

# **AUDIT REPORT**

CITY OF KENMARE  
Kenmare, North Dakota

For the Years Ended December 31, 2019 and 2018

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF KENMARE  
Kenmare, North Dakota

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For the Years Ended December 31, 2019 and 2018

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CITY OF KENMARE  
Kenmare, North Dakota

CITY OFFICIALS

Dwight Flygare	Mayor
Terese Schmidt	President
Todd Ankenbauer	Vice President
Jim Burud	Alderman
Glen Froseth	Alderman
Jamie Livingston	Alderman
Tami Ware	Alderman
Grant Johnson	Auditor

# Rath & Mehler, P.C.

Certified Public Accountants

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

*Specializing in Governmental Auditing*

425 North Fifth Street  
Bismarck, ND 58501  
Phone 701-258-4560  
Fax 701-258-4983

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Kenmare  
Kenmare, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kenmare, North Dakota, as of and for the years ended December 31, 2019 and 2018, 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 modified cash basis of accounting described in Note 1; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 judgement, 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 city'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 city'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 audit opinions.

### **Opinions**

In our opinion, the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kenmare, North Dakota, as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

### **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.

### **Other Matters**

#### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

February 5, 2021

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>ASSETS:</b>				
Cash and Cash Equivalents	374,915.44	437,969.99	812,885.43	4,065.66
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	3,173,323.00	4,559,004.00	7,732,327.00	783,462.00
Machinery and Vehicles	163,819.00	1,665.00	165,484.00	5,700.00
<b>Total Capital Assets</b>	<b>3,337,142.00</b>	<b>4,580,669.00</b>	<b>7,917,811.00</b>	<b>789,162.00</b>
<b>Total Assets</b>	<b>3,712,057.44</b>	<b>5,018,638.99</b>	<b>8,730,696.43</b>	<b>793,227.66</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Changes in Resources Related to Pensions	168,923.00		168,923.00	
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Special Assessment Bonds Payable	124,730.87		124,730.87	
Revenue Bonds Payable		145,000.00	145,000.00	
Loans Payable				30,000.00
Due After One Year:				
Special Assessment Bonds Payable	892,554.80		892,554.80	
Revenue Bonds Payable		710,000.00	710,000.00	
Compensated Absences Payable	17,445.56		17,445.56	
Net Pension Liability	325,455.00		325,455.00	
<b>Total Liabilities</b>	<b>1,360,186.23</b>	<b>855,000.00</b>	<b>2,215,186.23</b>	<b>30,000.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Changes in Resources Related to Pensions	154,296.00		154,296.00	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,319,856.33	3,725,669.00	6,045,525.33	759,162.00
Restricted for:				
Debt Service	59,381.63		59,381.63	
Special Purposes	314,432.89		314,432.89	
Unrestricted	(327,172.64)	437,969.99	110,797.35	4,065.66
<b>Total Net Position</b>	<b>2,366,498.21</b>	<b>4,163,638.99</b>	<b>6,530,137.20</b>	<b>763,227.66</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>ASSETS:</b>				
Cash and Cash Equivalents	252,388.04	554,368.97	806,757.01	15,810.35
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	3,360,069.00	4,706,117.00	8,066,186.00	861,808.00
Machinery and Vehicles	202,971.00	3,332.00	206,303.00	7,600.00
Total Capital Assets	3,563,040.00	4,729,449.00	8,292,489.00	869,408.00
<b>Total Assets</b>	<b>3,815,428.04</b>	<b>5,283,817.97</b>	<b>9,099,246.01</b>	<b>885,218.35</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Changes in Resources Related to Pensions			260,343.00	
<b>LIABILITIES:</b>				
<b>Long-Term Liabilities:</b>				
<b>Due Within One Year:</b>				
Special Assessment Bonds Payable	124,793.10		124,793.10	
Revenue Bonds Payable		163,700.00	163,700.00	
<b>Due After One Year:</b>				
Special Assessment Bonds Payable	1,017,285.67		1,017,285.67	
Revenue Bonds Payable		977,200.00	977,200.00	
Compensated Absences Payable	12,049.22		12,049.22	
Net Pension Liability	462,734.00		462,734.00	
<b>Total Liabilities</b>	<b>1,616,861.99</b>	<b>1,140,900.00</b>	<b>2,757,761.99</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Changes in Resources Related to Pensions			98,888.00	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,420,961.23	3,588,549.00	6,009,510.23	869,408.00
Restricted for:				
Debt Service	94,023.50		94,023.50	
Special Purposes	182,221.63		182,221.63	
Unrestricted	(337,185.31)	554,368.97	217,183.66	15,810.35
<b>Total Net Position</b>	<b>2,360,021.05</b>	<b>4,142,917.97</b>	<b>6,502,939.02</b>	<b>885,218.35</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2019

Functions/Programs	Net (Expense) Revenue and Change in Net Position					Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
	Program Revenues			Primary Government			Component Unit
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	314,668.85	22,207.79	15,071.95		(277,389.11)		(277,389.11)
Public Safety	172,854.52	7,533.00			(165,321.52)		(165,321.52)
Streets and Public Works	334,442.72		72,103.10		(262,339.62)		(262,339.62)
Urban and Economic Development	131,836.28				(131,836.28)		(131,836.28)
Culture and Recreation	66,615.07	20,742.00			(45,873.07)		(45,873.07)
Health and Welfare	20,000.00	4,200.00			(20,000.00)		(20,000.00)
Other	9,391.09				(5,191.09)		(5,191.09)
Interest on Long-Term Debt	23,053.19		78,992.61		55,939.42		55,939.42
<b>Total Governmental Activities</b>	<b>1,072,861.72</b>	<b>54,682.79</b>	<b>166,167.66</b>		<b>(852,011.27)</b>		<b>(852,011.27)</b>
<u>Business-Type Activities:</u>							
Water	185,513.54	219,768.21			34,254.67		34,254.67
Sewer	62,951.56	84,305.30			21,353.74		21,353.74
Garbage and Landfill	208,502.84	204,162.44			(4,340.40)		(4,340.40)
Water and Sewer Imp. District	148,940.05	147,934.46			(1,005.59)		(1,005.59)
<b>Total Business-Type Activities</b>	<b>605,907.99</b>	<b>656,170.41</b>			<b>50,262.42</b>		<b>50,262.42</b>
<b>Total Primary Government</b>	<b>1,678,769.71</b>	<b>710,853.20</b>	<b>166,167.66</b>		<b>(852,011.27)</b>	<b>50,262.42</b>	<b>(801,748.85)</b>
=====							
Component Unit:							
Airport Authority	304,385.94	42,670.67	126,580.99				(135,134.28)
=====							



<u>General Revenues:</u>			
<u>Taxes:</u>			
Property taxes; levied for general purposes	323,419.70	323,419.70	
Property taxes; levied for special purposes	33,709.26	33,709.26	
City sales taxes	303,199.53	303,199.53	
Telecommunication taxes	3,584.20	3,584.20	
Cigarette taxes	2,885.66	2,885.66	
Oil and gas production taxes	1,641.04	1,641.04	
Homestead tax credit	6,536.01	6,536.01	
Disabled veterans credit	2,555.08	2,555.08	
Intergovernmental revenue not restricted to specific programs	87,125.31	87,125.31	
Earnings on investments and other revenue	63,832.64	64,291.24	33.84
Transfers	30,000.00	(30,000.00)	
<b>Total General Revenues and Transfers</b>	<b>858,488.43</b>	<b>(29,541.40)</b>	<b>828,947.03</b>
<b>Change in Net Position</b>	<b>6,477.16</b>	<b>20,721.02</b>	<b>27,198.18</b>
<b>Net Position - January 1</b>	<b>2,360,021.05</b>	<b>4,142,917.97</b>	<b>6,502,939.02</b>
<b>Net Position - December 31</b>	<b>2,366,498.21</b>	<b>4,163,638.99</b>	<b>6,530,137.20</b>
	=====	=====	=====

13,109.75

13,143.59

(121,990.69)

885,218.35

763,227.66

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2018

	Net (Expense) Revenue and Change in Net Position					Component Unit	
	Program Revenues		Primary Government		Airport Authority		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>							
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	380,705.28	15,627.79	1,350.00		(363,727.49)		(363,727.49)
Public Safety	179,498.80	6,697.00			(172,801.80)		(172,801.80)
Streets and Public Works	383,954.96		70,508.62		(313,446.34)		(313,446.34)
Urban and Economic Development	135,626.13				(135,626.13)		(135,626.13)
Culture and Recreation	79,924.11	44,900.00			(35,024.11)		(35,024.11)
Other	35,069.02	3,800.00			(31,269.02)		(31,269.02)
Interest on Long-Term Debt	25,627.58		75,231.00		49,603.42		49,603.42
<b>Total Governmental Activities</b>	<b>1,220,405.88</b>	<b>71,024.79</b>	<b>147,089.62</b>		<b>(1,002,291.47)</b>		<b>(1,002,291.47)</b>
<u>Business-Type Activities:</u>							
Water	208,007.59	238,490.22				30,482.63	30,482.63
Sewer	65,844.62	89,699.31				23,854.69	23,854.69
Garbage and Landfill	201,009.84	209,130.79				8,120.95	8,120.95
Water and Sewer Imp. District	144,008.43	142,338.25				(1,670.18)	(1,670.18)
<b>Total Business-Type Activities</b>	<b>618,870.48</b>	<b>679,658.57</b>				<b>60,788.09</b>	<b>60,788.09</b>
<b>Total Primary Government</b>	<b>1,839,276.36</b>	<b>750,683.36</b>	<b>147,089.62</b>		<b>(1,002,291.47)</b>	<b>60,788.09</b>	<b>(941,503.38)</b>
<b>Component Unit:</b>							
Airport Authority	354,137.11	38,048.99				218,726.29	(97,361.83)

General Revenues:

Taxes:

Property taxes; levied for general purposes  
Property taxes; levied for special purposes  
City sales taxes  
Telecommunication taxes  
Cigarette taxes  
Oil and gas production taxes  
Homestead tax credit  
Disabled veterans credit  
Intergovernmental revenue not restricted  
to specific programs  
Earnings on investments and other revenue

316,199.07	316,199.07	12,885.93
29,758.21	29,758.21	
361,669.70	361,669.70	
3,584.20	3,584.20	
3,047.18	3,047.18	
2,740.19	2,740.19	
7,936.52	7,936.52	
1,024.50	1,024.50	
76,671.45	76,671.45	14.84
81,238.06	81,846.61	
883,869.08	884,477.63	12,900.77
(118,422.39)	(57,025.75)	(84,461.06)
2,478,443.44	4,081,521.33	969,679.41
2,360,021.05	4,142,917.97	885,218.35
=====	=====	=====

Total General Revenues

Change in Net Position

Net Position - January 1

Net Position - December 31

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

CITY OF KENMARE  
Kenmare, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2019

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	36,582.65		239,554.33		98,778.46	374,915.44
Interfund Receivable			35,481.73			35,481.73
<b>Total Assets</b>	<b>36,582.65</b>	<b>-0-</b>	<b>275,036.06</b>	<b>-0-</b>	<b>98,778.46</b>	<b>410,397.17</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<u>Liabilities:</u>						
Interfund Payable		26,806.39		8,675.34		35,481.73
<u>Fund Balances:</u>						
Restricted for:						
Infrastructure			196,175.46			196,175.46
Health Care			52,621.19			52,621.19
Cemetery			26,239.41		7,333.75	33,573.16
Culture and Recreation					14,288.82	14,288.82
Emergency Services					17,618.03	17,618.03
Economic Development					156.23	156.23
Debt Service					59,381.63	59,381.63
Unassigned	36,582.65	(26,806.39)		(8,675.34)		1,100.92
<b>Total Fund Balances</b>	<b>36,582.65</b>	<b>(26,806.39)</b>	<b>275,036.06</b>	<b>(8,675.34)</b>	<b>98,778.46</b>	<b>374,915.44</b>
<b>Total Liabilities and Fund Balances</b>	<b>36,582.65</b>	<b>-0-</b>	<b>275,036.06</b>	<b>-0-</b>	<b>98,778.46</b>	<b>410,397.17</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2018

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	1,031.53		122,573.07	28,970.74	99,812.70	252,388.04
Interfund Receivable			24,888.62			24,888.62
<b>Total Assets</b>	<b>1,031.53</b>	<b>-0-</b>	<b>147,461.69</b>	<b>28,970.74</b>	<b>99,812.70</b>	<b>277,276.66</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable		24,888.62				24,888.62
<b>Fund Balances:</b>						
Restricted for:						
Infrastructure			71,396.16			71,396.16
Health Care			65,022.83			65,022.83
Cemetery					4,847.67	4,847.67
Culture and Recreation			11,042.70		7,578.80	18,621.50
Emergency Services					9,475.96	9,475.96
Economic Development					12,857.51	12,857.51
Debt Service				28,970.74	65,052.76	94,023.50
Unassigned	1,031.53	(24,888.62)				(23,857.09)
<b>Total Fund Balances</b>	<b>1,031.53</b>	<b>(24,888.62)</b>	<b>147,461.69</b>	<b>28,970.74</b>	<b>99,812.70</b>	<b>252,388.04</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,031.53</b>	<b>-0-</b>	<b>147,461.69</b>	<b>28,970.74</b>	<b>99,812.70</b>	<b>277,276.66</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		374,915.44
<p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	5,595,340.00	
Less Accumulated Depreciation	(2,258,198.00)	
Net Capital Assets		3,337,142.00
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	168,923.00	
Total Deferred Inflows of Resources	(154,296.00)	
Net Deferred Outflows/Inflows of Resources		14,627.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:</p>		
Special Assessments Bonds Payable	(1,017,285.67)	
Compensated Absences Payable	(17,445.56)	
Net Pension Liability	(325,455.00)	
Total Liabilities		(1,360,186.23)
Total Net Position of Governmental Activities		2,366,498.21

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

CITY OF KENMARE  
Kenmare, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds		252,388.04
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	5,622,421.00	
Less Accumulated Depreciation	(2,059,381.00)	
Net Capital Assets	3,563,040.00	3,563,040.00
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	260,343.00	
Total Deferred Inflows of Resources	(98,888.00)	
Net Deferred Outflows/Inflows of Resources	161,455.00	161,455.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:</p>		
Special Assessments Bonds Payable	(1,142,078.77)	
Compensated Absences Payable	(12,049.22)	
Net Pension Liability	(462,734.00)	
Total Liabilities	(1,616,861.99)	(1,616,861.99)
Total Net Position of Governmental Activities		2,360,021.05

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2019

Major Funds						
	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	327,003.90		303,199.53		33,709.26	663,912.69
Special Assessments	2,888.74	716.28		57,673.48	17,714.11	78,992.61
Licenses, Permits and Fees	28,442.79					28,442.79
Intergovernmental	114,988.86	72,103.10			826.19	187,918.15
Charges for Services	14,507.00				4,200.00	18,707.00
Fines and Forfeits	7,533.00					7,533.00
Miscellaneous	61,596.90	1,468.57	459.18	9.44	298.55	63,832.64
<b>Total Revenues</b>	<b>556,961.19</b>	<b>74,287.95</b>	<b>303,658.71</b>	<b>57,682.92</b>	<b>56,748.11</b>	<b>1,049,338.88</b>
<b>Expenditures:</b>						
Current:						
General Government	292,335.51					292,335.51
Public Safety	162,581.52					162,581.52
Streets and Public Works		126,205.72				126,205.72
Urban and Economic Development			106,084.34		25,751.94	131,836.28
Culture and Recreation	66,493.04				122.03	66,615.07
Health and Welfare			20,000.00			20,000.00
Other				931.50	8,459.59	9,391.09
Debt Service:						
Principal				105,000.00	19,793.10	124,793.10
Interest				19,397.50	3,655.69	23,053.19
<b>Total Expenditures</b>	<b>521,410.07</b>	<b>126,205.72</b>	<b>126,084.34</b>	<b>125,329.00</b>	<b>57,782.35</b>	<b>956,811.48</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>35,551.12</b>	<b>(51,917.77)</b>	<b>177,574.37</b>	<b>(67,646.08)</b>	<b>(1,034.24)</b>	<b>92,527.40</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In		50,000.00		30,000.00		80,000.00
Transfers Out			(50,000.00)			(50,000.00)
<b>Total Other Financing Sources (Uses)</b>		<b>50,000.00</b>	<b>(50,000.00)</b>	<b>30,000.00</b>		<b>30,000.00</b>
<b>Net Change in Fund Balances</b>	<b>35,551.12</b>	<b>(1,917.77)</b>	<b>127,574.37</b>	<b>(37,646.08)</b>	<b>(1,034.24)</b>	<b>122,527.40</b>
Fund Balance - January 1	1,031.53	(24,888.62)	147,461.69	28,970.74	99,812.70	252,388.04
Fund Balance - December 31	<b>36,582.65</b>	<b>(26,806.39)</b>	<b>275,036.06</b>	<b>(8,675.34)</b>	<b>98,778.46</b>	<b>374,915.44</b>

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



CITY OF KENMARE  
Kenmare, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2018

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	319,783.27		361,669.70		29,758.21	711,211.18
Special Assessments	731.43			57,673.48	16,826.09	75,231.00
Licenses, Permits and Fees	35,427.79					35,427.79
Intergovernmental	91,669.72	70,508.62			1,100.12	163,278.46
Charges for Services	25,100.00				3,800.00	28,900.00
Fines and Forfeits	6,697.00					6,697.00
Miscellaneous	78,215.75	2,280.61	484.73	141.75	115.22	81,238.06
<b>Total Revenues</b>	<b>557,624.96</b>	<b>72,789.23</b>	<b>362,154.43</b>	<b>57,815.23</b>	<b>51,599.64</b>	<b>1,101,983.49</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	324,963.99					324,963.99
Public Safety	157,620.80					157,620.80
Streets and Public Works	679.36	172,253.60				172,932.96
Urban and Economic Development			135,626.13			135,626.13
Culture and Recreation	79,718.90				205.21	79,924.11
Other				27,346.50	7,722.52	35,069.02
<b>Debt Service:</b>						
Principal			89,111.58	100,000.00	19,006.21	208,117.79
Interest				21,185.00	4,442.58	25,627.58
<b>Total Expenditures</b>	<b>562,983.05</b>	<b>172,253.60</b>	<b>224,737.71</b>	<b>148,531.50</b>	<b>31,376.52</b>	<b>1,139,882.38</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(5,358.09)</b>	<b>(99,464.37)</b>	<b>137,416.72</b>	<b>(90,716.27)</b>	<b>20,223.12</b>	<b>(37,898.89)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	15,000.00	115,000.00				130,000.00
Transfers Out			(115,000.00)		(15,000.00)	(130,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>15,000.00</b>	<b>115,000.00</b>	<b>(115,000.00)</b>		<b>(15,000.00)</b>	
<b>Net Change in Fund Balances</b>	<b>9,641.91</b>	<b>15,535.63</b>	<b>22,416.72</b>	<b>(90,716.27)</b>	<b>5,223.12</b>	<b>(37,898.89)</b>
Fund Balance - January 1	(8,610.38)	(40,424.25)	125,044.97	119,687.01	94,589.58	290,286.93
Fund Balance - December 31	1,031.53	(24,888.62)	147,461.69	28,970.74	99,812.70	252,388.04

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

CITY OF KENMARE  
Kenmare, 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, 2019

Net Change in Fund Balances - Total Governmental Funds 122,527.40

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(225,898.00)	(225,898.00)

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

Debt Proceeds	0.00	
Repayment of Debt	124,793.10	124,793.10

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	(5,396.34)	
Net Increase to Pension Expense	(9,549.00)	(14,945.34)

Change in Net Position of Governmental Activities		6,477.16
		6,477.16

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

CITY OF KENMARE  
Kenmare, 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, 2018

Net Change in Fund Balances - Total Governmental Funds (37,898.89)

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(240,288.00)	(240,288.00)

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

Debt Proceeds	0.00	
Repayment of Debt	208,117.79	208,117.79

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	(8,290.29)	
Net Increase to Pension Expense	(40,063.00)	(48,353.29)

Change in Net Position of Governmental Activities		(118,422.39)

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2019

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	34,914.11	53,765.51		157,882.98	191,407.39	437,969.99
Interfund Receivable		7,118.25				7,118.25
<b>Total Current Assets</b>	<b>34,914.11</b>	<b>60,883.76</b>		<b>157,882.98</b>	<b>191,407.39</b>	<b>445,088.24</b>
<b>Noncurrent Assets:</b>						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	970,875.00			3,588,129.00		4,559,004.00
Machinery and Vehicles	1,665.00					1,665.00
<b>Total Noncurrent Assets</b>	<b>972,540.00</b>		<b>20,000.00</b>	<b>3,588,129.00</b>		<b>4,580,669.00</b>
<b>Total Assets</b>	<b>1,007,454.11</b>	<b>60,883.76</b>	<b>20,000.00</b>	<b>3,746,011.98</b>	<b>191,407.39</b>	<b>5,025,757.24</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Interfund Payable			7,118.25			7,118.25
Revenue Bonds Payable	65,000.00			80,000.00		145,000.00
<b>Total Current Liabilities</b>	<b>65,000.00</b>		<b>7,118.25</b>	<b>80,000.00</b>		<b>152,118.25</b>
<b>Noncurrent Liabilities:</b>						
Revenue Bonds Payable	710,000.00					710,000.00
<b>Total Liabilities</b>	<b>775,000.00</b>		<b>7,118.25</b>	<b>80,000.00</b>		<b>862,118.25</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	197,540.00		20,000.00	3,508,129.00		3,725,669.00
Restricted for:						
Debt Service				157,882.98		157,882.98
Landfill Maintenance					34,104.56	34,104.56
Water Deposits					10,467.56	10,467.56
Water Maintenance					146,835.27	146,835.27
Unrestricted	34,914.11	60,883.76	(7,118.25)			88,679.62
<b>Total Net Position</b>	<b>232,454.11</b>	<b>60,883.76</b>	<b>12,881.75</b>	<b>3,666,011.98</b>	<b>191,407.39</b>	<b>4,163,638.99</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2018

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents		38,351.71	10,402.01	341,493.97	164,121.28	554,368.97
Interfund Receivable		1,178.31				1,178.31
<b>Total Current Assets</b>		<b>39,530.02</b>	<b>10,402.01</b>	<b>341,493.97</b>	<b>164,121.28</b>	<b>555,547.28</b>
<b>Noncurrent Assets:</b>						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	985,152.00			3,720,965.00		4,706,117.00
Machinery and Vehicles	3,332.00					3,332.00
<b>Total Noncurrent Assets</b>	<b>988,484.00</b>		<b>20,000.00</b>	<b>3,720,965.00</b>		<b>4,729,449.00</b>
<b>Total Assets</b>	<b>988,484.00</b>	<b>39,530.02</b>	<b>30,402.01</b>	<b>4,062,458.97</b>	<b>164,121.28</b>	<b>5,284,996.28</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Interfund Payable	1,178.31					1,178.31
Revenue Bonds Payable	65,000.00			98,700.00		163,700.00
<b>Total Current Liabilities</b>	<b>66,178.31</b>			<b>98,700.00</b>		<b>164,878.31</b>
<b>Noncurrent Liabilities:</b>						
Revenue Bonds Payable				202,200.00		977,200.00
<b>Total Liabilities</b>				<b>300,900.00</b>		<b>1,142,078.31</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	148,484.00		20,000.00	3,420,065.00		3,588,549.00
Restricted for:						
Debt Service				341,493.97		341,493.97
Landfill Maintenance					20,924.70	20,924.70
Water Deposits					9,513.31	9,513.31
Water Maintenance					133,683.27	133,683.27
Unrestricted	(1,178.31)	39,530.02	10,402.01			48,753.72
<b>Total Net Position</b>	<b>147,305.69</b>	<b>39,530.02</b>	<b>30,402.01</b>	<b>3,761,558.97</b>	<b>164,121.28</b>	<b>4,142,917.97</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2019

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Revenues:</b>						
<b>Charges for Services:</b>						
Water Sales	191,065.28			95,718.55		286,783.83
Bulk Water Sales	9,124.00					9,124.00
Water Maintenance Fee					13,152.00	13,152.00
Sewer Charges		83,765.30		52,215.91		135,981.21
Garbage Charges			177,874.58			177,874.58
Landfill Maintenance Fee					13,179.86	13,179.86
Landfill Permits			12,608.00			12,608.00
Meter Sales	4,787.45					4,787.45
Water Deposits	561.48				1,078.00	1,639.48
Other Fees		540.00	500.00			1,040.00
<b>Total Operating Revenues</b>	<b>205,538.21</b>	<b>84,305.30</b>	<b>190,982.58</b>	<b>147,934.46</b>	<b>27,409.86</b>	<b>656,170.41</b>
<b>Operating Expenses:</b>						
Salaries and Benefits	41,759.24	42,084.50	24,880.34			108,724.08
NAWS Water	81,945.58					81,945.58
Utilities	7,613.12	15,804.82	3,989.57			27,407.51
Maintenance and Supplies	24,956.40	4,333.53	1,674.33			30,964.26
Refunds					123.75	123.75
Contracted Services			159,978.51			159,978.51
Recycling			14,977.85			14,977.85
Miscellaneous	2,421.45	728.71	3,002.24			6,152.40
Depreciation	15,944.00			132,836.00		148,780.00
<b>Total Operating Expenses</b>	<b>174,639.79</b>	<b>62,951.56</b>	<b>208,502.84</b>	<b>132,836.00</b>	<b>123.75</b>	<b>579,053.94</b>
<b>Operating Income (Loss)</b>	<b>30,898.42</b>	<b>21,353.74</b>	<b>(17,520.26)</b>	<b>15,098.46</b>	<b>27,286.11</b>	<b>77,116.47</b>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income				458.60		458.60
Debt Service - Interest Expense	(10,750.00)			(16,104.05)		(26,854.05)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(10,750.00)</b>			<b>(15,645.45)</b>		<b>(26,395.45)</b>
<b>Income (Loss) Before Transfers</b>	<b>20,148.42</b>	<b>21,353.74</b>	<b>(17,520.26)</b>	<b>(546.99)</b>	<b>27,286.11</b>	<b>50,721.02</b>
Transfers In	65,000.00					65,000.00
Transfers Out				(95,000.00)		(95,000.00)
<b>Change in Net Position</b>	<b>85,148.42</b>	<b>21,353.74</b>	<b>(17,520.26)</b>	<b>(95,546.99)</b>	<b>27,286.11</b>	<b>20,721.02</b>
<b>Net Position - January 1</b>	<b>147,305.69</b>	<b>39,530.02</b>	<b>30,402.01</b>	<b>3,761,558.97</b>	<b>164,121.28</b>	<b>4,142,917.97</b>
<b>Net Position - December 31</b>	<b>232,454.11</b>	<b>60,883.76</b>	<b>12,881.75</b>	<b>3,666,011.98</b>	<b>191,407.39</b>	<b>4,163,638.99</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2018

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<b>Operating Revenues:</b>						
<b>Charges for Services:</b>						
Water Sales	218,787.37			91,731.35		310,518.72
Bulk Water Sales	630.00					630.00
Water Maintenance Fee					13,592.03	13,592.03
Sewer Charges		89,699.31		50,606.90		140,306.21
Garbage Charges			186,731.52			186,731.52
Landfill Maintenance Fee					13,599.59	13,599.59
Landfill Permits			8,293.00			8,293.00
Meter Sales	2,620.79					2,620.79
Water Deposits	1,072.15				1,787.88	2,860.03
Other Fees			506.68			506.68
<b>Total Operating Revenues</b>	<b>223,110.31</b>	<b>89,699.31</b>	<b>195,531.20</b>	<b>142,338.25</b>	<b>28,979.50</b>	<b>679,658.57</b>
<b>Operating Expenses:</b>						
Salaries and Benefits	42,905.65	43,307.95	23,787.08			110,000.68
NAWS Water	87,134.34					87,134.34
Utilities	6,233.64	13,874.39	2,157.94			22,265.97
Maintenance and Supplies	29,640.69	6,895.57	5,007.62			41,543.88
Refunds	355.60					355.60
Contracted Services			153,704.45		298.38	154,002.83
Recycling			15,517.92			15,517.92
Miscellaneous	3,595.29	1,766.71	834.83			6,196.83
Depreciation	15,944.00			132,836.00		148,780.00
<b>Total Operating Expenses</b>	<b>185,809.21</b>	<b>65,844.62</b>	<b>201,009.84</b>	<b>132,836.00</b>	<b>298.38</b>	<b>585,798.05</b>
<b>Operating Income (Loss)</b>	<b>37,301.10</b>	<b>23,854.69</b>	<b>(5,478.64)</b>	<b>9,502.25</b>	<b>28,681.12</b>	<b>93,860.52</b>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income				608.55		608.55
Debt Service - Interest Expense	(21,900.00)			(11,172.43)		(33,072.43)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(21,900.00)</b>			<b>(10,563.88)</b>		<b>(32,463.88)</b>
<b>Change in Net Position</b>	<b>15,401.10</b>	<b>23,854.69</b>	<b>(5,478.64)</b>	<b>(1,061.63)</b>	<b>28,681.12</b>	<b>61,396.64</b>
<b>Net Position - January 1</b>	<b>131,904.59</b>	<b>15,675.33</b>	<b>35,880.65</b>	<b>3,762,620.60</b>	<b>135,440.16</b>	<b>4,081,521.33</b>
<b>Net Position - December 31</b>	<b>147,305.69</b>	<b>39,530.02</b>	<b>30,402.01</b>	<b>3,761,558.97</b>	<b>164,121.28</b>	<b>4,142,917.97</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2019

	Major Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	
<u>Cash flows from operating activities:</u>						
Receipts from customers	205,538.21	84,305.30	190,982.58	147,934.46	27,409.86	656,170.41
Payments to suppliers	(41,759.24)	(20,867.06)	(183,622.50)		(123.75)	(246,372.55)
Payments to employees	(116,936.55)	(42,084.50)	(24,880.34)			(183,901.39)
<b>Net cash provided (used) by operating activities</b>	<b>46,842.42</b>	<b>21,353.74</b>	<b>(17,520.26)</b>	<b>147,934.46</b>	<b>27,286.11</b>	<b>225,896.47</b>
<u>Cash flows from noncapital financing activities:</u>						
Transfer In	65,000.00					65,000.00
Transfers out				(95,000.00)		(95,000.00)
Interfund loan transactions	(1,178.31)	(5,939.94)	7,118.25			0.00
<b>Net cash provided (used) by noncapital financing activities</b>	<b>63,821.69</b>	<b>(5,939.94)</b>	<b>7,118.25</b>	<b>(95,000.00)</b>		<b>(30,000.00)</b>
<u>Cash flows from capital and related financing activities:</u>						
Principal payments	(65,000.00)			(220,900.00)		(285,900.00)
Interest payments	(10,750.00)			(16,104.05)		(26,854.05)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(75,750.00)</b>			<b>(237,004.05)</b>		<b>(312,754.05)</b>
<u>Cash flows from investing activities:</u>						
Interest income				458.60		458.60
<b>Net increase in cash and cash equivalents</b>	<b>34,914.11</b>	<b>15,413.80</b>	<b>(10,402.01)</b>	<b>(183,610.99)</b>	<b>27,286.11</b>	<b>(116,398.98)</b>
Cash and cash equivalents, January 1	-0-	38,351.71	10,402.01	341,493.97	164,121.28	554,368.97
<b>Cash and cash equivalents, December 31</b>	<b>34,914.11</b>	<b>53,765.51</b>	<b>-0-</b>	<b>157,882.98</b>	<b>191,407.39</b>	<b>437,969.99</b>
<hr/>						
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	30,898.42	21,353.74	(17,520.26)	15,098.46	27,286.11	77,116.47
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>						
Depreciation expense	15,944.00			132,836.00		148,780.00
<b>Net cash provided (used) by operating activities</b>	<b>46,842.42</b>	<b>21,353.74</b>	<b>(17,520.26)</b>	<b>147,934.46</b>	<b>27,286.11</b>	<b>225,896.47</b>

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



CITY OF KENMARE  
Kenmare, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2018

	Major Enterprise Funds					Total Enterprise Funds
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	
<b>Cash flows from operating activities:</b>						
Receipts from customers	223,110.31	89,699.31	195,531.20	142,338.25	28,979.50	679,658.57
Payments to suppliers	(126,959.56)	(22,536.67)	(177,222.76)		(298.38)	(327,017.37)
Payments to employees	(42,905.65)	(43,307.95)	(23,787.08)			(110,000.68)
<b>Net cash provided (used) by operating activities</b>	<b>53,245.10</b>	<b>23,854.69</b>	<b>(5,478.64)</b>	<b>142,338.25</b>	<b>28,681.12</b>	<b>242,640.52</b>
<b>Cash flows from noncapital financing activities:</b>						
Interfund loan transaction	1,178.31	(1,178.31)				
<b>Net cash provided (used) by noncapital financing activities</b>	<b>1,178.31</b>	<b>(1,178.31)</b>				
<b>Cash flows from capital and related financing activities:</b>						
Principal payments	(60,000.00)			(96,700.00)		(156,700.00)
Interest payments	(21,900.00)			(11,172.43)		(33,072.43)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(81,900.00)</b>			<b>(107,872.43)</b>		<b>(189,772.43)</b>
<b>Cash flows from investing activities:</b>						
Interest income				608.55		608.55
<b>Net increase in cash and cash equivalents</b>	<b>(27,476.59)</b>	<b>22,676.38</b>	<b>(5,478.64)</b>	<b>35,074.37</b>	<b>28,681.12</b>	<b>53,476.64</b>
Cash and cash equivalents, January 1	27,476.59	15,675.33	15,880.65	306,419.60	135,440.16	500,892.33
Cash and cash equivalents, December 31	-0-	38,351.71	10,402.01	341,493.97	164,121.28	554,368.97
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>						
Operating income (loss)	37,301.10	23,854.69	(5,478.64)	9,502.25	28,681.12	93,860.52
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>						
Depreciation expense	15,944.00			132,836.00		148,780.00
<b>Net cash provided (used) by operating activities</b>	<b>53,245.10</b>	<b>23,854.69</b>	<b>(5,478.64)</b>	<b>142,338.25</b>	<b>28,681.12</b>	<b>242,640.52</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Custodial Funds  
December 31, 2019

	Custodial Funds
<u>Assets:</u>	
Cash and Cash Equivalents	200.64
	=====
<u>Liabilities:</u>	
Due to Other Governments	200.64
	=====

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Custodial Funds  
December 31, 2018

	Custodial Funds
<u>Assets:</u>	
Cash and Cash Equivalents	4,494.87
	=====
<u>Liabilities:</u>	
Due to Other Governments	4,494.87
	=====

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Modified Cash Basis - Custodial Funds  
December 31, 2019

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	16,068.36
Reimbursements received on behalf of the park	22,592.72
<b>Total Additions</b>	<b>38,661.08</b>
<u>Deductions:</u>	
Payments of property tax to other governments	23,174.84
Payment of reimbursements to the park district	19,780.47
<b>Total Deductions</b>	<b>42,955.31</b>
<b>Net Change in Assets and Liabilities</b>	<b>(4,294.23)</b>
<b>Assets and Liabilities - January 1</b>	<b>4,494.87</b>
<b>Assets and Liabilities - December 31</b>	<b>200.64</b>

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Modified Cash Basis - Custodial Funds  
December 31, 2018

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	15,165.55
<u>Deductions:</u>	
Payments of property tax to other governments	7,858.43
Payments made on behalf of the park district	2,812.25
Total Deductions	10,670.68
Net Change in Assets and Liabilities	4,494.87
Assets and Liabilities - January 1	0.00
Assets and Liabilities - December 31	4,494.87 =====

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

CITY OF KENMARE  
Kenmare, North Dakota

Notes to the Financial Statements  
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, the component unit discussed below is included within the city's reporting entity because of the significance of its operational or financial relationship with the city.

**Discretely Presented Component Unit:** The component unit's column in the basic financial statements include the financial data of the city's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

**Kenmare Airport Authority:** The Kenmare airport authority's governing board is appointed by the city's governing board. The city's governing board has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

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 Kenmare and its component unit. 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 including its fiduciary fund. 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 investments earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

*Highway Distribution.* This fund accounts for the state highway tax distribution used for street repairs and maintenance.

*Sales Tax.* This fund accounts for the city's sales tax collections, which are used for economic development, infrastructure improvements and community health-care needs.

*Street Improvement District No. 7.* This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds, Series 2012.

The city reports the following major enterprise funds:

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

*Sewer.* This fund accounts for the activities of the city's sewage collection system.

*Garbage and Landfill.* This fund accounts for the activities of the city's garbage collection system and landfill.

*Water and Sewer Improvement District 1993-1.* This fund accounts for the accumulation of funds to service the principal and interest payments of the city's revenue bonds. The city collects water and sewer charges to repay this debt.

The city reports the following type of fiduciary fund:

*Custodial Funds.* These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial funds are used to account for various deposits of other governments.

### 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, business-like and fiduciary fund activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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



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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	6 to 20 years

F. Compensated Absences

Vested or accumulated annual leave is reported in the government-wide statement of net position. Compensation for unused annual leave will be granted to all full-time employees upon termination of employment with the city. The city's personnel policy allows employees to carry forward unused annual leave not to exceed 40 hours at the employee's current pay rate.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

G. 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.

## H. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS); additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## I. 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.

#### J. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

#### K. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At December 31, 2019 the city's carrying amount of deposits was \$813,086 and the bank balance was \$846,943. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$596,943 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the city's carrying amount of deposits was \$811,251 and the bank balance was \$871,283. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$621,283 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

#### Concentration of Credit Risk

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

#### Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2019 and 2018 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2019</u>		
Sales Tax	35,481.73	
Highway Distribution		26,806.39
Street Impr. District No. 7		8,675.34
Sewer	7,118.25	
Garbage and Landfill		7,118.25
<u>December 31, 2018</u>		
Sales Tax	24,888.62	
Highway Distribution		24,888.62
Sewer	1,178.32	
Water		1,178.31

Note 5 CAPITAL ASSETS

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

	<u>2019</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	5,088,671			5,088,671
Machinery and Vehicles	533,750		27,081	506,669
Total	5,622,421		27,081	5,595,340
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,728,602	186,746		1,915,348
Machinery and Vehicles	330,779	39,152	27,081	342,850
Total	2,059,381	225,898	27,081	2,258,198
Governmental Activities Capital Assets, Net	3,563,040	(225,898)	-0-	3,337,142
	=====	=====	=====	=====

	<u>2018</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Buildings and Infrastructure	5,088,671			5,088,671
Machinery and Vehicles	533,750			533,750
Total	<u>5,622,421</u>			<u>5,622,421</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	1,541,856	186,746		1,728,602
Machinery and Vehicles	277,237	53,542		330,779
Total	<u>1,819,093</u>	<u>240,288</u>		<u>2,059,381</u>
Governmental Activities Capital Assets, Net	<u>3,803,328</u>	<u>(240,288)</u>	<u>-0-</u>	<u>3,563,040</u>

	<u>2019</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	20,000			20,000
Capital assets being depreciated:				
Buildings and Infrastructure	6,382,126			6,382,126
Machinery and Vehicles	16,500			16,500
Total	<u>6,398,626</u>			<u>6,398,626</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	1,676,009	147,113		1,823,122
Machinery and Vehicles	13,168	1,667		14,835
Total	<u>1,689,177</u>	<u>148,780</u>		<u>1,837,957</u>
Total capital assets being depreciated, net	<u>4,709,449</u>	<u>(148,780)</u>		<u>4,560,669</u>
Business-type Activities Capital Assets, Net	<u>4,729,449</u>	<u>(148,780)</u>	<u>-0-</u>	<u>4,580,669</u>

2018

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	20,000			20,000
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,382,126			6,382,126
Machinery and Vehicles	16,500			16,500
<hr/>				
Total	6,398,626			6,398,626
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,528,896	147,113		1,676,009
Machinery and Vehicles	11,501	1,667		13,168
<hr/>				
Total	1,540,397	148,780		1,689,177
<hr/>				
Total capital assets being depreciated, net	4,858,229	(148,780)		4,709,449
<hr/>				
<b>Business-type Activities</b>				
Capital Assets, Net	4,878,229	(148,780)		4,729,449
	=====	=====		=====

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

	<u>2019</u>	<u>2018</u>
<b><u>Governmental Activities:</u></b>		
General Government	7,388	7,388
Public Safety	10,273	21,878
Streets and Public Works	208,237	211,022
<hr/>		
Total	225,898	240,288
	=====	=====
<b><u>Business-type Activities:</u></b>		
Water	15,944	15,944
W&S Improv. Dist. 1993-1	132,836	132,836
<hr/>		
Total	148,780	148,780
	=====	=====

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

Airport Authority

	<u>2019</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Discretely Presented: Component Unit:</b>				
<i>Capital assets   being depreciated:</i>				
Buildings and Infrastructure	1,175,192			1,175,192
Machinery and Vehicles	15,200			15,200
<b>Total</b>	<u>1,190,392</u>			<u>1,190,392</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	313,384	78,346		391,730
Machinery and Vehicles	7,600	1,900		9,500
<b>Total</b>	<u>320,984</u>	<u>80,246</u>		<u>401,230</u>
<b>Discretely Presented Component Unit, Net</b>	<u>869,408</u>	<u>(80,246)</u>	<u>-0-</u>	<u>789,162</u>

	<u>2018</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Discretely Presented: Component Unit:</b>				
<i>Capital assets   being depreciated:</i>				
Buildings and Infrastructure	1,175,192			1,175,192
Machinery and Vehicles	15,200			15,200
<b>Total</b>	<u>1,190,392</u>			<u>1,190,392</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	235,038	78,346		313,384
Machinery and Vehicles	5,700	1,900		7,600
<b>Total</b>	<u>240,738</u>	<u>80,246</u>		<u>320,984</u>
<b>Discretely Presented Component Unit, Net</b>	<u>949,654</u>	<u>(80,246)</u>	<u>-0-</u>	<u>869,408</u>

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

	<u>2019</u>	<u>2018</u>
Authority Airport	<u>80,246</u>	<u>80,246</u>



Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2019</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assmt. Bonds	1,142,079		124,793	1,017,286	124,731
Compensated Absences *	12,049	5,397		17,446	
<b>Total</b>	<b>1,154,128</b>	<b>5,397</b>	<b>124,793</b>	<b>1,034,732</b>	<b>124,731</b>
	=====	=====	=====	=====	=====

  

	<u>2018</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assmt. Bonds	1,261,085		119,006	1,142,079	124,793
Compensated Absences *	3,759	8,290		12,049	
<b>Total</b>	<b>1,264,844</b>	<b>8,290</b>	<b>119,006</b>	<b>1,154,128</b>	<b>124,793</b>
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Business-type Activities

	<u>2019</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	1,140,900	-0-	285,900	855,000	145,000
	=====	=====	=====	=====	=====

  

	<u>2018</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	1,297,600	-0-	156,700	1,140,900	163,700
	=====	=====	=====	=====	=====

Airport Authority

2019

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Loan Payable	-0-	30,000		30,000	30,000
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2019 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019, is as follows:

Governmental Activities

Special Assessment Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of streets. Special assessment bonds outstanding at December 31, 2019, are as follows:

\$1,600,000.00 Refunding Improvement Bonds,  
Series 2012, due in annual installments of  
\$105,000.00 to \$125,000.00 through May 1, 2027;  
interest is at 1% to 2.4%. 910,000.00

\$200,000.00 State Bank of Kenmare Loan,  
(Street Improvement District No. 8) due in  
annual installments of \$23,448.79 through  
September 22, 2024; interest is at 3%. 107,285.67

Total Special Assessment Bonds Payable 1,017,285.67  
=====

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>December 31</u>		
2020	124,730.87	21,540.42
2021	125,785.73	18,910.56
2022	131,417.94	16,390.85
2023	132,069.39	13,539.40
2024	138,281.74	10,618.14
2025-2027	365,000.00	13,260.00
Total	<u>1,017,285.67</u>	<u>94,259.37</u>
	=====	=====

Business-type Activities (Proprietary Funds):

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, 2019, are as follows:

\$728,000.00 Refunding Improvement Bonds, Series 2010A due in annual installments of \$76,000.00 to \$80,000.00 through October 1, 2020; interest is at 2.5%.	80,000.00
\$403,579 Water Revenue Bonds of 2010 due in annual installments of \$10,000.00 to \$25,000.00 through September 1, 2029; interest is at .5%.	215,000.00
\$892,039 Water Revenue Bonds of 2011 due in annual installments of \$4.50,000.00 to \$60,000.00 through September 1, 2030; interest is at 2.5%.	560,000.00
Total Revenue Bonds Payable	<u>855,000.00</u> =====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	145,000.00	17,075.00
2021	65,000.00	13,850.00
2022	65,000.00	12,625.00
2023	70,000.00	11,400.00
2024	75,000.00	10,050.00
2025-2029	385,000.00	28,875.00
2030	50,000.00	1,250.00
Total	<u>855,000.00</u> =====	<u>95,125.00</u> =====

Airport Authority

Loans Payable. The airport has entered into the following loan agreements to provide funds for operations. The loan payable at December 31, 2019 is as follows:

\$20,000.00 State Bank of Kenmare Loan, due January 22, 2020; interest is at 5.7%.	20,000.00
\$10,000.00 State Bank of Kenmare Loan, due April 23, 2020; interest is at 3.7%.	10,000.00
Total Loans Payable	<u>30,000.00</u> =====

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
Highway Distribution Sales Tax	50,000.00	50,000.00
To subsidize expenditures.		
Street Improve. Dist. No. 7 W&S Improve. Dist No. 1993-1	30,000.00	30,000.00
Water W&S Improve. Dist No. 1993-1	65,000.00	65,000.00
To subsidize bond payments.		
<u>December 31, 2018</u>		
General Fund Emergency	15,000.00	15,000.00
Highway Distribution Sales Tax	115,000.00	115,000.00
To subsidize expenditures.		

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Fund</u>		
Highway Distribution	(26,806.39)	(24,888.62)
<u>Debt Service</u>		
Street Imp. Dist. No. 7	(8,675.34)	
<u>Enterprise Fund</u>		
Garbage and Landfill	(7,118.25)	
Water		(1,178.31)

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

Note 9 RISK MANAGEMENT

The City of Kenmare 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 (NDRIF), 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 NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$405,985 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 \$652,105 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

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service -  
Greater of one percent of monthly salary or \$25
- 13 to 24 months of service -  
Greater of two percent of monthly salary or \$25
- 25 to 36 months of service -  
Greater of three percent of monthly salary or \$25
- Longer than 36 months of service -  
Greater of four percent of monthly salary or \$25

**Pension Liabilities, Pension Expense; and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2019, the City of Kenmare reported a liability of \$325,455 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the city's proportion was .019285 percent, which was a decrease of .009504 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019 the city recognized pension expense of \$25,124. At December 31, 2019 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	861	11,073
Changes in assumptions	117,483	4,645
Net difference between projected and actual earnings on pension plan investments		1,583
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,210	136,995
City contributions subsequent to the measurement date (see below)	18,369	
Total	<u>168,923</u> =====	<u>154,296</u> =====

\$18,369 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
-----	
2019	4,933
2020	831
2021	5,603
2022	(9,102)
2023	(6,007)
Thereafter	

**Actuarial assumptions.** The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at	Increase Rate
	Beginning of Year	
	-----	-----
	0	15.00%
	1	10.00%
	2	8.00%
	Age *	
	-----	
	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%

\* Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return 7.75%, net of investment expenses.  
 Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
-----	-----	-----
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%



**Discount rate.** For PERS, GASB No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

**Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate.** The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Rate (6.32%)	1% Increase (7.32%)
	-----	-----	-----
The city's proportionate share of the net pension liability	442,233	325,455	228,008

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**Note 11 OTHER POSTEMPLOYMENT BENEFITS**

The city is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the city's financial statements.

**Note 12 TAX ABATEMENTS**

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2019 or 2018.

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	336,553.00	336,553.00	327,003.90	(9,549.10)
Special Assessments			2,888.74	2,888.74
Licenses, Permits and Fees	16,600.00	16,600.00	28,442.79	11,842.79
Intergovernmental	90,400.00	90,400.00	114,988.86	24,588.86
Charges for Services	24,000.00	24,000.00	14,507.00	(9,493.00)
Fines and Forfeits	10,000.00	10,000.00	7,533.00	(2,467.00)
Miscellaneous	56,300.00	56,300.00	61,590.00	5,290.00
<b>Total Revenues</b>	<b>533,853.00</b>	<b>533,853.00</b>	<b>556,954.29</b>	<b>23,101.29</b>
<u>Expenditures:</u>				
Current:				
General Government	296,100.00	296,100.00	292,335.51	3,764.49
Public Safety	162,700.00	162,700.00	162,581.52	118.48
Culture and Recreation	96,900.00	96,900.00	66,493.04	30,406.96
<b>Total Expenditures</b>	<b>555,700.00</b>	<b>555,700.00</b>	<b>521,410.07</b>	<b>34,289.93</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(21,847.00)</b>	<b>(21,847.00)</b>	<b>35,544.22</b>	<b>57,391.22</b>
<u>Other Financing Sources:</u>				
Transfers In	40,000.00	40,000.00		(40,000.00)
<b>Net Change in Fund Balances</b>	<b>18,153.00</b>	<b>18,153.00</b>	<b>35,544.22</b>	<b>17,391.22</b>
<b>Fund Balance - January 1</b>	<b>1,031.53</b>	<b>1,031.53</b>	<b>1,031.53</b>	
<b>Fund Balance - December 31</b>	<b>19,184.53</b>	<b>19,184.53</b>	<b>36,575.75</b>	<b>17,391.22</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	339,758.00	339,758.00	319,783.27	(19,974.73)
Special Assessments			731.43	731.43
Licenses, Permits and Fees	33,300.00	33,300.00	35,427.79	2,127.79
Intergovernmental	90,200.00	90,200.00	91,669.72	1,469.72
Charges for Services	27,000.00	27,000.00	25,100.00	(1,900.00)
Fines and Forfeits			6,697.00	6,697.00
Miscellaneous	64,300.00	64,300.00	78,215.75	13,915.75
<b>Total Revenues</b>	<b>554,558.00</b>	<b>554,558.00</b>	<b>557,624.96</b>	<b>3,066.96</b>
<u>Expenditures:</u>				
Current:				
General Government	303,600.00	303,600.00	324,963.99	(21,363.99)
Public Safety	183,200.00	183,200.00	157,620.80	25,579.20
Street and Public Works			679.36	(679.36)
Culture and Recreation	76,900.00	76,900.00	79,718.90	(2,818.90)
<b>Total Expenditures</b>	<b>563,700.00</b>	<b>563,700.00</b>	<b>562,983.05</b>	<b>716.95</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(9,142.00)</b>	<b>(9,142.00)</b>	<b>(5,358.09)</b>	<b>3,783.91</b>
<u>Other Financing Sources:</u>				
Transfers In	50,000.00		15,000.00	15,000.00
<b>Net Change in Fund Balances</b>	<b>40,858.00</b>	<b>(9,142.00)</b>	<b>9,641.91</b>	<b>18,783.91</b>
<b>Fund Balance - January 1</b>	<b>(8,610.38)</b>	<b>(8,610.38)</b>	<b>(8,610.38)</b>	
<b>Fund Balance - December 31</b>	<b>32,247.62</b>	<b>(17,752.38)</b>	<b>1,031.53</b>	<b>18,783.91</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Distribution Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Special Assessments			716.28	716.28
Intergovernmental	76,000.00	76,000.00	72,103.10	(3,896.90)
Miscellaneous	2,000.00	2,000.00	1,468.57	(531.43)
<b>Total Revenues</b>	<b>78,000.00</b>	<b>78,000.00</b>	<b>74,287.95</b>	<b>(3,712.05)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	139,800.00	139,800.00	126,205.72	13,594.28
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(61,800.00)</b>	<b>(61,800.00)</b>	<b>(51,917.77)</b>	<b>9,882.23</b>
<u>Other Financing Sources:</u>				
Transfers In			50,000.00	50,000.00
<b>Net Change in Fund Balances</b>	<b>(61,800.00)</b>	<b>(61,800.00)</b>	<b>(1,917.77)</b>	<b>59,882.23</b>
<b>Fund Balance - January 1</b>	<b>(24,888.62)</b>	<b>(24,888.62)</b>	<b>(24,888.62)</b>	
<b>Fund Balance - December 31</b>	<b>(86,688.62)</b>	<b>(86,688.62)</b>	<b>(26,806.39)</b>	<b>59,882.23</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Distribution Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	76,000.00	76,000.00	70,508.62	(5,491.38)
Miscellaneous	2,000.00	2,000.00	2,280.61	280.61
<b>Total Revenues</b>	<b>78,000.00</b>	<b>78,000.00</b>	<b>72,789.23</b>	<b>(5,210.77)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	139,800.00	139,800.00	172,253.60	(32,453.60)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(61,800.00)</b>	<b>(61,800.00)</b>	<b>(99,464.37)</b>	<b>(37,664.37)</b>
<u>Other Financing Sources:</u>				
Transfers In			115,000.00	115,000.00
<b>Net Change in Fund Balances</b>	<b>(61,800.00)</b>	<b>(61,800.00)</b>	<b>15,535.63</b>	<b>77,335.63</b>
<b>Fund Balance - January 1</b>	<b>(40,424.25)</b>	<b>(40,424.25)</b>	<b>(40,424.25)</b>	
<b>Fund Balance - December 31</b>	<b>(102,224.25)</b>	<b>(102,224.25)</b>	<b>(24,888.62)</b>	<b>77,335.63</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	150,000.00	150,000.00	303,199.53	153,199.53
Miscellaneous	200.00	200.00	459.18	259.18
<b>Total Revenues</b>	<b>150,200.00</b>	<b>150,200.00</b>	<b>303,658.71</b>	<b>153,458.71</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	50,000.00	50,000.00		50,000.00
Urban and Economic Development			106,084.34	(106,084.34)
Culture and Recreation	15,000.00	15,000.00		15,000.00
Health and Welfare	5,000.00	5,000.00	20,000.00	(15,000.00)
<b>Total Expenditures</b>	<b>70,000.00</b>	<b>70,000.00</b>	<b>126,084.34</b>	<b>(56,084.34)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>80,200.00</b>	<b>80,200.00</b>	<b>177,574.37</b>	<b>97,374.37</b>
<u>Other Financing (Uses):</u>				
Transfers Out	(75,000.00)		(50,000.00)	(50,000.00)
<b>Net Change in Fund Balances</b>	<b>5,200.00</b>	<b>80,200.00</b>	<b>127,574.37</b>	<b>47,374.37</b>
<b>Fund Balance - January 1</b>	<b>147,461.69</b>	<b>147,461.69</b>	<b>147,461.69</b>	
<b>Fund Balance - December 31</b>	<b>152,661.69</b>	<b>227,661.69</b>	<b>275,036.06</b>	<b>47,374.37</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	150,000.00	150,000.00	361,669.70	211,669.70
Miscellaneous	200.00	200.00	484.73	284.73
<b>Total Revenues</b>	<b>150,200.00</b>	<b>150,200.00</b>	<b>362,154.43</b>	<b>211,954.43</b>
<u>Expenditures:</u>				
Current:				
Culture and Recreation	15,000.00	15,000.00		15,000.00
Urban and Economic Development			135,626.13	(135,626.13)
Health and Welfare	5,000.00	5,000.00		5,000.00
Debt Service:				
Principal	89,111.59	89,111.59	89,111.58	0.01
<b>Total Expenditures</b>	<b>109,111.59</b>	<b>109,111.59</b>	<b>224,737.71</b>	<b>(115,626.12)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>41,088.41</b>	<b>41,088.41</b>	<b>137,416.72</b>	<b>96,328.31</b>
<u>Other Financing (Uses):</u>				
Transfers Out			(115,000.00)	(115,000.00)
<b>Net Change in Fund Balances</b>	<b>41,088.41</b>	<b>41,088.41</b>	<b>22,416.72</b>	<b>(18,671.69)</b>
<b>Fund Balance - January 1</b>	<b>125,044.97</b>	<b>125,044.97</b>	<b>125,044.97</b>	
<b>Fund Balance - December 31</b>	<b>166,133.38</b>	<b>166,133.38</b>	<b>147,461.69</b>	<b>(18,671.69)</b>

CITY OF KENMARE  
Kenmare, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary budget. The city budget is prepared for the general, 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 did not amend the budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway Distribution		32,453.60
Sales Tax	56,084.34	115,626.12
Job Development	13,751.94	

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



CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.019285%	0.028789%	0.036443%	0.027343%	0.037542%
City's proportionate share of the net pension liability	325,455	462,734	355,173	185,928	238,287
City's covered-employee payroll	262,956	308,650	356,338	339,285	295,599
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.77%	149.92%	99.67%	54.80%	80.61%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015
Statutorily required contribution	18,722	21,976	25,371	24,157	19,596
Contributions in relation to the statutorily required contribution	(18,722)	(21,976)	(25,371)	(24,157)	(19,596)
Contribution deficiency (excess)	0	0	0	0	0
City's covered-employee payroll	262,956	308,650	356,338	339,285	295,599
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.63%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 8 to the financial statements.

CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<b>Major Governmental Funds</b>						
General Fund	1,031.53	556,961.19			521,410.07	36,582.65
Highway Distribution	(24,888.62)	74,287.95	50,000.00		126,205.72	(26,806.39)
Sales Tax	147,461.69	303,658.71		50,000.00	126,084.34	275,036.06
Street Improvement District No. 7	28,970.74	57,682.92	30,000.00		125,329.00	(8,675.34)
<b>Total Major Governmental Funds</b>	<b>152,575.34</b>	<b>992,590.77</b>	<b>80,000.00</b>	<b>50,000.00</b>	<b>899,029.13</b>	<b>276,136.98</b>
<b>Non-Major Governmental Funds</b>						
Cemetery	4,847.67	10,938.68			8,452.60	7,333.75
Library	7,578.80	6,832.05			122.03	14,288.82
Emergency	9,475.96	8,149.06			6.99	17,618.03
Job Development	12,857.51	13,050.66			25,751.94	156.23
Street Improvement District No. 8	65,052.76	17,777.66			23,448.79	59,381.63
<b>Total Non-Major Governmental Funds</b>	<b>99,812.70</b>	<b>56,748.11</b>			<b>57,782.35</b>	<b>98,778.46</b>
<b>Total Governmental Funds</b>	<b>252,388.04</b>	<b>1,049,338.88</b>	<b>80,000.00</b>	<b>50,000.00</b>	<b>956,811.48</b>	<b>374,915.44</b>
<b>Major Enterprise Funds</b>						
Water	(1,178.31)	205,538.21	65,000.00		234,445.79	34,914.11
Sewer	39,530.02	84,305.30			62,951.56	60,883.76
Garbage and Landfill	10,402.01	190,982.58			208,502.84	(7,118.25)
W&S Improvement District 1993-1	341,493.97	148,393.06		95,000.00	237,004.05	157,882.98
<b>Total Major Enterprise Funds</b>	<b>390,247.69</b>	<b>629,219.15</b>	<b>65,000.00</b>	<b>95,000.00</b>	<b>742,904.24</b>	<b>246,562.60</b>
<b>Non-Major Enterprise Funds</b>						
Landfill Maintenance	20,924.70	13,179.86				34,104.56
Water Deposit	9,513.31	1,078.00			123.75	10,467.56
Water Maintenance Fee	133,683.27	13,152.00				146,835.27
<b>Total Non-Major Enterprise Funds</b>	<b>164,121.28</b>	<b>27,409.86</b>			<b>123.75</b>	<b>191,407.39</b>
<b>Total Enterprise Funds</b>	<b>554,368.97</b>	<b>656,629.01</b>	<b>65,000.00</b>	<b>95,000.00</b>	<b>743,027.99</b>	<b>437,969.99</b>
<b>Fiduciary Funds</b>						
<b>Custodial Funds</b>						
Park District	(2,812.25)	22,592.72			19,780.47	
Airport Authority	53.63	466.97			507.33	13.27
Fire Department Trust	7,253.49	15,601.39			22,667.51	187.37
<b>Total Custodial Funds</b>	<b>4,494.87</b>	<b>38,661.08</b>			<b>42,955.31</b>	<b>200.64</b>
<b>Total Primary Government</b>	<b>811,251.88</b>	<b>1,744,628.97</b>	<b>145,000.00</b>	<b>145,000.00</b>	<b>1,742,794.78</b>	<b>813,086.07</b>
<b>Discretely Presented Component Unit</b>						
Airport Authority	15,810.35	212,395.25			224,139.94	4,065.66
<b>Total Reporting Entity</b>	<b>827,062.23</b>	<b>1,957,024.22</b>	<b>145,000.00</b>	<b>145,000.00</b>	<b>1,966,934.72</b>	<b>817,151.73</b>

CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	(8,610.38)	557,624.96	15,000.00		562,983.05	1,031.53
Highway Distribution	(40,424.25)	72,789.23	115,000.00		172,253.60	(24,888.62)
Sales Tax	125,044.97	362,154.43		115,000.00	224,737.71	147,461.69
Street Improvement District No. 7	119,687.01	57,815.23			148,531.50	28,970.74
<b>Total Major Governmental Funds</b>	<b>195,697.35</b>	<b>1,050,383.85</b>	<b>130,000.00</b>	<b>115,000.00</b>	<b>1,108,505.86</b>	<b>152,575.34</b>
<u>Non-Major Governmental Funds</u>						
Cemetery	2,296.19	10,274.00			7,722.52	4,847.67
Library	4,268.18	3,515.83			205.21	7,578.80
Emergency	16,424.97	8,050.99		15,000.00		9,475.96
Job Development		12,857.51				12,857.51
Street Improvement District No. 8	71,600.24	16,901.31			23,448.79	65,052.76
<b>Total Non-Major Governmental Funds</b>	<b>94,589.58</b>	<b>51,599.64</b>		<b>15,000.00</b>	<b>31,376.52</b>	<b>99,812.70</b>
<b>Total Governmental Funds</b>	<b>290,286.93</b>	<b>1,101,983.49</b>	<b>130,000.00</b>	<b>130,000.00</b>	<b>1,139,882.38</b>	<b>252,388.04</b>
<u>Major Enterprise Funds</u>						
Water	27,476.59	223,110.31			251,765.21	(1,178.31)
Sewer	15,675.33	89,699.31			65,844.62	39,530.02
Garbage and Landfill	15,880.65	195,531.20			201,009.84	10,402.01
W&S Improvement District 1993-1	306,419.60	142,946.80			107,872.43	341,493.97
<b>Total Major Enterprise Funds</b>	<b>365,452.17</b>	<b>651,287.62</b>			<b>626,492.10</b>	<b>390,247.69</b>
<u>Non-Major Enterprise Funds</u>						
Landfill Maintenance	7,325.11	13,599.59				20,924.70
Water Deposit	8,023.81	1,787.88			298.38	9,513.31
Water Maintenance Fee	120,091.24	13,592.03				133,683.27
<b>Total Non-Major Enterprise Funds</b>	<b>135,440.16</b>	<b>28,979.50</b>			<b>298.38</b>	<b>164,121.28</b>
<b>Total Enterprise Funds</b>	<b>500,892.33</b>	<b>680,267.12</b>			<b>626,790.48</b>	<b>554,368.97</b>
<u>Fiduciary Funds</u>						
<u>Custodial Funds</u>						
Park District					2,812.25	(2,812.25)
Airport Authority		81.15			27.52	53.63
Fire Department Trust		15,084.40			7,830.91	7,253.49
<b>Total Custodial Funds</b>		<b>15,165.55</b>			<b>10,670.68</b>	<b>4,494.87</b>
<b>Total Primary Government</b>	<b>791,179.26</b>	<b>1,797,416.16</b>	<b>130,000.00</b>	<b>130,000.00</b>	<b>1,777,343.54</b>	<b>811,251.88</b>
<u>Discretely Presented Component Unit</u>						
Airport Authority	20,025.41	269,676.05			273,891.11	15,810.35
<b>Total Reporting Entity</b>	<b>811,204.67</b>	<b>2,067,092.21</b>	<b>130,000.00</b>	<b>130,000.00</b>	<b>2,051,234.65</b>	<b>827,062.23</b>

# Rath & Mehler, P.C.

Certified Public Accountants

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

*Specializing in Governmental Auditing*

425 North Fifth Street  
Bismarck, ND 58501  
Phone 701-258-4560  
Fax 701-258-4983

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 Kenmare  
Kenmare, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kenmare, Kenmare, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated February 5, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the city'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'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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**

The city's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits 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

February 5, 2021

CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018

**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
Discretely Presented Component Unit	Unmodified-Modified	Cash Basis
Major Governmental Fund	Unmodified-Modified	Cash Basis
Major Business-Type Fund	Unmodified-Modified	Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified	Cash Basis

Internal control over financial reporting:

\* Material weakness(es) identified?                   Yes              X   No

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

Noncompliance Material to financial  
statements noted?                                              Yes              X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. 2019-001 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. 2019-002 Financial Statement Preparation

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

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

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

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

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

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