



Financial Statements  
December 31, 2021, 2020, 2019, and 2018  
City of Dunseith

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**Independent Auditor's Report**

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

**Report on the Audit of the Financial Statements**

***Adverse, Qualified, and Unmodified Opinions and Disclaimer of Opinion***

We have audited the accompanying modified cash financial statements of the governmental activities and each major fund (except as described below for the water and garbage funds), of the City of Dunseith, North Dakota ("the City"), as of and for the years ended December 31, 2021, 2020, 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. We were engaged to audit the City's Business-Type Activities, Water Fund, Garbage Fund and Aggregate Remaining Fund Information as of and for the years ended December 31, 2021, 2020, 2019, and 2018.

**Summary of Opinions**

<i>Opinion Unit</i>	<i>Type of Opinion</i>	<i>Years</i>
Governmental Activities	Adverse	All Years
Business-Type Activities	Disclaimer	All Years
Discretely Presented Component Unit	Adverse	All Years
General Fund	Qualified	2020, 2019, 2018
General Fund	Unmodified	2021
Street Fund	Unmodified	All Years
Industrial Development Fund	Unmodified	All Years
Water Fund	Disclaimer	All Years
Garbage Fund	Disclaimer	All Years
Aggregate Remaining Fund Information	Disclaimer	All Years

*Disclaimer of Opinions on Business-type Activities, Water and Garbage funds and Aggregate Remaining Fund Information – All Years*

We do not express an opinion on the business-type activities, water, garbage, and aggregate remaining fund information. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements for the business-type activities, water and garbage funds and aggregate remaining fund information of the City of Dunseith, as of December 31, 2021, 2020, 2019 and 2018.

*Adverse Opinion on Governmental Activities and Discretely Presented Component Unit – All Years*

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse, Qualified and Unmodified Opinions” section of our report, the accompanying financial statements referred to above do not present fairly, the financial position of the governmental activities and the discretely presented component unit of the City of Dunseith, as of December 31, 2021, 2020, 2019 and 2018, or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

*Qualified Opinions on General Fund – 2020, 2019 and 2018*

In our opinion, except for the effects of the matter described in the “Basis for Adverse, Qualified and Unmodified Opinions” section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of general fund of the City of Dunseith, as of December 31, 2020, 2019 and 2018, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

*Unmodified Opinion on the 2021 General Fund*

In our opinion, the accompanying the financial statements referred to above present fairly, in all material respects, the respective financial position of the 2021 general fund for City of Dunseith, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

*Unmodified Opinion on the Street Fund and Industrial Development Fund – All Years*

In our opinion, the accompanying the financial statements referred to above present fairly, in all material respects, the respective financial position of the street fund and industrial development fund for City of Dunseith, as of December 31, 2021, 2020, 2019 and 2018, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

***Basis for Disclaimer of Opinion***

Because of the inadequacy of the accounting records for the proprietary fund receipts, we were unable to form an opinion regarding the amounts at which these receipts are recorded and the allocation among the business-type activities, water, garbage and aggregate remaining fund information in the accompanying statement of net position, statement of changes in net position and statement of cash flows for the years ending December 31, 2021, 2020, 2019, and 2018, for the business-type activities, water and garbage fund and aggregate remaining fund information financial statements.

### ***Basis for Adverse, Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Governmental Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Dunseith and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified and unmodified audit opinions.

### ***Matters Giving Rise to Adverse Opinions on Governmental Activities and Discretely Presented Component Unit – All Years***

As explained in Note 1 to the financial statements, management has not recorded capital assets in governmental activities, and accordingly, has not recorded depreciation expense on those assets. Modified cash basis of accounting requires that those capital assets be capitalized and depreciated, which would increase the assets, net position and change the expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

The financial statements do not include financial data for the City of Dunseith's legally separate component unit. The modified cash basis of accounting requires the financial data for this component unit to be reported with the financial data of the City of Dunseith's primary government unless the City of Dunseith's also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City of Dunseith's has not issued such reporting entity financial statements. The effects of not including the City of Dunseith's legally separate component unit has not been determined.

### ***Matter Giving Rise to Qualified Opinion on General Fund***

We were unable to obtain sufficient appropriate audit evidence about the receipts of the City's fines, forfeitures and penalties as of December 31, 2020, 2019, and 2018, recorded in the general fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the general fund in each of these years.

### ***Emphasis of Matter - Basis of Accounting***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting; and 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 Responsibilities for the Audit of the Financial Statements***

#### ***Auditor's Responsibilities for the Audit of the Business-type Activities, Water, Garbage and Aggregate Remaining Fund Information***

Our responsibility is to conduct an audit in accordance with GAAS, *Government Auditing Standards*, and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

We are required to be independent of the City of Dunseith and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

#### ***Auditor's Responsibilities for the Audit of the Governmental Activities, Discretely Presented Component Unit, General Fund, Street Fund, and Industrial Development Fund***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Dunseith's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Dunseith's ability to continue as a going concern for a reasonable period of time.

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

#### ***Supplementary Information***

Management is responsible for the supplementary information included in the annual report. The supplementary information comprises the budgetary comparison schedules are presented for the purposes of additional analysis and not a required part of the financial statements. Our opinions on the basic modified cash basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance on them. In connection with our audit of the basic modified cash basis financial statements, our responsibility is to read the supplementary information and consider whether a material inconsistency exists between the supplementary information and the basic modified cash financial statements, or the supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the supplementary information exists, we are required to describe it in our report. Because of the significance of the matter described above in the Matters Giving Rise to Adverse Opinions on Governmental Activities, Business-type Activities and Discretely Presented Component Unit – All Years and in the Matters Giving Rise to Disclaimer of Opinion on Water and Garbage Fund and Aggregate Remaining Fund Information – All Years, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022 on our consideration of the City of Dunseith, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of "City of Dunseith's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dunseith's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Bismarck, North Dakota  
August 17, 2022



City of Dunseith  
 Statements of Net Position – Modified Cash Basis  
 December 31, 2021 and 2020

	2021		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 741,160	\$ 52,289	\$ 793,449
Notes receivable	42,259	-	42,259
<b>Total Assets</b>	<b><u>\$ 783,419</u></b>	<b><u>\$ 52,289</u></b>	<b><u>\$ 835,708</u></b>
<b>Net Position</b>			
Restricted for special purposes			
Streets	\$ 244,972	\$ -	\$ 244,972
Industrial revenue	126,079	-	126,079
Unrestricted	412,368	52,289	464,657
<b>Total net position</b>	<b><u>\$ 783,419</u></b>	<b><u>\$ 52,289</u></b>	<b><u>\$ 835,708</u></b>
	2020		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 637,507	\$ 28,732	\$ 666,239
Notes receivable	30,100	-	30,100
<b>Total Assets</b>	<b><u>\$ 667,607</u></b>	<b><u>\$ 28,732</u></b>	<b><u>\$ 696,339</u></b>
<b>Net Position</b>			
Restricted for special purposes			
Streets	\$ 255,009	\$ -	\$ 255,009
Industrial revenue	156,804	-	156,804
Social security	27,305	-	27,305
Law enforcement	31,119	-	31,119
Planning study	15,923	-	15,923
Fire	31,119	-	31,119
Unrestricted	150,328	28,732	179,060
<b>Total net position</b>	<b><u>\$ 667,607</u></b>	<b><u>\$ 28,732</u></b>	<b><u>\$ 696,339</u></b>

City of Dunseith  
 Statements of Net Position – Modified Cash Basis  
 December 31, 2019 and 2018

	2019		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 716,823	\$ 26,376	\$ 743,199
Notes receivable	9,693	-	9,693
<b>Total Assets</b>	<u>\$ 726,516</u>	<u>\$ 26,376</u>	<u>\$ 752,892</u>
<b>Net Position</b>			
Restricted for special purposes			
Streets	\$ 272,025	\$ -	\$ 272,025
Industrial revenue	156,804	-	156,804
Social security	30,473	-	30,473
Law enforcement	31,119	-	31,119
Planning study	15,923	-	15,923
Fire	31,119	-	31,119
Unrestricted	189,053	26,376	215,429
<b>Total net position</b>	<u>\$ 726,516</u>	<u>\$ 26,376</u>	<u>\$ 752,892</u>
<b>2018</b>			
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 672,932	\$ 23,168	\$ 696,100
Notes receivable	24,568	-	24,568
<b>Total Assets</b>	<u>\$ 697,500</u>	<u>\$ 23,168</u>	<u>\$ 720,668</u>
<b>Net Position</b>			
Restricted for special purposes			
Streets	\$ 241,171	\$ -	\$ 241,171
Industrial revenue	165,563	-	165,563
Social security	33,626	-	33,626
Law enforcement	31,119	-	31,119
Planning study	15,923	-	15,923
Unrestricted	210,098	23,168	233,266
<b>Total net position</b>	<u>\$ 697,500</u>	<u>\$ 23,168</u>	<u>\$ 720,668</u>

City of Dunseith  
 Statements of Activities – Modified Cash Basis  
 Year Ended December 31, 2021

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 197,180	\$ -	\$ -	\$ -	\$ (197,180)	\$ -	\$ (197,180)
Public safety	139,822	-	-	-	(139,822)	-	(139,822)
Streets and highways	87,062	-	77,025	-	(10,037)	-	(10,037)
Capital outlay	33,749	-	-	-	(33,749)	-	(33,749)
Total governmental activities	<u>457,813</u>	<u>-</u>	<u>77,025</u>	<u>-</u>	<u>(380,788)</u>	<u>-</u>	<u>(380,788)</u>
Business-type activities							
Water	40,228	47,900	-	-	-	7,672	7,672
Garbage	82,764	88,689	-	-	-	5,925	5,925
Other proprietary	23,705	33,665	-	-	-	9,960	9,960
Total business-type activities	<u>146,697</u>	<u>170,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,557</u>	<u>23,557</u>
<b>Total Primary Government</b>	<u>\$ 604,510</u>	<u>\$ 170,254</u>	<u>\$ 77,025</u>	<u>\$ -</u>	<u>(380,788)</u>	<u>23,557</u>	<u>(357,231)</u>
<b>General receipts</b>							
Property taxes					70,695	-	70,695
Sales tax					109,842	-	109,842
Licenses, permits, and fees					3,560	-	3,560
State aid distribution					166,212	-	166,212
Fines, forfeitures and penalties					4,213	-	4,213
Interest					7,012	-	7,012
Rent/lease					7,902	-	7,902
Miscellaneous					94,659	-	94,659
Total general receipts					<u>464,095</u>	<u>-</u>	<u>464,095</u>
Sale of equipment					32,505	-	32,505
Total other financing sources (uses)					<u>32,505</u>	<u>-</u>	<u>32,505</u>
Change in net position					115,812	23,557	139,369
Net position - January 1					<u>667,607</u>	<u>28,732</u>	<u>696,339</u>
Net position - December 31					<u>\$ 783,419</u>	<u>\$ 52,289</u>	<u>\$ 835,708</u>

See Notes to Financial Statements

City of Dunseith  
Statements of Activities – Modified Cash Basis  
Year Ended December 31, 2020

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
Governmental activities						
General government	\$ 168,560	\$ -	\$ -	\$ (168,560)	\$ -	\$ (168,560)
Public safety	155,679	-	-	(155,679)	-	(155,679)
Streets and highways	95,235	-	78,219	(17,016)	-	(17,016)
Health and welfare	244,500	-	244,500	-	-	-
Capital outlay	55,385	-	-	(55,385)	-	(55,385)
Total governmental activities	<u>719,359</u>	<u>-</u>	<u>322,719</u>	<u>(396,640)</u>	<u>-</u>	<u>(396,640)</u>
Business-type activities						
Water	51,663	45,906	-	-	(5,757)	(5,757)
Garbage	82,764	87,123	-	-	4,359	4,359
Other proprietary	24,819	28,573	-	-	3,754	3,754
Total business-type activities	<u>159,246</u>	<u>161,602</u>	<u>-</u>	<u>-</u>	<u>2,356</u>	<u>2,356</u>
<b>Total Primary Government</b>	<u>\$ 878,605</u>	<u>\$ 161,602</u>	<u>\$ 322,719</u>	<u>(396,640)</u>	<u>2,356</u>	<u>(394,284)</u>
General receipts						
Property taxes				55,115	-	55,115
Sales tax				109,842	-	109,842
Licenses, permits, and fees				3,565	-	3,565
State aid distribution				110,669	-	110,669
Fines, forfeitures and penalties				6,378	-	6,378
Interest				7,453	-	7,453
Rent/lease				5,754	-	5,754
Miscellaneous				38,955	-	38,955
Total general receipts				<u>337,731</u>	<u>-</u>	<u>337,731</u>
Change in net position				(58,909)	2,356	(56,553)
Net position - January 1				726,516	26,376	752,892
Net position - December 31				<u>\$ 667,607</u>	<u>\$ 28,732</u>	<u>\$ 696,339</u>

City of Dunseith  
 Statements of Activities – Modified Cash Basis  
 Year Ended December 31, 2019

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
Governmental activities						
General government	\$ 187,087	\$ -	\$ -	\$ (187,087)	\$ -	\$ (187,087)
Public safety	128,135	-	-	(128,135)	-	(128,135)
Streets and highways	56,062	-	86,916	30,854	-	30,854
Total governmental activities	<u>371,284</u>	<u>-</u>	<u>86,916</u>	<u>(284,368)</u>	<u>-</u>	<u>(284,368)</u>
Business-type activities						
Water	46,258	42,176	-	-	(4,082)	(4,082)
Garbage	82,764	82,043	-	-	(721)	(721)
Other proprietary	25,136	24,973	-	-	(163)	(163)
Total business-type activities	<u>154,158</u>	<u>149,192</u>	<u>-</u>	<u>-</u>	<u>(4,966)</u>	<u>(4,966)</u>
<b>Total Primary Government</b>	<u>\$ 525,442</u>	<u>\$ 149,192</u>	<u>\$ 86,916</u>	<u>(284,368)</u>	<u>(4,966)</u>	<u>(289,334)</u>
General receipts						
Property taxes				53,228	-	53,228
Sales tax				80,169	-	80,169
Licenses, permits, and fees				3,630	-	3,630
State aid distribution				110,251	-	110,251
Fines, forfeitures and penalties				7,333	-	7,333
Interest				7,384	-	7,384
Rent/lease				7,254	-	7,254
Miscellaneous				52,309	-	52,309
Total general receipts				<u>321,558</u>	<u>-</u>	<u>321,558</u>
Transfers				<u>(8,174)</u>	<u>8,174</u>	<u>-</u>
Change in net position				29,016	3,208	32,224
Net position - January 1				697,500	23,168	720,668
Net position - December 31				<u>\$ 726,516</u>	<u>\$ 26,376</u>	<u>\$ 752,892</u>

City of Dunseth  
 Statements of Activities – Modified Cash Basis  
 Year Ended December 31, 2018

Net (Disbursements) Receipts and Changes in Net Position	Primary Government		Program Receipts		Disbursements		Functions/Programs
	Business-Type Activities	Governmental Activities	Operating Grants and Contributions	Charges for Services	Operating Grants and Contributions	Disbursements	
							Primary Government
							Governmental activities
							General government
							Public safety
							Streets and highways
							Capital outlay
							Total governmental activities
							Business-type activities
							Water
							Garbage
							Other proprietary
							Total business-type activities
							Total Primary Government
							General receipts
							Property taxes
							Sales tax
							Licenses, permits, and fees
							State aid distribution
							Fines, forfeitures and penalties
							Interest
							Rent/lease
							Miscellaneous
							Transfers
							Total general receipts
							Change in net position (deficit)
							Net position (deficit) - January 1
							Net position - December 31

See Notes to Financial Statements

40,087	-	40,087					
80,169	-	80,169					
3,640	-	3,640					
73,567	-	73,567					
16,508	-	16,508					
15,746	-	15,746					
13,657	-	13,657					
41,030	-	41,030					
-	36,476	(36,476)					
284,404	36,476	247,928					
(20,954)	38,392	(59,346)					
741,622	(15,224)	756,846					
\$ 720,668	\$ 23,168	\$ 697,500					

City of Dunseith  
Balance Sheets – Modified Cash Basis  
Governmental Funds  
December 31, 2021 and 2020

	2021				Total Governmental Funds
	General	Streets	Industrial Development	Other Governmental	
<b>Assets</b>					
Cash and investments	\$ 470,109	\$ 244,972	\$ 26,079	\$ -	\$ 741,160
Advances from other funds	-	-	100,000	-	100,000
Notes receivable	42,259	-	-	-	42,259
<b>Total Assets</b>	<b>\$ 512,368</b>	<b>\$ 244,972</b>	<b>\$ 126,079</b>	<b>\$ -</b>	<b>\$ 883,419</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Advanced to other funds	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
<b>Fund Balances</b>					
Non-spendable	\$ 42,259	\$ -	\$ -	\$ -	\$ 42,259
Restricted	-	244,972	126,079	-	371,051
Unassigned	370,109	-	-	-	370,109
<b>Total fund balances</b>	<b>\$ 412,368</b>	<b>\$ 244,972</b>	<b>\$ 126,079</b>	<b>\$ -</b>	<b>\$ 783,419</b>
<b>Total Liabilities and Fund Balances (Deficit)</b>	<b>\$ 512,368</b>	<b>\$ 244,972</b>	<b>\$ 126,079</b>	<b>\$ -</b>	<b>\$ 883,419</b>
<b>2020</b>					
	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 270,980	\$ 255,009	\$ 37,171	\$ 74,347	\$ 637,507
Advances from(to)	-	-	100,000	-	100,000
Notes receivable	30,100	-	-	-	30,100
<b>Total Assets</b>	<b>\$ 301,080</b>	<b>\$ 255,009</b>	<b>\$ 137,171</b>	<b>\$ 74,347</b>	<b>\$ 767,607</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
<b>Fund Balances</b>					
Non-spendable	\$ 30,100	\$ -	\$ -	\$ -	\$ 30,100
Restricted	-	255,009	137,171	74,347	466,527
Unassigned	170,980	-	-	-	170,980
<b>Total fund balances</b>	<b>\$ 201,080</b>	<b>\$ 255,009</b>	<b>\$ 137,171</b>	<b>\$ 74,347</b>	<b>\$ 667,607</b>
<b>Total Liabilities and Fund Balances (Deficit)</b>	<b>\$ 301,080</b>	<b>\$ 255,009</b>	<b>\$ 137,171</b>	<b>\$ 74,347</b>	<b>\$ 767,607</b>

See Notes to Financial Statements

City of Dunseith  
Balance Sheets – Modified Cash Basis  
Governmental Funds  
December 31, 2019 and 2018

	2019				Total Governmental Funds
	General	Streets	Industrial Development	Other Governmental	
<b>Assets</b>					
Cash and investments	\$ 208,142	\$ 272,025	\$ 156,804	\$ 79,852	\$ 716,823
Notes receivable	-	-	9,693	-	9,693
<b>Total Assets</b>	<u>\$ 208,142</u>	<u>\$ 272,025</u>	<u>\$ 166,497</u>	<u>\$ 79,852</u>	<u>\$ 726,516</u>
<b>Fund Balances</b>					
Non-spendable	\$ -	\$ -	\$ 9,693	\$ -	\$ 9,693
Restricted	-	272,025	156,804	79,852	508,681
Unassigned	208,142	-	-	-	208,142
<b>Total fund balances</b>	<u>\$ 208,142</u>	<u>\$ 272,025</u>	<u>\$ 166,497</u>	<u>\$ 79,852</u>	<u>\$ 726,516</u>
	2018				Total Governmental Funds
	General	Streets	Industrial Development	Other Governmental	
<b>Assets</b>					
Cash and investments	\$ 210,098	\$ 241,171	\$ 140,995	\$ 80,668	\$ 672,932
Notes receivable	-	-	24,568	-	24,568
<b>Total Assets</b>	<u>\$ 210,098</u>	<u>\$ 241,171</u>	<u>\$ 165,563</u>	<u>\$ 80,668</u>	<u>\$ 697,500</u>
<b>Fund Balances</b>					
Non-spendable	\$ -	\$ -	\$ 24,568	\$ -	\$ 24,568
Restricted	-	241,171	140,995	80,668	462,834
Unassigned	210,098	-	-	-	210,098
<b>Total fund balances</b>	<u>\$ 210,098</u>	<u>\$ 241,171</u>	<u>\$ 165,563</u>	<u>\$ 80,668</u>	<u>\$ 697,500</u>



City of Dunseith

Statements of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis

Governmental Funds

Year Ended December 31, 2021

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
<b>Receipts</b>					
Taxes	\$ 178,270	\$ -	\$ -	\$ 2,267	\$ 180,537
Licenses, permits, and fees	3,560	-	-	-	3,560
Intergovernmental	166,212	77,025	-	-	243,237
Fines, forfeitures and penalties	4,213	-	-	-	4,213
Interest	6,980	-	32	-	7,012
Rent/lease	6,900	-	1,002	-	7,902
Miscellaneous	94,659	-	-	-	94,659
Total receipts	<u>460,794</u>	<u>77,025</u>	<u>1,034</u>	<u>2,267</u>	<u>541,120</u>
<b>Disbursements</b>					
General government	185,739	-	-	11,441	197,180
Public safety	135,298	-	-	4,524	139,822
Streets and highways	-	87,062	-	-	87,062
Capital outlay	33,749	-	-	-	33,749
Total disbursements	<u>354,786</u>	<u>87,062</u>	<u>-</u>	<u>15,965</u>	<u>457,813</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>106,008</u>	<u>(10,037)</u>	<u>1,034</u>	<u>(13,698)</u>	<u>83,307</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	72,775	-	-	-	72,775
Transfers out	-	-	(12,126)	(60,649)	(72,775)
Sale of equipment	32,505	-	-	-	32,505
Total other financing sources (uses)	<u>105,280</u>	<u>-</u>	<u>(12,126)</u>	<u>(60,649)</u>	<u>32,505</u>
Net change in fund balances	211,288	(10,037)	(11,092)	(74,347)	115,812
Fund Balance - January 1	<u>201,080</u>	<u>255,009</u>	<u>137,171</u>	<u>74,347</u>	<u>667,607</u>
Fund Balance - December 31	<u>\$ 412,368</u>	<u>\$ 244,972</u>	<u>\$ 126,079</u>	<u>\$ -</u>	<u>\$ 783,419</u>

See Notes to Financial Statements

City of Dunseith  
 Statements of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis  
 Governmental Funds  
 Year Ended December 31, 2020

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
<b>Receipts</b>					
Taxes	\$ 162,770	\$ -	\$ -	\$ 2,187	\$ 164,957
Licenses, permits, and fees	3,565	-	-	-	3,565
Intergovernmental	355,169	78,219	-	-	433,388
Fines, forfeitures and penalties	6,378	-	-	-	6,378
Interest	7,239	-	214	-	7,453
Rent/lease	5,194	-	560	-	5,754
Miscellaneous	38,955	-	-	-	38,955
Total receipts	<u>579,270</u>	<u>78,219</u>	<u>774</u>	<u>2,187</u>	<u>660,450</u>
<b>Disbursements</b>					
General government	165,392	-	-	3,168	168,560
Public safety	151,155	-	-	4,524	155,679
Streets and highways	-	95,235	-	-	95,235
Culture and recreation	-	-	-	-	-
Health and welfare	244,500	-	-	-	244,500
Economic development	-	-	-	-	-
Capital outlay	55,385	-	-	-	55,385
Total disbursements	<u>616,432</u>	<u>95,235</u>	<u>-</u>	<u>7,692</u>	<u>719,359</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(37,162)</u>	<u>(17,016)</u>	<u>774</u>	<u>(5,505)</u>	<u>(58,909)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	30,100	-	-	-	30,100
Transfers out	-	-	(30,100)	-	(30,100)
Total other financing sources (uses)	<u>30,100</u>	<u>-</u>	<u>(30,100)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,062)	(17,016)	(29,326)	(5,505)	(58,909)
Fund Balance - January 1	<u>208,142</u>	<u>272,025</u>	<u>166,497</u>	<u>79,852</u>	<u>726,516</u>
Fund Balance - December 31	<u>\$ 201,080</u>	<u>\$ 255,009</u>	<u>\$ 137,171</u>	<u>\$ 74,347</u>	<u>\$ 667,607</u>

See Notes to Financial Statements

City of Dunseith

Statements of Receipts, Disbursements, and Changes in Fund Balances –Modified Cash Basis

Governmental Funds

Year Ended December 31, 2019

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 131,060	\$ -	\$ -	\$ 2,337	\$ 133,397
Licenses, permits, and fees	3,630	-	-	-	3,630
Intergovernmental	110,251	86,916	-	-	197,167
Fines, forfeitures and penalties	7,333	-	-	-	7,333
Interest	6,842	-	542	-	7,384
Rent/lease	6,862	-	392	-	7,254
Miscellaneous	52,309	-	-	-	52,309
Total receipts	<u>318,287</u>	<u>86,916</u>	<u>934</u>	<u>2,337</u>	<u>408,474</u>
Disbursements					
General government	183,934	-	-	3,153	187,087
Public safety	128,135	-	-	-	128,135
Streets and highways	-	56,062	-	-	56,062
Economic development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total disbursements	<u>312,069</u>	<u>56,062</u>	<u>-</u>	<u>3,153</u>	<u>371,284</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>6,218</u>	<u>30,854</u>	<u>934</u>	<u>(816)</u>	<u>37,190</u>
Other Financing Uses					
Transfers in	-	-	-	-	-
Transfers out	(8,174)	-	-	-	(8,174)
Total other financing uses	<u>(8,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,174)</u>
Net change in fund balances	<u>(1,956)</u>	<u>30,854</u>	<u>934</u>	<u>(816)</u>	<u>29,016</u>
Fund Balance - January 1	<u>210,098</u>	<u>241,171</u>	<u>165,563</u>	<u>80,668</u>	<u>697,500</u>
Fund Balance - December 31	<u>\$ 208,142</u>	<u>\$ 272,025</u>	<u>\$ 166,497</u>	<u>\$ 79,852</u>	<u>\$ 726,516</u>

City of Dunseith

Statements of Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis

Governmental Funds

Year Ended December 31, 2018

	General	Streets	Industrial Development	Other Governmental	Total Governmental Funds
Receipts					
Taxes	\$ 118,447	\$ -	\$ -	\$ 1,809	\$ 120,256
Licenses, permits, and fees	3,640	-	-	-	3,640
Intergovernmental	73,567	86,787	-	-	160,354
Fines, forfeitures and penalties	16,508	-	-	-	16,508
Interest	15,236	-	510	-	15,746
Rent/lease	6,634	-	7,023	-	13,657
Miscellaneous	41,030	-	-	-	41,030
Total receipts	<u>275,062</u>	<u>86,787</u>	<u>7,533</u>	<u>1,809</u>	<u>371,191</u>
Disbursements					
General government	185,716	-	-	1,809	187,525
Public safety	115,943	-	-	3,588	119,531
Streets and highways	-	82,694	-	-	82,694
Economic development	-	-	-	-	-
Capital outlay	4,311	-	-	-	4,311
Total disbursements	<u>305,970</u>	<u>82,694</u>	<u>-</u>	<u>5,397</u>	<u>394,061</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>(30,908)</u>	<u>4,093</u>	<u>7,533</u>	<u>(3,588)</u>	<u>(22,870)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	12,000	8,065	20,065
Transfers out	(56,541)	-	-	-	(56,541)
Total other financing sources (uses)	<u>(56,541)</u>	<u>-</u>	<u>12,000</u>	<u>8,065</u>	<u>(36,476)</u>
Net change in fund balances	<u>(87,449)</u>	<u>4,093</u>	<u>19,533</u>	<u>4,477</u>	<u>(59,346)</u>
Fund Balance - January 1	<u>297,547</u>	<u>237,078</u>	<u>146,030</u>	<u>76,191</u>	<u>756,846</u>
Fund Balance - December 31	<u>\$ 210,098</u>	<u>\$ 241,171</u>	<u>\$ 165,563</u>	<u>\$ 80,668</u>	<u>\$ 697,500</u>

City of Dunseith  
 Statements of Net Position – Modified Cash Basis  
 Proprietary Funds  
 December 31, 2021 and 2020

	2021			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Assets				
Current Assets				
Cash and investments	\$ 8,224	\$ 22,298	\$ 21,767	\$ 52,289
Net Position				
Unrestricted	\$ 8,224	\$ 22,298	\$ 21,767	\$ 52,289
	2020			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Assets				
Current Assets				
Cash and investments	\$ 552	\$ 16,373	\$ 11,807	\$ 28,732
Net Position				
Unrestricted	\$ 552	\$ 16,373	\$ 11,807	\$ 28,732

City of Dunseith  
 Statements of Net Position– Modified Cash Basis  
 Proprietary Funds  
 December 31, 2019 and 2018

	2019			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Assets				
Current Assets				
Cash and investments	\$ 6,309	\$ 12,014	\$ 8,053	\$ 26,376
Net Position				
Unrestricted	\$ 6,309	\$ 12,014	\$ 8,053	\$ 26,376
	2018			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Assets				
Current Assets				
Cash and investments	\$ 2,217	\$ 12,735	\$ 8,216	\$ 23,168
Net Position				
Unrestricted	\$ 2,217	\$ 12,735	\$ 8,216	\$ 23,168

City of Dunseith  
 Statements of Changes in Net Position – Modified Cash Basis  
 Proprietary Funds  
 Years Ended December 31, 2021 and 2020

	2021			Total Proprietary Funds
	Water	Garbage	Other Proprietary	
Operating Receipts				
Charges for services	\$ 47,900	\$ 88,689	\$ 33,665	\$ 170,254
Operating Disbursements				
Wages and benefits	20,639	-	20,639	41,278
Power and utilities	7,580	-	1,733	9,313
Chemicals	9,408	-	-	9,408
Supplies	1,290	-	-	1,290
Equipment	687	-	1,333	2,020
Contracted services	-	82,764	-	82,764
Other	624	-	-	624
Total operating disbursements	40,228	82,764	23,705	146,697
Change in net position	7,672	5,925	9,960	23,557
Net Position - January 1	552	16,373	11,807	28,732
Net Position - December 31	<u>\$ 8,224</u>	<u>\$ 22,298</u>	<u>\$ 21,767</u>	<u>\$ 52,289</u>
	2020			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Receipts				
Charges for services	\$ 45,906	\$ 87,123	\$ 28,573	\$ 161,602
Operating Disbursements				
Wages and benefits	20,534	-	20,533	41,067
Power and utilities	6,858	-	2,280	9,138
Chemicals	12,334	-	-	12,334
Supplies	676	-	-	676
Equipment	10,115	-	2,006	12,121
Contracted services	-	82,764	-	82,764
Other	1,146	-	-	1,146
Total operating disbursements	51,663	82,764	24,819	159,246
Change in net position	(5,757)	4,359	3,754	2,356
Net Position - January 1	6,309	12,014	8,053	26,376
Net Position - December 31	<u>\$ 552</u>	<u>\$ 16,373</u>	<u>\$ 11,807</u>	<u>\$ 28,732</u>

See Notes to Financial Statements

City of Dunseith  
 Statements of Changes in Net Position – Modified Cash Basis  
 Proprietary Funds  
 Years Ended December 31, 2019 and 2018

	2019			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Receipts				
Charges for services	\$ 42,176	\$ 82,043	\$ 24,973	\$ 149,192
Operating Disbursements				
Wages and benefits	19,439	-	19,439	38,878
Power and utilities	6,883	-	2,196	9,079
Chemicals	9,372	-	-	9,372
Supplies	9,659	-	-	9,659
Equipment	-	-	3,501	3,501
Contracted services	-	82,764	-	82,764
Other	905	-	-	905
Total operating disbursements	46,258	82,764	25,136	154,158
Operating (Loss) Income	(4,082)	(721)	(163)	(4,966)
Other Financing Sources				
Transfers in	8,174	-	-	8,174
Change in net position	4,092	(721)	(163)	3,208
Net Position - January 1	2,217	12,735	8,216	23,168
Net Position - December 31	<u>\$ 6,309</u>	<u>\$ 12,014</u>	<u>\$ 8,053</u>	<u>\$ 26,376</u>
	2018			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Receipts				
Charges for services	\$ 43,138	\$ 81,946	\$ 24,254	\$ 149,338
Operating Disbursements				
Wages and benefits	18,834	-	18,834	37,668
Power and utilities	6,880	-	1,997	8,877
Chemicals	7,391	-	-	7,391
Supplies	4,080	-	-	4,080
Equipment	4,248	-	1,790	6,038
Contracted services	-	82,764	-	82,764
Other	604	-	-	604
Total operating disbursements	42,037	82,764	22,621	147,422
Operating Income (Loss)	1,101	(818)	1,633	1,916
Other Financing Uses				
Transfers in	36,476	-	-	36,476
Change in net position	37,577	(818)	1,633	38,392
Net Position (Deficit) - January 1	(35,360)	13,553	6,583	(15,224)
Net Position - December 31	<u>\$ 2,217</u>	<u>\$ 12,735</u>	<u>\$ 8,216</u>	<u>\$ 23,168</u>

See Notes to Financial Statements



City of Dunseith  
 Statements of Cash Flows – Modified Cash Basis  
 Proprietary Funds  
 Years Ended December 31, 2021 and 2020

	2021			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Activities				
Receipts from customers	\$ 47,900	\$ 88,689	\$ 33,665	\$ 170,254
Payments to suppliers	(19,589)	(82,764)	(3,066)	(105,419)
Payments to employees	(20,639)	-	(20,639)	(41,278)
Net cash provided by operating activities	<u>7,672</u>	<u>5,925</u>	<u>9,960</u>	<u>23,557</u>
Change in Cash and cash equivalents	7,672	5,925	9,960	23,557
Cash and cash equivalents balance - January 1	<u>552</u>	<u>16,373</u>	<u>11,807</u>	<u>28,732</u>
Cash and cash equivalents balance - December 31	<u>\$ 8,224</u>	<u>\$ 22,298</u>	<u>\$ 21,767</u>	<u>\$ 52,289</u>
	2020			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Activities				
Receipts from customers	\$ 45,906	\$ 87,123	\$ 28,573	\$ 161,602
Payments to suppliers	(31,129)	(82,764)	(4,286)	(118,179)
Payments to employees	(20,534)	-	(20,533)	(41,067)
Net cash provided by (used for) operating activities	<u>(5,757)</u>	<u>4,359</u>	<u>3,754</u>	<u>2,356</u>
Change in Cash and cash equivalents	(5,757)	4,359	3,754	2,356
Cash and cash equivalents balance - January 1	<u>6,309</u>	<u>12,014</u>	<u>8,053</u>	<u>26,376</u>
Cash and cash equivalents balance - December 31	<u>\$ 552</u>	<u>\$ 16,373</u>	<u>\$ 11,807</u>	<u>\$ 28,732</u>

City of Dunseith  
 Statements of Cash Flows –Modified Cash Basis  
 Proprietary Funds  
 Years Ended December 31, 2019 and 2018

	2019			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Activities				
Receipts from customers	\$ 42,176	\$ 82,043	\$ 24,973	\$ 149,192
Payments to suppliers	(26,819)	(82,764)	(5,697)	(115,280)
Payments to employees	(19,439)	-	(19,439)	(38,878)
Net cash used for operating activities	(4,082)	(721)	(163)	(4,966)
Noncapital Financing Activities				
Transfers from other funds	8,174	-	-	8,174
Net cash provided by noncapital financing activities	8,174	-	-	8,174
Change in Cash and cash equivalents	4,092	(721)	(163)	3,208
Cash and cash equivalents balance - January 1	2,217	12,735	8,216	23,168
Cash and cash equivalents balance - December 31	<u>\$ 6,309</u>	<u>\$ 12,014</u>	<u>\$ 8,053</u>	<u>\$ 26,376</u>
	2018			
	Water	Garbage	Other Proprietary	Total Proprietary Funds
Operating Activities				
Receipts from customers	\$ 43,138	\$ 81,946	\$ 24,254	\$ 149,338
Payments to suppliers	(23,203)	(82,764)	(3,787)	(109,754)
Payments to employees	(18,834)	-	(18,834)	(37,668)
Net cash provided by (used for) operating activities	1,101	(818)	1,633	1,916
Noncapital Financing Activities				
Interfund borrowing	(35,360)	13,553	6,583	(15,224)
Transfers from other funds	36,476	-	-	36,476
Net cash provided by noncapital financing activities	1,116	13,553	6,583	21,252
Change in Cash and cash equivalents	2,217	12,735	8,216	23,168
Cash and cash equivalents balance - January 1	-	-	-	-
Cash and cash equivalents balance - December 31	<u>\$ 2,217</u>	<u>\$ 12,735</u>	<u>\$ 8,216</u>	<u>\$ 23,168</u>

See Notes to Financial Statements

**Note 1 - Principal Business Activity and Significant Accounting Policies**

**Basis of Presentation**

The City of Dunseith operates under a City commission form of government. The financial statements of City of Dunseith, North Dakota, have been prepared in conformity with the modified cash basis of accounting as applicable to governments. The Governmental 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.

**Reporting Entity**

The accompanying financial statements present the activities of the City of Dunseith, North Dakota (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 Governmental 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 City of Dunseith 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 City of Dunseith.

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.

**Component Units**

The financial statements of the Dunseith Community Nursing Home is not displayed in this financial statement as required. The organization has the potential to impose a financial burden on the City of Dunseith.

Complete financial statements may be obtained from the Dunseith Community Nursing Home, 15 1st St W NE, Dunseith, ND 58329.

**Government-Wide and Fund Financial Statements**

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

The City has a departure from the modified cash method of accounting for not recording capital asset activity and related depreciation within the government-wide and business-type financial statements for the years ended December 31, 2021, 2020, 2019, and 2018.

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

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

#### **Fund Balance Classification Policies and Procedures**

The City classifies governmental fund balances as follows:

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

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

#### **Equity Classifications**

##### **Government-wide Statements**

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

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

**Unrestricted net position** – All other net position that does not meet the definition of "restricted".

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund and proprietary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting.

Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets, notes receivable and long-term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The City reports the following major governmental funds:

**General Fund** – For the years ended December 31, 2021, 2020, 2019, and 2018, the general fund is a major governmental fund that is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Streets Fund** - For the years ended December 31, 2021, 2020, 2019, and 2018, the streets fund is a major governmental fund in which the City accounts for cash receipts and disbursements relating to upkeep of City streets for the City and surrounding townships in this fund.

**Industrial Development Fund** – For the years ended December 31, 2021, 2020, 2019, and 2018, the industrial development fund is a major governmental fund in which, in conjunction with the reimbursement fund, the City accounts for cash receipts and disbursements relating to the rental agreement with Turtle Mountain Corporation.

The City reports the following major proprietary funds:

**Water Fund** - For the years ended December 31, 2021, 2020, 2019, and 2018, the water fund is a major proprietary fund in which the City accounts for cash receipts and disbursements relating to the furnishing of water service to residents of the City.

**Garbage Fund** - For the years ended December 31, 2021, 2020, 2019, and 2018, the water fund is a major proprietary fund in which the City accounts for cash receipts and disbursements relating to the furnishing of garbage service to residents of the City.

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

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

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

#### **Interfund Transactions**

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

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

#### **Property Taxes**

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

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

#### **Cash and Cash Equivalents**

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

**Note 2 - Cash Deposits**

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

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

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

As of December 31, 2021, 2020, 2019, and 2018, the City's carrying amount of pooled deposits was \$793,449, \$666,239, \$743,199, and \$696,100, respectively. As of December 31, 2021, 2020, 2019, and 2018, bank balances of \$801,964, \$674,606, \$737,404, and \$696,357, respectively, \$250,000 was covered by Federal Depository Insurance each with the remaining balances collateralized with securities held by the pledging financial institution's agent in the government's name.

**Interest Rate Risk**

The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**Credit Risk**

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

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

As of December 31, 2021, 2020, 2019, and 2018, the City held certificates of deposit in the amount of \$462,023, \$455,403, \$448,165, and \$441,372, respectively.

The following is a summary of the certificates of deposits maturity dates and are included in the above amounts of total deposits:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Mature in 1 year or less	\$ 286,042	\$ 282,654	\$ 279,291	\$ 191,208
Mature in 2-5 years	<u>175,981</u>	<u>172,749</u>	<u>168,874</u>	<u>250,164</u>
	<u>\$ 462,023</u>	<u>\$ 455,403</u>	<u>\$ 448,165</u>	<u>\$ 441,372</u>

**Note 3 - Advance To/From**

The following is a summary of advances from and advances to as of December 31, 2021 and 2020:

Year ending December 31, 2021:

Advance to General Fund	<u>Industrial Development</u> <u>\$ 100,000</u>
----------------------------	--

Year ending December 31, 2020:

Advance to General Fund	<u>Industrial Development</u> <u>\$ 100,000</u>
----------------------------	--

The above advance is a non-interest advance from the industrial revenue account to the general fund. The general fund will repay this advance from future revenues with annual payments of \$10,000 beginning in 2022 and ending in 2031.



**Note 4 - Risk Management**

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 state agencies and political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence.

The City also participates in the North Dakota Fire and Tornado Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period.

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

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

**Note 5 - Excess of Disbursements over Budget**

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

<u>Fund</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund	\$ 54,829	\$ 318,307	\$ 51,812	\$ 50,155

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

**Note 6 - 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, 2021, 2020, 2019, and 2018:

	<u>Transfer In</u>	<u>Transfer Out</u>
2021		
General fund	\$ 72,775	\$ -
Industrial development	-	12,126
Other governmental funds	-	60,649
	<u>\$ 72,775</u>	<u>\$ 72,775</u>
2020		
General fund	\$ 30,100	\$ -
Industrial development	-	30,100
	<u>\$ 30,100</u>	<u>\$ 30,100</u>
2019		
General fund	\$ -	\$ 8,174
Water	8,174	-
	<u>\$ 8,174</u>	<u>\$ 8,174</u>
2018		
General fund	\$ -	\$ 56,541
Industrial development	12,000	-
Other governmental funds	8,065	-
Water	36,476	-
	<u>\$ 56,541</u>	<u>\$ 56,541</u>

**Note 7 - Discretely Presented Component Unit**

During the years ended December 31, 2020, 2019 and 2018, the City donated \$256,500, \$54,900 and \$43,475, respectively to the Dunseith Community Nursing Home.

**Note 8 - Notes Receivable**

		2021								
General Fund	Endorser	Origination Date	Interest Rate	Term	Payment	Beginning Balance	Additions	Payments	Final Balance	Collateral
	Golf Boosters	7/29/2020	2%	7/29/2026	\$5,374/year	\$ 30,100	\$ -	\$ (4,772)	\$ 25,328	(3)
	Chad Counts and Sherry Hoeger	6/10/2021	5%	9/15/2026	\$340/month	-	17,500	(569)	16,931	(4)
						<u>\$ 30,100</u>	<u>\$ 17,500</u>	<u>\$ (5,341)</u>	<u>\$ 42,259</u>	
		2020								
General Fund	Endorser	Origination Date	Interest Rate	Term	Payment	Beginning Balance	Additions	Payments	Final Balance	Collateral
	Golf Boosters	7/29/2020	2%	7/29/2026	\$5,374/year	\$ -	\$ 30,100	\$ -	\$ 30,100	(3)
Industrial Development Fund	Jennifer Poitra	10/19/2018	6.25%	12/15/2021	\$235/month	\$ 9,693	\$ -	\$ (9,693)	\$ -	(1)
		2019								
Industrial Development Fund	Endorser	Origination Date	Interest Rate	Term	Payment	Beginning Balance	Additions	Payments	Final Balance	Collateral
	Jennifer Poitra	10/16/2018	6.25%	12/15/2021	\$235/month	\$ 10,005	\$ -	\$ (312)	\$ 9,693	(1)
	Thomas Hayes	3/2/2018	5%	7/2/2019	Balance at term	14,563	-	(14,563)	-	(2)
						<u>\$ 24,568</u>	<u>\$ -</u>	<u>\$ (14,875)</u>	<u>\$ 9,693</u>	
		2018								
Industrial Development Fund	Endorser	Origination Date	Interest Rate	Term	Payment	Beginning Balance	Additions	Payments	Final Balance	Collateral
	Jennifer Poitra	10/16/2018	6.25%	12/15/2021	\$235/month	\$ -	\$ 10,005	\$ -	\$ 10,005	(1)
	Thomas Hayes	3/2/2018	5%	7/2/2019	Balance at term	-	15,005	(442)	14,563	(2)
						<u>\$ -</u>	<u>\$ 25,010</u>	<u>\$ (442)</u>	<u>\$ 24,568</u>	

(1) Double Wide Mobile Home

(2) 2011 Kia Sorento Crossover

(3) 2020 Toro Greensmaster 3150 Triplex Mower

(4) Laundry Equipment: Ten Certified Used Speed Queen Washing Machines and Six Certified Used Speed Queen Stack Dryers.

**Note 9 - Payroll Protection Program (PPP) Loan**

In 2020, the Dunseith Community Nursing Home, The City's component unit, was granted a \$244,500 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. In 2021, this loan was forgiven.



Supplementary Information  
December 31, 2021, 2020, 2019, and 2018  
**City of Dunseith**

City of Dunseith  
 Budgetary Comparison Schedules – Modified Cash Basis  
 General Fund  
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Receipts</b>			
Taxes	\$ 133,917	\$ 178,270	\$ 44,353
Licenses, permits, and fees	3,650	3,560	(90)
Intergovernmental	107,500	166,212	58,712
Fines, forfeitures and penalties	10,000	4,213	(5,787)
Interest	6,000	6,980	980
Rent/lease	6,000	6,900	900
Miscellaneous	31,500	94,659	63,159
Total receipts	<u>298,567</u>	<u>460,794</u>	<u>162,227</u>
<b>Disbursements</b>			
General government	141,602	185,739	(44,137)
Public safety	158,355	135,298	23,057
Capital outlay	-	33,749	(33,749)
Total disbursements	<u>299,957</u>	<u>354,786</u>	<u>(54,829)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,390)</u>	<u>106,008</u>	<u>107,398</u>
<b>Other Financing Sources</b>			
Transfer in	-	72,775	72,775
Sale of equipment	-	32,505	32,505
Total Other Financing Uses	<u>-</u>	<u>105,280</u>	<u>105,280</u>
Net Change in Fund Balance	<u>\$ (1,390)</u>	<u>211,288</u>	<u>\$ 212,678</u>
Fund balance - January 1		<u>201,080</u>	
Fund Balance, December 31		<u>\$ 412,368</u>	

City of Dunseith  
 Budgetary Comparison Schedules –Modified Cash Basis  
 General Fund  
 Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Taxes	\$ 128,046	\$ 162,770	\$ 34,724
Licenses, permits, and fees	3,650	3,565	(85)
Intergovernmental	120,500	355,169	234,669
Fines, forfeitures and penalties	10,000	6,378	(3,622)
Interest	2,000	7,239	5,239
Rent/lease	6,000	5,194	(806)
Miscellaneous	26,500	38,955	12,455
Total receipts	<u>296,696</u>	<u>579,270</u>	<u>282,574</u>
Disbursements			
General government	139,770	165,392	(25,622)
Public safety	158,355	151,155	7,200
Health and welfare	-	244,500	(244,500)
Capital outlay	-	55,385	(55,385)
Total disbursements	<u>298,125</u>	<u>616,432</u>	<u>(318,307)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,429)</u>	<u>(37,162)</u>	<u>(35,733)</u>
Other Financing Sources			
Transfer in	<u>-</u>	<u>30,100</u>	<u>30,100</u>
Net Change in Fund Balance	<u>\$ (1,429)</u>	<u>(7,062)</u>	<u>\$ (5,633)</u>
Fund balance - January 1		<u>208,142</u>	
Fund Balance, December 31		<u>\$ 201,080</u>	

City of Dunseith  
 Budgetary Comparison Schedule – Modified Cash Basis  
 General Fund  
 Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>Receipts</b>			
Taxes	\$ 127,107	\$ 131,060	\$ 3,953
Licenses, permits, and fees	3,650	3,630	(20)
Intergovernmental	87,500	110,251	22,751
Fines, forfeitures and penalties	7,500	7,333	(167)
Interest	1,000	6,842	5,842
Rent/lease	5,000	6,862	1,862
Miscellaneous	26,500	52,309	25,809
Total receipts	<u>258,257</u>	<u>318,287</u>	<u>60,030</u>
<b>Disbursements</b>			
General government	140,257	183,934	(43,677)
Public safety	120,000	128,135	(8,135)
Total disbursements	<u>260,257</u>	<u>312,069</u>	<u>(51,812)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(2,000)</u>	<u>6,218</u>	<u>8,218</u>
<b>Other Financing Sources</b>			
Transfer out	-	(8,174)	(8,174)
Total Other Financing Uses	<u>-</u>	<u>(8,174)</u>	<u>(8,174)</u>
Net Change in Fund Balance	<u>\$ (2,000)</u>	<u>(1,956)</u>	<u>\$ 44</u>
Fund balance - January 1		<u>210,098</u>	
Fund Balance, December 31		<u>\$ 208,142</u>	

City of Dunseith  
 Budgetary Comparison Schedule – Modified Cash Basis  
 General Fund  
 Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>Receipts</b>			
Taxes	\$ 124,118	\$ 118,447	\$ (5,671)
Licenses, permits, and fees	3,600	3,640	40
Intergovernmental	82,500	73,567	(8,933)
Fines, forfeitures and penalties	10,000	16,508	6,508
Interest	1,000	15,236	14,236
Rent/lease	5,000	6,634	1,634
Miscellaneous	26,500	41,030	14,530
Total receipts	<u>252,718</u>	<u>275,062</u>	<u>22,344</u>
<b>Disbursements</b>			
General government	139,172	185,716	(46,544)
Public safety	116,643	115,943	700
Capital outlay	-	4,311	(4,311)
Total disbursements	<u>255,815</u>	<u>305,970</u>	<u>(50,155)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(3,097)</u>	<u>(30,908)</u>	<u>(27,811)</u>
<b>Other Financing Sources</b>			
Transfer out	<u>-</u>	<u>(56,541)</u>	<u>(56,541)</u>
Net Change in Fund Balance	<u>\$ (3,097)</u>	<u>(87,449)</u>	<u>\$ (84,352)</u>
Fund balance - January 1		<u>297,547</u>	
Fund Balance, December 31		<u>\$ 210,098</u>	



City of Dunseith  
 Budgetary Comparison Schedules – Modified Cash Basis  
 Street Fund  
 Years Ended December 31, 2021 and 2020

	2021		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 90,000	\$ 77,025	\$ (12,975)
Disbursements			
Streets and highways	98,500	87,062	11,438
Excess of Receipts Over Disbursements	<u>\$ (8,500)</u>	(10,037)	<u>\$ (1,537)</u>
Fund balance - January 1		255,009	
Fund Balance, December 31		<u>\$ 244,972</u>	
		2020	
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,000	\$ 78,219	\$ (21,781)
Disbursements			
Streets and highways	247,500	95,235	152,265
Excess of Receipts Over Disbursements	(147,500)	(17,016)	130,484
Other Financing Sources Transfer in	25,000	-	(25,000)
Net Change in Fund Balance	<u>\$ (122,500)</u>	(17,016)	<u>\$ 105,484</u>
Fund balance - January 1		272,025	
Fund Balance, December 31		<u>\$ 255,009</u>	

See Notes to Supplementary Information

City of Dunseith  
 Budgetary Comparison Schedules – Modified Cash Basis  
 Street Fund  
 Year Ended December 31, 2019 and 2018

	2019		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,000	\$ 86,916	\$ (13,084)
Disbursements			
Streets and highways	92,500	56,062	36,438
Excess of Receipts Over Disbursements	<u>\$ 7,500</u>	30,854	<u>\$ 23,354</u>
Fund balance - January 1		241,171	
Fund Balance, December 31		<u>\$ 272,025</u>	
		2018	
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Receipts			
Intergovernmental	\$ 100,000	\$ 86,787	\$ (13,213)
Disbursements			
Streets and highways	92,500	82,694	9,806
Excess of Receipts Over Disbursements	<u>\$ 7,500</u>	4,093	<u>\$ (3,407)</u>
Fund balance - January 1		237,078	
Fund Balance, December 31		<u>\$ 241,171</u>	

**Note 1 - Stewardship, Compliance and Accountability**

**Budgetary Information**

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

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

**Note 2 - Special Revenue Budgeting Basis**

The City does not prepare a budget for the following specific special revenue funds: industrial development, juvenile counseling, housing project, water project, and economic development agency program funds.



Additional Reports  
December 31, 2021, 2020, 2019, and 2018

## City of Dunseith



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunseith, North Dakota, as of and for the years ended December 31, 2021, 2020, 2019, and 2018 and the related notes to the financial statements, which collectively comprise the City of Dunseith’s basic financial statements and have issued our report thereon dated August 17, 2022. Our report included an explanatory paragraph describing the other comprehensive basis of accounting used by the City. The following is the types of opinions we issued for each opinion unit.

**Summary of Opinions**

<i>Opinion Unit</i>	<i>Type of Opinion</i>	<i>Years</i>
Governmental Activities	Adverse	All Years
Business-Type Activities	Disclaimer	All Years
Aggregate Discretely Presented Component Unit	Adverse	All Years
General Fund	Qualified	2020-2018
General Fund	Unmodified	2021
Street Fund	Unmodified	All Years
Industrial Development Fund	Unmodified	All Years
Water Fund	Disclaimer	All Years
Garbage Fund	Disclaimer	All Years
Aggregate Remaining Fund Information	Disclaimer	All Years

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006 that we consider to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dunseith's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **The City of Dunseith's Response to Findings**

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

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bismarck, North Dakota  
August 17, 2022

**Findings - Financial Statement Audit**

**2021-001      Cash Accounts  
                  Material Weakness**

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

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

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

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

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

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

**2021-002      Material Journal Entries  
                  Material Weakness**

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

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

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

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

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

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

**2021-003      Segregation of Duties  
Material Weakness**

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

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

*Cause:* The City has limited staff.

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

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

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

**2021-004      Financial Statement Preparation and Related Footnote Disclosures  
Material Weakness**

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

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

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

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

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

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



**2021-005      Receipts Allocation, Tracking, and Reconciliation  
Material Weakness**

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

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

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

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

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

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

**2021-006      Modified Cash Basis of Accounting Departures related to Capital Assets and Component Unit  
Material Weakness**

*Criteria:* The City should report the capital assets of the City and the Dunseith Community Nursing Home as a discretely presented component unit.

*Condition:* The City of Dunseith does not include the capital assets in the governmental activities nor the business-type activities. Also, the Dunseith Community Nursing Home is not included in the reporting entity

*Cause:* The City does not have complete records of the capital assets to include the assets and related depreciation in the financial statements. The City does not receive financial data from the Dunseith Community Nursing Home and it is not reported as a discretely presented component unit.

*Effect:* This could result in misreporting of The City's financial statements.

*Recommendation:* The City should report the government wide and business type capital assets and the City should report the Dunseith Community Nursing Home as a discretely presented component unit.

*Response:* The City of Dunseith currently will not present the Dunseith Community Nursing Home in the financial statements. Due to the cost/benefit, the City of Dunseith currently will not track and record capital assets for financial reporting purposes.