Dunseith's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bismarck, North Dakota
March 14, 2022

Findings - Financial Statement Audit

**2017-001 Cash Accounts
 Material Weakness**

Criteria: This cash account is in the City's name and the City has right to this funds, thus the City is required to report the activity in its accounting records. A good system of internal accounting control contemplates an adequate system for recording and processing entries significant to the financial statements.

Condition: The Industrial account was not recorded in the City's accounting records. This would not have been identified as a result of the City's existing internal controls, and therefore resulted in a material misstatement of the City's financial statements.

Cause: The purpose of this account was limited in nature, thus not recorded by management.

Effect: Material cash, receipts, and disbursements were omitted from the City's accounting records. If they are not being recorded there is no way for the council to be able to monitor the activity that takes place in these accounts.

Recommendation: Any cash account in the City's name should be recorded on the City's accounting records. Any federal grant listing the City as the "grantee", should be monitored and the related activity should be recorded in the City's accounting records.

Response: The nature of this account has changed and management will post the audit adjustments to record the amounts in the City's accounting records.

**2017-002 Material Journal Entries
 Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause: The City does not have an internal control system designed to identify all necessary adjustments.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Response: The City will make an effort to review and reconcile all accounts in future years.

**2017-003 Segregation of Duties
Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City has a lack of segregation of duties in certain areas due to a limited staff.

Cause: The City has limited staff.

Effect: Inadequate segregation of duties could adversely affect the City's ability to detect fraudulent activity and potential misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation: All accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the City. Additionally, we recommend that the City Council reviews unopened bank statements prior to the City auditor reconciling them.

Response: At the present time the City has implemented mitigating controls where feasible given its limited staff. Due to cost constraints, there will be no further administrative employees added.

**2017-004 Financial Statement Preparation and Related Footnote Disclosures
Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate system for required financial statement reporting and disclosures in the notes to the financial statements.

Condition: The City of Dunseith does not have an internal control system designed to provide for the preparation of the financial statements and related notes to the financial statements being audited. As auditors, we were requested to draft the financial statements and the related notes to the financial statements.

Cause: Management has not attended training to enhance their knowledge of financial statement reporting and disclosures in the notes to the financial statements.

Effect: This could result in material omissions in the financial statements and a lack of required disclosures in the notes to the financial statements that would not be prevented or detected by management.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response: Management of the City of Dunseith will assess the risk and make timely recommendations to the Council on a method to handle the deficiency.

**2017-005 Receipts Allocation, Tracking, and Reconciliation
Material Weakness**

Criteria: The City should maintain detailed customer records of balances owed, payments applied to balances, and the allocation of the payments between each fund. The City should also reconcile cash deposits to receipts recorded.

Condition: The City of Dunseith does not maintain detailed customer payment records for the water, sewer, and garbage fund payments for the auditor to trace payments for allocation between funds. The City does not keep records of customer balances owed and payments that have been applied to bills. In addition, the City does not verify that cash deposited agrees to receipts recorded.

Cause: The City does not have a set accounting record system for recording and tracking customer payments. The City maintains a manual ledger system for all accounting records; therefore detailed record keeping is not consistently maintained or as accurate as other methods. The system in place is not maintained for long-term or detailed purposes.

Effect: This could result in misallocation between funds and potentially result in negative fund balances. It could result in the City not collecting all payments due to them and could also result in fraudulent activity.

Recommendation: The City should set up and maintain customer payment records for easy recall of non-payment, allocation of payment to receipts source, and receipt batch. The system set up by the City can be either a manual or computerized tracking system, as long as the information obtained can be traced back to what is recorded in the general ledger.

Response: The City is in the process of installing remote read water meters, and is obtaining estimates for a computer, along with Black Mountain Software.