

# **AUDIT REPORT**

CITY OF KENMARE  
Kenmare, North Dakota

For the Years Ended December 31, 2021 and 2020

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

CITY OF KENMARE  
Kenmare, North Dakota

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CITY OF KENMARE  
Kenmare, North Dakota

CITY OFFICIALS

Dwight Flygare	Mayor
Terese Schmidt	President
Tami Ware	Vice President
Todd Ankenbauer	Alderman
Jim Burud	Alderman
Jeremy Grohs	Alderman
Miles Mibeck	Alderman
McKenzie Jensen	Auditor

# Rath & Mehner, P.C.

Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Kenmare  
Kenmare, North Dakota

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

#### **Opinions**

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Kenmare, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the city as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### **Basis for Opinions**

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

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

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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 the city's internal control. Accordingly, no such opinion is expressed.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- \* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and the schedules of fund activity arising from cash transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and the 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 on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 9, 2022

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>ASSETS:</b>				
Cash and Cash Equivalents	999,394.51	330,346.36	1,329,740.87	31,003.16
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	2,830,631.00	4,264,778.00	7,095,409.00	626,770.00
Machinery and Vehicles	130,448.00		130,448.00	1,900.00
Total Capital Assets	2,961,079.00	4,284,778.00	7,245,857.00	628,670.00
<b>Total Assets</b>	<b>3,960,473.51</b>	<b>4,615,124.36</b>	<b>8,575,597.87</b>	<b>659,673.16</b>
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Special Assessment Bonds Payable	130,654.89		130,654.89	
Revenue Bonds Payable		65,000.00	65,000.00	
Due After One Year:				
Special Assessment Bonds Payable	635,351.13		635,351.13	
Revenue Bonds Payable		580,000.00	580,000.00	
<b>Total Liabilities</b>	<b>766,006.02</b>	<b>645,000.00</b>	<b>1,411,006.02</b>	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,195,072.98	3,639,778.00	5,834,850.98	628,670.00
Restricted for:				
Debt Service	50,798.69	15,230.66	66,029.35	
Special Purposes	818,787.93	237,705.54	1,056,493.47	
Unrestricted	129,807.89	77,410.16	207,218.05	31,003.16
<b>Total Net Position</b>	<b>3,194,467.49</b>	<b>3,970,124.36</b>	<b>7,164,591.85</b>	<b>659,673.16</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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>ASSETS:</b>				
Cash and Cash Equivalents	688,331.62	374,782.57	1,063,114.19	26,868.18
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	3,001,977.00	4,411,891.00	7,413,868.00	705,116.00
Machinery and Vehicles	128,993.00		128,993.00	3,800.00
<b>Total Capital Assets</b>	<b>3,130,970.00</b>	<b>4,431,891.00</b>	<b>7,562,861.00</b>	<b>708,916.00</b>
<b>Total Assets</b>	<b>3,819,301.62</b>	<b>4,806,673.57</b>	<b>8,625,975.19</b>	<b>735,784.18</b>
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Special Assessment Bonds Payable	126,093.52		126,093.52	
Revenue Bonds Payable		65,000.00	65,000.00	
Due After One Year:				
Special Assessment Bonds Payable	766,006.02		766,006.02	
Revenue Bonds Payable		645,000.00	645,000.00	
<b>Total Liabilities</b>	<b>892,099.54</b>	<b>710,000.00</b>	<b>1,602,099.54</b>	
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,238,870.46	3,721,891.00	5,960,761.46	708,916.00
Restricted for:				
Debt Service	53,981.29	60,909.33	114,890.62	
Special Purposes	615,506.81	218,004.84	833,511.65	
Unrestricted	18,843.52	95,868.40	114,711.92	26,868.18
<b>Total Net Position</b>	<b>2,927,202.08</b>	<b>4,096,673.57</b>	<b>7,023,875.65</b>	<b>735,784.18</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, 2021

	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>							
Governmental Activities:							
General Government	283,555.95	14,384.98	31,416.91		(237,754.06)		(237,754.06)
Public Safety	173,093.77	3,746.00	9,375.64		(159,972.13)		(159,972.13)
Streets and Public Works	321,711.10		62,460.43	80,152.79	(179,097.88)		(179,097.88)
Urban and Economic Development	165,045.39				(165,045.39)		(165,045.39)
Culture and Recreation	15,910.22				(15,910.22)		(15,910.22)
Other	15,824.29				(15,824.29)		(15,824.29)
Interest on Long-Term Debt	18,602.77		76,150.95		57,548.18		57,548.18
<b>Total Governmental Activities</b>	<b>993,743.49</b>	<b>18,130.98</b>	<b>179,403.93</b>	<b>80,152.79</b>	<b>(716,055.79)</b>		<b>(716,055.79)</b>
<u>Business-Type Activities:</u>							
Water	242,896.27	279,591.12	261.73			36,956.58	36,956.58
Sewer	71,962.79	107,584.21				35,621.42	35,621.42
Garbage and Landfill	250,511.23	217,429.35				(33,081.88)	(33,081.88)
Water and Sewer Imp. District	200,592.21	87,110.84				(113,481.37)	(113,481.37)
<b>Total Business-Type Activities</b>	<b>765,962.50</b>	<b>691,715.52</b>	<b>261.73</b>			<b>(73,985.25)</b>	<b>(73,985.25)</b>
<b>Total Primary Government</b>	<b>1,759,705.99</b>	<b>709,846.50</b>	<b>179,665.66</b>		<b>(716,055.79)</b>	<b>(73,985.25)</b>	<b>(790,041.04)</b>
=====							
Component Unit:							
Airport Authority	385,223.22	88,952.20		220,160.00			(76,111.02)
=====							

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  
Transfers

321,321.99  
21,286.26  
354,399.75  
5,835.22  
2,364.05  
1,592.72  
6,052.15  
2,022.70  
  
93,221.92  
109,998.03  
65,226.41

321,321.99  
21,286.26  
354,399.75  
5,835.22  
2,364.05  
1,592.72  
6,052.15  
2,022.70

Total General Revenues and Transfers

983,321.20

(52,563.96)

930,757.24

Change in Net Position

267,265.41

(126,549.21)

140,716.20

Net Position - January 1

2,927,202.08

4,096,673.57

7,023,875.65

Net Position - December 31

3,194,467.49

3,970,124.36

7,164,591.85

(76,111.02)

735,784.18

659,673.16

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, 2020

	Net (Expense) Revenue and Change in Net Position						Component Unit
	Program Revenues			Primary Government			
	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	250,624.59	14,546.94			(236,077.65)		(236,077.65)
Public Safety	179,567.09	3,179.00	79,154.94		(97,233.15)		(97,233.15)
Streets and Public Works	388,940.65		64,644.59	125,000.00	(199,296.06)		(199,296.06)
Urban and Economic Development	157,258.68				(157,258.68)		(157,258.68)
Culture and Recreation	33,895.84				(33,895.84)		(33,895.84)
Health and Welfare	50,000.00				(50,000.00)		(50,000.00)
Other	21,270.28				(21,270.28)		(21,270.28)
Interest on Long-Term Debt	18,740.25		75,382.87		56,642.62		56,642.62
<b>Total Governmental Activities</b>	<b>1,100,297.38</b>	<b>17,725.94</b>	<b>219,182.40</b>	<b>125,000.00</b>	<b>(738,389.04)</b>		<b>(738,389.04)</b>
<u>Business-Type Activities:</u>							
Water	230,638.04	230,723.60	3,884.76			3,970.32	3,970.32
Sewer	68,280.69	84,209.41				15,928.72	15,928.72
Garbage and Landfill	242,956.24	215,951.43				(27,004.81)	(27,004.81)
Water and Sewer Imp. District	139,526.91	150,351.83				10,824.92	10,824.92
<b>Total Business-Type Activities</b>	<b>681,401.88</b>	<b>681,236.27</b>	<b>3,884.76</b>			<b>3,719.15</b>	<b>3,719.15</b>
<b>Total Primary Government</b>	<b>1,781,699.26</b>	<b>698,962.21</b>	<b>223,067.16</b>	<b>125,000.00</b>	<b>(738,389.04)</b>	<b>3,719.15</b>	<b>(734,669.89)</b>
=====							
Component Unit:							
Airport Authority	194,727.02	60,409.29	30,000.00	76,874.25			(27,443.48)
=====							

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  
Transfers

327,190.14  
21,460.07  
363,939.60  
3,584.20  
2,886.96  
953.48  
8,016.62  
2,089.12  
  
77,951.32  
109,193.40  
71,000.00  
  
315.43  
(71,000.00)

327,190.14  
21,460.07  
363,939.60  
3,584.20  
2,886.96  
953.48  
8,016.62  
2,089.12  
  
77,951.32  
109,508.83

Total General Revenues and Transfers

988,264.91

(70,684.57)

917,580.34

Change in Net Position

249,875.87

(66,965.42)

182,910.45

Net Position - January 1

2,366,498.21

4,163,638.99

6,530,137.20

Prior Period Adjustment - Note 12

310,828.00

310,828.00

Net Position - January 1, as restated

2,677,326.21

4,163,638.99

6,840,965.20

Net Position - December 31

2,927,202.08

4,096,673.57

7,023,875.65

(27,443.48)

763,227.66

763,227.66

735,784.18

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, 2021

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	129,807.89		458,738.20	1,984.45	408,863.97	999,394.51
Interfund Receivable	31,996.56					31,996.56
<b>Total Assets</b>	<b>161,804.45</b>	<b>-0-</b>	<b>458,738.20</b>	<b>1,984.45</b>	<b>408,863.97</b>	<b>1,031,391.07</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable		31,207.20			789.36	31,996.56
<b>Fund Balances:</b>						
Restricted for:						
Infrastructure			369,754.08			369,754.08
Health Care			20,630.01			20,630.01
Fund ITT			11,510.61			11,510.61
Cemetery					19,666.10	19,666.10
Police Department Equipment					10,000.00	10,000.00
Culture and Recreation			56,843.50		13,039.96	69,883.46
Emergency Services					17,190.88	17,190.88
Debt Service				1,984.45	48,814.24	50,798.69
Capital Improvements					300,152.79	300,152.79
Unassigned	161,804.45	(31,207.20)			(789.36)	129,807.89
<b>Total Fund Balances</b>	<b>161,804.45</b>	<b>(31,207.20)</b>	<b>458,738.20</b>	<b>1,984.45</b>	<b>408,074.61</b>	<b>999,394.51</b>
<b>Total Liabilities and Fund Balances</b>	<b>161,804.45</b>	<b>-0-</b>	<b>458,738.20</b>	<b>1,984.45</b>	<b>408,863.97</b>	<b>1,031,391.07</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, 2020

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	18,843.52		344,638.18	301.00	324,548.92	688,331.62
Interfund Receivable	55,333.08					55,333.08
<b>Total Assets</b>	<b>74,176.60</b>	<b>-0-</b>	<b>344,638.18</b>	<b>301.00</b>	<b>324,548.92</b>	<b>743,664.70</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable		55,333.08				55,333.08
<b>Fund Balances:</b>						
Restricted for:						
Infrastructure			289,391.47			289,391.47
Health Care			11,749.89			11,749.89
Cemetery					11,471.48	11,471.48
Police Department Equipment					10,000.00	10,000.00
Culture and Recreation			43,496.82		13,558.91	57,055.73
Emergency Services					15,694.52	15,694.52
Economic Development					143.72	143.72
Debt Service				301.00	53,680.29	53,981.29
Capital Improvements					220,000.00	220,000.00
Unassigned	74,176.60	(55,333.08)				18,843.52
<b>Total Fund Balances</b>	<b>74,176.60</b>	<b>(55,333.08)</b>	<b>344,638.18</b>	<b>301.00</b>	<b>324,548.92</b>	<b>688,331.62</b>
<b>Total Liabilities and Fund Balances</b>	<b>74,176.60</b>	<b>-0-</b>	<b>344,638.18</b>	<b>301.00</b>	<b>324,548.92</b>	<b>743,664.70</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, 2021

Total Fund Balances for Governmental Funds		999,394.51
<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	5,570,850.00	
Less Accumulated Depreciation	(2,609,771.00)	
Net Capital Assets	2,961,079.00	2,961,079.00
<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, 2021 are:</p>		
Special Assessments Bonds Payable		(766,006.02)
Total Net Position of Governmental Activities		3,194,467.49

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, 2020

Total Fund Balances for Governmental Funds		688,331.62
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	5,595,340.00	
Less Accumulated Depreciation	(2,464,370.00)	
Net Capital Assets	<u>3,130,970.00</u>	3,130,970.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:		
Special Assessments Bonds Payable		<u>(892,099.54)</u>
Total Net Position of Governmental Activities		<u>2,927,202.08</u> =====

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, 2021

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	327,157.21		354,399.75		21,286.26	702,843.22
Special Assessments				57,673.48	18,477.47	76,150.95
Licenses, Permits and Fees	14,384.98					14,384.98
Intergovernmental	145,550.46	62,460.43			80,648.42	288,659.31
Charges for Services	1,000.00				3,610.00	4,610.00
Fines and Forfeits	3,746.00					3,746.00
Miscellaneous	90,063.17	13,983.55	804.98	31.06	505.27	105,388.03
<b>Total Revenues</b>	<b>581,901.82</b>	<b>76,443.98</b>	<b>355,204.73</b>	<b>57,704.54</b>	<b>124,527.42</b>	<b>1,195,782.49</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	276,167.95					276,167.95
Public Safety	164,983.77					164,983.77
Streets and Public Works		128,030.10				128,030.10
Urban and Economic Development	30,052.91		121,691.14		13,301.34	165,045.39
Culture and Recreation	10,832.54		4,413.57		664.11	15,910.22
Other	12,236.80				3,587.49	15,824.29
Capital Outlay		39,288.00				39,288.00
<b>Debt Service:</b>						
Principal				105,000.00	21,093.52	126,093.52
Interest				16,247.50	2,355.27	18,602.77
<b>Total Expenditures</b>	<b>494,273.97</b>	<b>167,318.10</b>	<b>126,104.71</b>	<b>121,247.50</b>	<b>41,001.73</b>	<b>949,946.01</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>87,627.85</b>	<b>(90,874.12)</b>	<b>229,100.02</b>	<b>(63,542.96)</b>	<b>83,525.69</b>	<b>245,836.48</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In		115,000.00		65,226.41		180,226.41
Transfers Out			(115,000.00)			(115,000.00)
<b>Total Other Financing Sources (Uses)</b>		<b>115,000.00</b>	<b>(115,000.00)</b>	<b>65,226.41</b>		<b>65,226.41</b>
<b>Net Change in Fund Balances</b>	<b>87,627.85</b>	<b>24,125.88</b>	<b>114,100.02</b>	<b>1,683.45</b>	<b>83,525.69</b>	<b>311,062.89</b>
<b>Fund Balance - January 1</b>	<b>74,176.60</b>	<b>(55,333.08)</b>	<b>344,638.18</b>	<b>301.00</b>	<b>324,548.92</b>	<b>688,331.62</b>
<b>Fund Balance - December 31</b>	<b>161,804.45</b>	<b>(31,207.20)</b>	<b>458,738.20</b>	<b>1,984.45</b>	<b>408,074.61</b>	<b>999,394.51</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, 2020

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	330,774.34		363,939.60		21,460.07	716,174.01
Special Assessments				57,673.48	17,709.39	75,382.87
Licenses, Permits and Fees	14,546.94					14,546.94
Intergovernmental	168,483.13	64,644.59			127,569.31	360,697.03
Charges for Services					5,600.00	5,600.00
Fines and Forfeits	3,179.00					3,179.00
Miscellaneous	99,683.68	2,932.37	755.34	3.95	218.06	103,593.40
<b>Total Revenues</b>	<b>616,667.09</b>	<b>67,576.96</b>	<b>364,694.94</b>	<b>57,677.43</b>	<b>172,556.83</b>	<b>1,279,173.25</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	260,682.15					260,682.15
Public Safety	173,620.09					173,620.09
Streets and Public Works		184,656.65	11,447.00			196,103.65
Urban and Economic Development			144,092.82		13,165.86	157,258.68
Culture and Recreation	31,796.21		1,000.00		1,099.63	33,895.84
Health and Welfare			50,000.00			50,000.00
Other	1,974.69			5,233.50	14,062.09	21,270.28
<b>Debt Service:</b>						
Principal				105,000.00	20,186.13	125,186.13
Interest				15,467.59	3,272.66	18,740.25
<b>Total Expenditures</b>	<b>468,073.14</b>	<b>184,656.65</b>	<b>206,539.82</b>	<b>125,701.09</b>	<b>51,786.37</b>	<b>1,036,757.07</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>148,593.95</b>	<b>(117,079.69)</b>	<b>158,155.12</b>	<b>(68,023.66)</b>	<b>120,770.46</b>	<b>242,416.18</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In		88,553.00	86,476.08	77,000.00	105,000.00	357,029.08
Transfers Out	(111,000.00)		(175,029.08)			(286,029.08)
<b>Total Other Financing Sources (Uses)</b>	<b>(111,000.00)</b>	<b>88,553.00</b>	<b>(88,553.00)</b>	<b>77,000.00</b>	<b>105,000.00</b>	<b>71,000.00</b>
<b>Net Change in Fund Balances</b>	<b>37,593.95</b>	<b>(28,526.69)</b>	<b>69,602.12</b>	<b>8,976.34</b>	<b>225,770.46</b>	<b>313,416.18</b>
<b>Fund Balance - January 1</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>Fund Balance - December 31</b>	<b>74,176.60</b>	<b>(55,333.08)</b>	<b>344,638.18</b>	<b>301.00</b>	<b>324,548.92</b>	<b>688,331.62</b>

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, 2021

Net Change in Fund Balances - Total Governmental Funds 311,062.89

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	39,288.00	
Current Year Depreciation Expense	(209,179.00)	(169,891.00)

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	126,093.52	126,093.52

Change in Net Position of Governmental Activities 267,265.41  
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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, 2020

Net Change in Fund Balances - Total Governmental Funds		313,416.18
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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	(206,172.00)		(206,172.00)

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	125,186.13		125,186.13

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 Decrease in Compensated Absences		17,445.56
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Change in Net Position of Governmental Activities		249,875.87
		=====

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, 2021

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	49,059.09	28,351.07		15,230.66	237,705.54	330,346.36
Interfund Receivable		84,082.83				84,082.83
<b>Total Current Assets</b>	<b>49,059.09</b>	<b>112,433.90</b>		<b>15,230.66</b>	<b>237,705.54</b>	<b>414,429.19</b>
<b>Noncurrent Assets:</b>						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	942,321.00			3,322,457.00		4,264,778.00
<b>Total Noncurrent Assets</b>	<b>942,321.00</b>		<b>20,000.00</b>	<b>3,322,457.00</b>		<b>4,284,778.00</b>
<b>Total Assets</b>	<b>991,380.09</b>	<b>112,433.90</b>	<b>20,000.00</b>	<b>3,337,687.66</b>	<b>237,705.54</b>	<b>4,699,207.19</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Interfund Payable			84,082.83			84,082.83
Revenue Bonds Payable	65,000.00					65,000.00
<b>Total Current Liabilities</b>	<b>65,000.00</b>		<b>84,082.83</b>			<b>149,082.83</b>
<b>Noncurrent Liabilities:</b>						
Revenue Bonds Payable						580,000.00
<b>Total Liabilities</b>			<b>84,082.83</b>			<b>729,082.83</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	297,321.00		20,000.00	3,322,457.00		3,639,778.00
Restricted for:						
Debt Service				15,230.66		15,230.66
Water Maintenance					173,616.75	173,616.75
Water Deposits					3,134.00	3,134.00
Landfill Maintenance					60,954.79	60,954.79
Unrestricted	49,059.09	112,433.90	(84,082.83)			77,410.16
<b>Total Net Position</b>	<b>346,380.09</b>	<b>112,433.90</b>	<b>(64,082.83)</b>	<b>3,337,687.66</b>	<b>237,705.54</b>	<b>3,970,124.36</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, 2020

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	66,564.90	29,303.50		60,909.33	218,004.84	374,782.57
Interfund Receivable		47,508.98				47,508.98
<b>Total Current Assets</b>	<b>66,564.90</b>	<b>76,812.48</b>		<b>60,909.33</b>	<b>218,004.84</b>	<b>422,291.55</b>
<b>Noncurrent Assets:</b>						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	956,598.00			3,455,293.00		4,411,891.00
<b>Total Noncurrent Assets</b>	<b>956,598.00</b>		<b>20,000.00</b>	<b>3,455,293.00</b>		<b>4,431,891.00</b>
<b>Total Assets</b>	<b>1,023,162.90</b>	<b>76,812.48</b>	<b>20,000.00</b>	<b>3,516,202.33</b>	<b>218,004.84</b>	<b>4,854,182.55</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Interfund Payable			47,508.98			47,508.98
Revenue Bonds Payable	65,000.00					65,000.00
<b>Total Current Liabilities</b>	<b>65,000.00</b>		<b>47,508.98</b>			<b>112,508.98</b>
<b>Noncurrent Liabilities:</b>						
Revenue Bonds Payable						645,000.00
<b>Total Liabilities</b>			<b>47,508.98</b>			<b>757,508.98</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	246,598.00		20,000.00	3,455,293.00		3,721,891.00
Restricted for:						
Debt Service				60,909.33		60,909.33
Water Maintenance					160,163.52	160,163.52
Water Deposits					10,350.84	10,350.84
Landfill Maintenance					47,490.48	47,490.48
Unrestricted	66,564.90	76,812.48	(47,508.98)			95,868.40
<b>Total Net Position</b>	<b>313,162.90</b>	<b>76,812.48</b>	<b>(27,508.98)</b>	<b>3,516,202.33</b>	<b>218,004.84</b>	<b>4,096,673.57</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, 2021

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	261,060.32			56,070.00		317,130.32
Water Maintenance Fee					13,453.23	13,453.23
Sewer Charges		107,584.21		31,040.84		138,625.05
Garbage Charges			196,960.04			196,960.04
Landfill Maintenance Fee					13,464.31	13,464.31
Landfill Permits			7,005.00			7,005.00
Meter Sales	1,406.85					1,406.85
Water Deposits					2,920.72	2,920.72
Other Fees	750.00					750.00
<b>Total Operating Revenues</b>	<b>263,217.17</b>	<b>107,584.21</b>	<b>203,965.04</b>	<b>87,110.84</b>	<b>29,838.26</b>	<b>691,715.52</b>
<b>Operating Expenses:</b>						
Salaries and Benefits	42,552.89	33,685.08	26,450.86			102,688.83
NAWS Water	93,410.06					93,410.06
Utilities	9,885.95	17,527.26	729.66			28,142.87
Repairs, Maintenance and Supplies	49,886.10	19,064.23	6,111.91			75,062.24
Refunds					10,137.56	10,137.56
Contracted Services			197,928.90			197,928.90
Recycling			17,692.64			17,692.64
Miscellaneous	5,346.71	1,686.22	1,597.26			8,630.19
Depreciation	14,277.00			132,836.00		147,113.00
<b>Total Operating Expenses</b>	<b>215,358.71</b>	<b>71,962.79</b>	<b>250,511.23</b>	<b>132,836.00</b>	<b>10,137.56</b>	<b>680,806.29</b>
<b>Operating Income (Loss)</b>	<b>47,858.46</b>	<b>35,621.42</b>	<b>(46,546.19)</b>	<b>(45,725.16)</b>	<b>19,700.70</b>	<b>10,909.23</b>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income				193.11		193.11
Special Assessments	261.73					261.73
Other Receipts	2,497.00		9,972.34			12,469.34
Attorney Fees				(67,256.21)		(67,256.21)
Debt Service - Interest Expense	(17,400.00)			(500.00)		(17,900.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(14,641.27)</b>		<b>9,972.34</b>	<b>(67,563.10)</b>		<b>(72,232.03)</b>
<b>Income (Loss) Before Transfers</b>	<b>33,217.19</b>	<b>35,621.42</b>	<b>(36,573.85)</b>	<b>(113,288.26)</b>	<b>19,700.70</b>	<b>(61,322.80)</b>
<b>Transfers Out</b>				<b>(65,226.41)</b>		<b>(65,226.41)</b>
<b>Change in Net Position</b>	<b>33,217.19</b>	<b>35,621.42</b>	<b>(36,573.85)</b>	<b>(178,514.67)</b>	<b>19,700.70</b>	<b>(126,549.21)</b>
<b>Net Position - January 1</b>	<b>313,162.90</b>	<b>76,812.48</b>	<b>(27,508.98)</b>	<b>3,516,202.33</b>	<b>218,004.84</b>	<b>4,096,673.57</b>
<b>Net Position - December 31</b>	<b>346,380.09</b>	<b>112,433.90</b>	<b>(64,082.83)</b>	<b>3,337,687.66</b>	<b>237,705.54</b>	<b>3,970,124.36</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, 2020

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	203,837.24			96,645.00		300,482.24
Bulk Water Sales	10,112.00					10,112.00
Water Maintenance Fee					13,328.25	13,328.25
Sewer Charges		84,209.41		53,706.83		137,916.24
Garbage Charges			198,415.51			198,415.51
Landfill Maintenance Fee					13,385.92	13,385.92
Landfill Permits			3,850.00			3,850.00
Meter Sales	691.11					691.11
Water Deposits					2,115.00	2,115.00
Other Fees	640.00		300.00			940.00
<b>Total Operating Revenues</b>	<b>215,280.35</b>	<b>84,209.41</b>	<b>202,565.51</b>	<b>150,351.83</b>	<b>28,829.17</b>	<b>681,236.27</b>
<b>Operating Expenses:</b>						
Salaries and Benefits	42,378.86	42,152.54	26,227.72			110,759.12
NAWS Water	85,875.04					85,875.04
Utilities	9,793.22	15,379.01	660.87			25,833.10
Repairs, Maintenance and Supplies	54,180.24	9,754.65	16,565.57			80,500.46
Refunds					2,231.72	2,231.72
Contracted Services			182,236.27			182,236.27
Recycling			15,980.98			15,980.98
Miscellaneous	1,286.96	994.49	1,284.83			3,566.28
Depreciation	15,942.00			132,836.00		148,778.00
<b>Total Operating Expenses</b>	<b>209,456.32</b>	<b>68,280.69</b>	<b>242,956.24</b>	<b>132,836.00</b>	<b>2,231.72</b>	<b>655,760.97</b>
<b>Operating Income (Loss)</b>	<b>5,824.03</b>	<b>15,928.72</b>	<b>(40,390.73)</b>	<b>17,515.83</b>	<b>26,597.45</b>	<b>25,475.30</b>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income				315.43		315.43
Special Assessments	3,884.76					3,884.76
Attorney Fees				(1,836.00)		(1,836.00)
Debt Service - Interest Expense	(18,950.00)			(4,854.91)		(23,804.91)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(15,065.24)</b>			<b>(6,375.48)</b>		<b>(21,440.72)</b>
<b>Income (Loss) Before Transfers</b>	<b>(9,241.21)</b>	<b>15,928.72</b>	<b>(40,390.73)</b>	<b>11,140.35</b>	<b>26,597.45</b>	<b>4,034.58</b>
Transfers In	89,950.00					89,950.00
Transfers Out				(160,950.00)		(160,950.00)
<b>Change in Net Position</b>	<b>80,708.79</b>	<b>15,928.72</b>	<b>(40,390.73)</b>	<b>(149,809.65)</b>	<b>26,597.45</b>	<b>(66,965.42)</b>
<b>Net Position - January 1</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>
<b>Net Position - December 31</b>	<b>313,162.90</b>	<b>76,812.48</b>	<b>(27,508.98)</b>	<b>3,516,202.33</b>	<b>218,004.84</b>	<b>4,096,673.57</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, 2021

	Major Enterprise Funds				Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1		
<u>Cash flows from operating activities:</u>						
Receipts from customers	263,217.17	107,584.21	203,965.04	87,110.84	29,838.26	691,715.52
Payments to suppliers	(158,528.82)	(38,277.71)	(224,060.37)		(10,137.56)	(431,004.46)
Payments to employees	(42,552.89)	(33,685.08)	(26,450.86)			(102,688.83)
<b>Net cash provided (used) by operating activities</b>	<b>62,135.46</b>	<b>35,621.42</b>	<b>(46,546.19)</b>	<b>87,110.84</b>	<b>19,700.70</b>	<b>158,022.23</b>
<u>Cash flows from noncapital financing activities:</u>						
Special assessments	261.73					261.73
Other receipts	2,497.00		9,972.34			12,469.34
Attorney fees				(67,256.21)		(67,256.21)
Transfers out				(65,226.41)		(65,226.41)
Interfund loan transaction		(36,573.85)	36,573.85			
<b>Net cash provided (used) by noncapital financing activities</b>	<b>2,758.73</b>	<b>(36,573.85)</b>	<b>46,546.19</b>	<b>(132,482.62)</b>		<b>(119,751.55)</b>
<u>Cash flows from capital and related financing activities:</u>						
Principal payments	(65,000.00)					(65,000.00)
Interest payments	(17,400.00)			(500.00)		(17,900.00)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(82,400.00)</b>			<b>(500.00)</b>		<b>(82,900.00)</b>
<u>Cash flows from investing activities:</u>						
Interest income				193.11		193.11
<b>Net increase in cash and cash equivalents</b>	<b>(17,505.81)</b>	<b>(952.43)</b>	<b>0.00</b>	<b>(45,678.67)</b>	<b>19,700.70</b>	<b>(44,436.21)</b>
Cash and cash equivalents, January 1	66,564.90	29,303.50		60,909.33	218,004.84	374,782.57
Cash and cash equivalents, December 31	49,059.09	28,351.07	0.00	15,230.66	237,705.54	330,346.36
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	47,858.46	35,621.42	(46,546.19)	(45,725.16)	19,700.70	10,909.23
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>						
Depreciation expense	14,277.00			132,836.00		147,113.00
<b>Net cash provided (used) by operating activities</b>	<b>62,135.46</b>	<b>35,621.42</b>	<b>(46,546.19)</b>	<b>87,110.84</b>	<b>19,700.70</b>	<b>158,022.23</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, 2020

	Major Enterprise Funds				Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1		
<u>Cash flows from operating activities:</u>						
Receipts from customers	215,280.35	84,209.41	202,565.51	150,351.83	28,829.17	681,236.27
Payments to suppliers	(151,135.46)	(26,128.15)	(216,728.52)		(2,231.72)	(396,223.85)
Payments to employees	(42,378.86)	(42,152.54)	(26,227.72)			(110,759.12)
<b>Net cash provided (used) by operating activities</b>	<b>21,766.03</b>	<b>15,928.72</b>	<b>(40,390.73)</b>	<b>150,351.83</b>	<b>26,597.45</b>	<b>174,253.30</b>
<u>Cash flows from noncapital financing activities:</u>						
Special assessments	3,884.76					3,884.76
Attorney fees				(1,836.00)		(1,836.00)
Transfer in	89,950.00					89,950.00
Transfers out				(160,950.00)		(160,950.00)
Interfund loan transactions		(40,390.73)	40,390.73			
<b>Net cash provided (used) by noncapital financing activities</b>	<b>93,834.76</b>	<b>(40,390.73)</b>	<b>40,390.73</b>	<b>(162,786.00)</b>		<b>(68,951.24)</b>
<u>Cash flows from capital and related financing activities:</u>						
Principal payments	(65,000.00)			(80,000.00)		(145,000.00)
Interest payments	(18,950.00)			(4,854.91)		(23,804.91)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(83,950.00)</b>			<b>(84,854.91)</b>		<b>(168,804.91)</b>
<u>Cash flows from investing activities:</u>						
Interest income				315.43		315.43
<b>Net increase in cash and cash equivalents</b>	<b>31,650.79</b>	<b>(24,462.01)</b>	<b>0.00</b>	<b>(96,973.65)</b>	<b>26,597.45</b>	<b>(63,187.42)</b>
Cash and cash equivalents, January 1	34,914.11	53,765.51	0.00	157,882.98	191,407.39	437,969.99
Cash and cash equivalents, December 31	66,564.90	29,303.50	0.00	60,909.33	218,004.84	374,782.57
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	5,824.03	15,928.72	(40,390.73)	17,515.83	26,597.45	25,475.30
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>						
Depreciation expense	15,942.00			132,836.00		148,778.00
<b>Net cash provided (used) by operating activities</b>	<b>21,766.03</b>	<b>15,928.72</b>	<b>(40,390.73)</b>	<b>150,351.83</b>	<b>26,597.45</b>	<b>174,253.30</b>

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

CITY OF KENMARE  
 Kenmare, North Dakota

Statement of Fiduciary Net Position  
 Modified Cash Basis - Fiduciary Fund  
 December 31, 2021 and 2020

	Custodial Funds	
	2021	2020
<u>Assets:</u>		
Cash	1,519.22	186.80
	=====	
<u>Net Position:</u>		
Restricted for:		
Other Governments	1,519.22	186.80
	=====	

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

CITY OF KENMARE  
Kenmare, North Dakota

Statement of Changes in Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
December 31, 2021 and 2020

	Custodial Funds	
	2021	2020
<u>Additions:</u>		
Property tax collections for other governments	15,754.23	16,553.37
<u>Deductions:</u>		
Payments of property tax to other governments	14,421.81	16,567.21
 Change in Net Position	1,332.42	(13.84)
 Net Position - January 1	186.80	200.64
 Net Position - December 31	1,519.22	186.80

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

CITY OF KENMARE  
Kenmare, North Dakota

Notes to the Financial Statements  
December 31, 2021 and 2020

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.

Additionally 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	5 to 20 years

#### F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).



**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### H. Interfund Transactions

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

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

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

#### I. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, 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, 2021 the city's carrying amount of deposits was \$1,331,260 and the bank balance was \$1,329,679. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,079,679 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020 the city's carrying amount of deposits was \$1,063,301 and the bank balance was \$1,095,038. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$845,038 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, 2021 and 2020 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2021</u>		
General	31,996.56	
Highway Distribution		31,207.20
Job Development		789.36
Sewer	84,082.83	
Garbage and Landfill		84,082.83
<u>December 31, 2020</u>		
General	55,333.08	
Highway Distribution		55,333.08
Sewer	47,508.98	
Garbage and Landfill		47,508.98



	<u>2021</u>			
	<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
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,382,126			6,382,126
Machinery and Vehicles	16,500		6,500	10,000
<b>Total</b>	<u>6,398,626</u>		<u>6,500</u>	<u>6,392,126</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,970,235	147,113		2,117,348
Machinery and Vehicles	16,500		6,500	10,000
<b>Total</b>	<u>1,986,735</u>	<u>147,113</u>	<u>6,500</u>	<u>2,127,348</u>
<b>Total capital assets being depreciated, net</b>	<u>4,411,891</u>	<u>(147,113)</u>		<u>4,264,778</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>4,431,891</u>	<u>(147,113)</u>	<u>-0-</u>	<u>4,284,778</u>

	<u>2020</u>			
	<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
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	6,382,126			6,382,126
Machinery and Vehicles	16,500			16,500
<b>Total</b>	<u>6,398,626</u>			<u>6,398,626</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,823,122	147,113		1,970,235
Machinery and Vehicles	14,835	1,665		16,500
<b>Total</b>	<u>1,837,957</u>	<u>148,778</u>		<u>1,986,735</u>
<b>Total capital assets being depreciated, net</b>	<u>4,560,669</u>	<u>(148,780)</u>		<u>4,411,891</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>4,580,669</u>	<u>(148,780)</u>	<u>-0-</u>	<u>4,431,891</u>

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

	<u>2021</u>	<u>2020</u>
<u>Governmental Activities:</u>		
General Government	7,388	7,388
Public Safety	8,110	5,947
Streets and Public Works	193,681	192,837
 Total	 <u>209,179</u>	 <u>206,172</u>
	=====	=====
 <u>Business-type Activities:</u>		
Water	14,277	15,942
W&S Improv. Dist. 1993-1	132,836	132,836
 Total	 <u>147,113</u>	 <u>148,778</u>
	=====	=====

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

Airport Authority

	<u>2021</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>
<b>Discretely Presented:</b>				
<b>Component Unit:</b>				
<i>Capital assets</i>				
<i>being depreciated:</i>				
 Buildings and Infrastructure	 1,175,192			 1,175,192
Machinery and Vehicles	15,200			15,200
 Total	 <u>1,190,392</u>			 <u>1,190,392</u>
<i>Less accumulated depreciation for:</i>				
 Buildings and Infrastructure	 470,076	78,346		 548,422
Machinery and Vehicles	11,400	1,900		13,300
 Total	 <u>481,476</u>	 80,246		 <u>561,722</u>
Discretely Presented Component Unit, Net	 <u>708,916</u>	 (80,246)	 -0-	 <u>628,670</u>
	=====	=====	=====	=====

	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Discretely Presented:</b>				
<b>Component Unit:</b>				
<i>Capital assets</i>				
<i>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	391,730	78,346		470,076
Machinery and Vehicles	9,500	1,900		11,400
<b>Total</b>	<u>401,230</u>	<u>80,246</u>		<u>481,476</u>
<b>Discretely Presented Component Unit, Net</b>	<u>789,162</u>	<u>(80,246)</u>	-0-	<u>708,916</u>
	=====	=====	=====	=====

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

	<u>2021</u>	<u>2020</u>
Authority Airport	80,246	80,246
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2021 and 2020, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2021</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	892,100		126,094	766,006	130,655
	=====	=====	=====	=====	=====

	<u>2020</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	1,017,286		125,186	892,100	126,094
Compensated Absences	17,446		17,446		
Total	<u>1,034,732</u>		<u>142,632</u>	<u>892,100</u>	<u>126,094</u>

Business-type Activities

	<u>2021</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	710,000		65,000	645,000	65,000

	<u>2020</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	855,000		145,000	710,000	65,000

Airport Authority

	<u>2020</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>
Loan Payable	30,000		30,000	-0-	

Outstanding debt at December 31, 2021 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, 2021, 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, 2021, are as follows:

\$1,600,000.00 Refunding Improvement Bonds, Series 2012, due in annual installments of \$110,000.00 to \$125,000.00 through May 1, 2027; interest is at 2% to 2.4%.	700,000.00
\$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%.	66,006.02
Total Special Assessment Bonds Payable	<u>766,006.02</u>



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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	130,654.89	17,153.00
2023	132,069.39	13,539.40
2024	138,281.74	10,618.14
2025	120,000.00	7,320.00
2026	120,000.00	4,440.00
2027	125,000.00	1,500.00
Total	<u>766,006.02</u>	<u>54,570.54</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, 2021, are as follows:

\$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%.	175,000.00
\$892,039 Water Revenue Bonds of 2011 due in annual installments of \$45,000.00 to \$60,000.00 through September 1, 2030; interest is at 2.5%.	470,000.00
Total Revenue Bonds Payable	<u>645,000.00</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>
2022	65,000.00	12,625.00
2023	70,000.00	11,400.00
2024	75,000.00	10,050.00
2025	75,000.00	8,675.00
2026	80,000.00	7,300.00
2027-2030	280,000.00	14,150.00
Total	<u>645,000.00</u>	<u>64,200.00</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, 2021</u>		
Highway Distribution	115,000.00	
Sales Tax Infrastructure		115,000.00
To subsidize expenditures.		
Street Improve. Dist. No. 7	65,226.41	
W&S Improve. Dist No. 1993-1		65,226.41
To subsidize debt service payments.		
<u>December 31, 2020</u>		
Water	6,000.00	
General		6,000.00
Highway Distribution	88,553.00	
Sales Tax Infrastructure		88,553.00
To subsidize expenditures.		
Street Improve. Dist. No. 7	77,000.00	
Water	83,950.00	
W&S Improve. Dist No. 1993-1		160,950.00
To subsidize debt service payments.		
Police Dept Equipment	10,000.00	
Campground Capital Imp	50,000.00	
Swimming Pool Capital Imp	45,000.00	
General		105,000.00
To set aside funds for project reserves.		
Sales Tax Recreation	26,239.41	
Sales Tax Health Care	52,621.19	
Sales Tax ITT	7,615.48	
Sales Tax Infrastructure		86,476.08
To apportion sales tax to new funds.		

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2021</u>	<u>2020</u>
<u>Special Revenue Funds</u>		
Highway Distribution	(31,207.20)	(55,333.08)
Job Development	(789.36)	
<u>Enterprise Fund</u>		
Garbage and Landfill	(84,082.83)	(47,508.98)

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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$523,285 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 \$767,258 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

The city provides benefits for all of its full-time employees through the North Dakota Public Employees Retirement System (NDPERS).

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 through the contributions and investment earnings of the plan.

### **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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three 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.

### **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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. During the years ended December 31, 2021 and 2020, the city contributed 19,536.17 and 21,248.79, respectively.

Note 11 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, 2021 or 2020.

Note 12 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to eliminate accruals for GASB No. 68 and restate the financial statements to the true modified cash basis of accounting.

	<u>Governmental Activities</u>
Net Position as previously reported	2,366,498.21
Adjustments to restate the January 1, 2020 balance:	
Deferred Outflows of Resources-Related to Pensions	(168,923.00)
Net Pension Liability	325,455.00
Deferred Inflows of Resources-Related to Pensions	154,296.00
	<hr/>
Net Position, January 1, 2020 as restated	2,677,326.21 =====

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>			
Taxes	361,406.00	327,157.21	(34,248.79)
Licenses, Permits and Fees	18,700.00	14,384.98	(4,315.02)
Intergovernmental	98,700.00	145,550.46	46,850.46
Charges for Services	20,000.00	1,000.00	(19,000.00)
Fines and Forfeits	10,000.00	3,746.00	(6,254.00)
Miscellaneous	81,100.00	90,063.17	8,963.17
<b>Total Revenues</b>	<b>589,906.00</b>	<b>581,901.82</b>	<b>(8,004.18)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	292,978.00	276,167.95	16,810.05
Public Safety	206,658.00	164,983.77	41,674.23
Urban and Economic Development	8,000.00	30,052.91	(22,052.91)
Culture and Recreation	89,270.00	10,832.54	78,437.46
Other	8,000.00	12,236.80	(4,236.80)
<b>Total Expenditures</b>	<b>604,906.00</b>	<b>494,273.97</b>	<b>110,632.03</b>
<b>Net Change in Fund Balances</b>	<b>(15,000.00)</b>	<b>87,627.85</b>	<b>102,627.85</b>
<b>Fund Balance - January 1</b>	<b>74,176.60</b>	<b>74,176.60</b>	
<b>Fund Balance - December 31</b>	<b>59,176.60</b>	<b>161,804.45</b>	<b>102,627.85</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	386,255.14	330,774.34	(55,480.80)
Licenses, Permits and Fees	18,700.00	14,546.94	(4,153.06)
Intergovernmental	98,700.00	168,483.13	69,783.13
Charges for Services	20,000.00		(20,000.00)
Fines and Forfeits	10,000.00	3,179.00	(6,821.00)
Miscellaneous	76,600.00	99,683.68	23,083.68
<b>Total Revenues</b>	<b>610,255.14</b>	<b>616,667.09</b>	<b>6,411.95</b>
<u>Expenditures:</u>			
Current:			
General Government	301,850.00	260,682.15	41,167.85
Public Safety	184,550.00	173,620.09	10,929.91
Culture and Recreation	121,150.00	31,796.21	89,353.79
Other	16,000.00	1,974.69	14,025.31
<b>Total Expenditures</b>	<b>623,550.00</b>	<b>468,073.14</b>	<b>155,476.86</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(13,294.86)</b>	<b>148,593.95</b>	<b>161,888.81</b>
<u>Other Financing (Uses):</u>			
Transfers Out	(9,850.00)	(111,000.00)	(101,150.00)
<b>Net Change in Fund Balances</b>	<b>(23,144.86)</b>	<b>37,593.95</b>	<b>60,738.81</b>
<b>Fund Balance - January 1</b>	<b>36,582.65</b>	<b>36,582.65</b>	
<b>Fund Balance - December 31</b>	<b>13,437.79</b>	<b>74,176.60</b>	<b>60,738.81</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Distribution Fund  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	74,000.00	62,460.43	(11,539.57)
Miscellaneous	4,000.00	13,983.55	9,983.55
<b>Total Revenues</b>	<b>78,000.00</b>	<b>76,443.98</b>	<b>(1,556.02)</b>
<u>Expenditures:</u>			
Current:			
Streets and Public Works	207,208.00	128,030.10	79,177.90
Capital Outlay	40,000.00	39,288.00	712.00
<b>Total Expenditures</b>	<b>247,208.00</b>	<b>167,318.10</b>	<b>79,889.90</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(169,208.00)</b>	<b>(90,874.12)</b>	<b>78,333.88</b>
<u>Other Financing Sources:</u>			
Transfers In	115,000.00	115,000.00	
<b>Net Change in Fund Balances</b>	<b>(54,208.00)</b>	<b>24,125.88</b>	<b>78,333.88</b>
<b>Fund Balance - January 1</b>	<b>(55,333.08)</b>	<b>(55,333.08)</b>	
<b>Fund Balance - December 31</b>	<b>(109,541.08)</b>	<b>(31,207.20)</b>	<b>78,333.88</b>



CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Distribution Fund  
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	74,000.00	64,644.59	(9,355.41)
Miscellaneous	4,000.00	2,932.37	(1,067.63)
<b>Total Revenues</b>	<b>78,000.00</b>	<b>67,576.96</b>	<b>(10,423.04)</b>
<u>Expenditures:</u>			
Current:			
Streets and Public Works	154,000.00	184,656.65	(30,656.65)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(76,000.00)</b>	<b>(117,079.69)</b>	<b>(41,079.69)</b>
<u>Other Financing Sources:</u>			
Transfers In	100,000.00	88,553.00	(11,447.00)
<b>Net Change in Fund Balances</b>	<b>24,000.00</b>	<b>(28,526.69)</b>	<b>(52,526.69)</b>
<b>Fund Balance - January 1</b>	<b>(26,806.39)</b>	<b>(26,806.39)</b>	
<b>Fund Balance - December 31</b>	<b>(2,806.39)</b>	<b>(55,333.08)</b>	<b>(52,526.69)</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	203,000.00	354,399.75	151,399.75
Miscellaneous	400.00	804.98	404.98
<b>Total Revenues</b>	<b>203,400.00</b>	<b>355,204.73</b>	<b>151,804.73</b>
<u>Expenditures:</u>			
Current:			
Urban and Economic Development	96,000.00	121,691.14	(25,691.14)
Culture and Recreation	15,000.00	4,413.57	10,586.43
Health and Welfare	25,000.00		25,000.00
<b>Total Expenditures</b>	<b>136,000.00</b>	<b>126,104.71</b>	<b>9,895.29</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>67,400.00</b>	<b>229,100.02</b>	<b>161,700.02</b>
<u>Other Financing (Uses):</u>			
Transfers Out	(115,000.00)	(115,000.00)	
<b>Net Change in Fund Balances</b>	<b>(47,600.00)</b>	<b>114,100.02</b>	<b>161,700.02</b>
<b>Fund Balance - January 1</b>	<b>344,638.18</b>	<b>344,638.18</b>	
<b>Fund Balance - December 31</b>	<b>297,038.18</b>	<b>458,738.20</b>	<b>161,700.02</b>

CITY OF KENMARE  
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	200,000.00	363,939.60	163,939.60
Miscellaneous	400.00	755.34	355.34
Total Revenues	200,400.00	364,694.94	164,294.94
<u>Expenditures:</u>			
Current:			
Streets and Public Works	100,000.00	11,447.00	88,553.00
Urban and Economic Development		144,092.82	(144,092.82)
Culture and Recreation	15,000.00	1,000.00	14,000.00
Health and Welfare	5,000.00	50,000.00	(45,000.00)
Total Expenditures	120,000.00	206,539.82	(86,539.82)
Excess (Deficiency) of Revenues Over Expenditures	80,400.00	158,155.12	77,755.12
<u>Other Financing Sources (Uses):</u>			
Transfers In		86,476.08	86,476.08
Transfers Out		(175,029.08)	(175,029.08)
Total Other Financing Sources (Uses)		(88,553.00)	(88,553.00)
Net Change in Fund Balances	80,400.00	69,602.12	(10,797.88)
Fund Balance - January 1	275,036.06	275,036.06	
Fund Balance - December 31	355,436.06	344,638.18	(10,797.88)

CITY OF KENMARE  
Kenmare, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2021 and 2020

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, 2021 and 2020.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
<u>Special Revenue Funds</u>		
Highway Distribution		30,656.65
Sales Tax		86,539.82

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

CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2021

	Balance 1-1-21	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-21
<u>Major Governmental Funds</u>						
General Fund	74,176.60	581,901.82			494,273.97	161,804.45
Highway Distribution	(55,333.08)	76,443.98	115,000.00		167,318.10	(31,207.20)
Sales Tax:						
Infrastructure	289,391.47	195,362.61		115,000.00		369,754.08
Recreation	43,496.82	17,760.25			4,413.57	56,843.50
Health Care	11,749.89	8,880.12				20,630.01
Fund ITT		133,201.75			121,691.14	11,510.61
Street Improvement District No. 7	301.00	57,704.54	65,226.41		121,247.50	1,984.45
<b>Total Major Governmental Funds</b>	<b>363,782.70</b>	<b>1,071,255.07</b>	<b>180,226.41</b>	<b>115,000.00</b>	<b>908,944.28</b>	<b>591,319.90</b>
<u>Non-Major Governmental Funds</u>						
Cemetery	11,471.48	10,325.71			2,131.09	19,666.10
Police Department Equipment	10,000.00					10,000.00
Library	13,558.91	145.16			664.11	13,039.96
Emergency	15,694.52	2,952.76			1,456.40	17,190.88
Job Development	143.72	12,368.26			13,301.34	(789.36)
Street Improvement District No. 8	53,680.29	18,582.74			23,448.79	48,814.24
Capital Improvements:						
Campground	50,000.00					50,000.00
Swimming Pool	45,000.00					45,000.00
Prairie Dog	125,000.00					125,000.00
ARPA		80,152.79				80,152.79
<b>Total Non-Major Governmental Funds</b>	<b>324,548.92</b>	<b>124,527.42</b>			<b>41,001.73</b>	<b>408,074.61</b>
<b>Total Governmental Funds</b>	<b>688,331.62</b>	<b>1,195,782.49</b>	<b>180,226.41</b>	<b>115,000.00</b>	<b>949,946.01</b>	<b>999,394.51</b>
<u>Major Enterprise Funds</u>						
Water	66,564.90	265,975.90			283,481.71	49,059.09
Sewer	76,812.48	107,584.21			71,962.79	112,433.90
Garbage and Landfill	(47,508.98)	213,937.38			250,511.23	(84,082.83)
W&S Improvement District 1993-1	60,909.33	87,303.95		65,226.41	67,756.21	15,230.66
<b>Total Major Enterprise Funds</b>	<b>156,777.73</b>	<b>674,801.44</b>		<b>65,226.41</b>	<b>673,711.94</b>	<b>92,640.82</b>
<u>Non-Major Enterprise Funds</u>						
Water Maintenance Fee	160,163.52	13,453.23				173,616.75
Water Deposit	10,350.84	2,920.72			10,137.56	3,134.00
Landfill Maintenance	47,490.48	13,464.31				60,954.79
<b>Total Non-Major Enterprise Funds</b>	<b>218,004.84</b>	<b>29,838.26</b>			<b>10,137.56</b>	<b>237,705.54</b>
<b>Total Enterprise Funds</b>	<b>374,782.57</b>	<b>704,639.70</b>		<b>65,226.41</b>	<b>683,849.50</b>	<b>330,346.36</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Airport Authority	11.58	411.99			42.48	381.09
Fire Department Trust	175.22	15,342.24			14,379.33	1,138.13
<b>Total Custodial Funds</b>	<b>186.80</b>	<b>15,754.23</b>			<b>14,421.81</b>	<b>1,519.22</b>
<b>Total Primary Government</b>	<b>1,063,300.99</b>	<b>1,916,176.42</b>	<b>180,226.41</b>	<b>180,226.41</b>	<b>1,648,217.32</b>	<b>1,331,260.09</b>
<u>Discretely Presented Component Unit</u>						
Airport Authority	26,868.18	309,112.20			304,977.22	31,003.16
<b>Total Reporting Entity</b>	<b>1,090,169.17</b>	<b>2,225,288.62</b>	<b>180,226.41</b>	<b>180,226.41</b>	<b>1,953,194.54</b>	<b>1,362,263.25</b>

CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2020

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-20
<b>Major Governmental Funds</b>						
General Fund	36,582.65	616,667.09		111,000.00	468,073.14	74,176.60
Highway Distribution	(26,806.39)	67,576.96	88,553.00		184,656.65	(55,333.08)
Sales Tax:						
Infrastructure	275,036.06	200,831.49		175,029.08	11,447.00	289,391.47
Recreation		18,257.41	26,239.41		1,000.00	43,496.82
Health Care		9,128.70	52,621.19		50,000.00	11,749.89
Fund ITT		136,477.34	7,615.48		144,092.82	0.00
Street Improvement District No. 7	(8,675.34)	57,677.43	77,000.00		125,701.09	301.00
<b>Total Major Governmental Funds</b>	<b>276,136.98</b>	<b>1,106,616.42</b>	<b>252,029.08</b>	<b>286,029.08</b>	<b>984,970.70</b>	<b>363,782.70</b>
<b>Non-Major Governmental Funds</b>						
Cemetery	7,333.75	12,346.23			8,208.50	11,471.48
Police Department Equipment			10,000.00			10,000.00
Library	14,288.82	369.72			1,099.63	13,558.91
Emergency	17,618.03	3,930.08			5,853.59	15,694.52
Job Development	156.23	13,153.35			13,165.86	143.72
Street Improvement District No. 8	59,381.63	17,757.45			23,458.79	53,680.29
Capital Improvements:						
Campground			50,000.00			50,000.00
Swimming Pool			45,000.00			45,000.00
Prairie Dog		125,000.00				125,000.00
<b>Total Non-Major Governmental Funds</b>	<b>98,778.46</b>	<b>172,556.83</b>	<b>105,000.00</b>		<b>51,786.37</b>	<b>324,548.92</b>
<b>Total Governmental Funds</b>	<b>374,915.44</b>	<b>1,279,173.25</b>	<b>357,029.08</b>	<b>286,029.08</b>	<b>1,036,757.07</b>	<b>688,331.62</b>
<b>Major Enterprise Funds</b>						
Water	34,914.11	219,165.11	89,950.00		277,464.32	66,564.90
Sewer	60,883.76	84,209.41			68,280.69	76,812.48
Garbage and Landfill	(7,118.25)	202,565.51			242,956.24	(47,508.98)
W&S Improvement District 1993-1	157,882.98	150,667.26		160,950.00	86,690.91	60,909.33
<b>Total Major Enterprise Funds</b>	<b>246,562.60</b>	<b>656,607.29</b>	<b>89,950.00</b>	<b>160,950.00</b>	<b>675,392.16</b>	<b>156,777.73</b>
<b>Non-Major Enterprise Funds</b>						
Water Maintenance Fee	146,835.27	13,328.25				160,163.52
Water Deposit	10,467.56	2,115.00			2,231.72	10,350.84
Landfill Maintenance	34,104.56	13,385.92				47,490.48
<b>Total Non-Major Enterprise Funds</b>	<b>191,407.39</b>	<b>28,829.17</b>			<b>2,231.72</b>	<b>218,004.84</b>
<b>Total Enterprise Funds</b>	<b>437,969.99</b>	<b>685,436.46</b>	<b>89,950.00</b>	<b>160,950.00</b>	<b>677,623.88</b>	<b>374,782.57</b>
<b>Fiduciary Fund</b>						
<b>Custodial Funds</b>						
Airport Authority	13.27	530.13			531.82	11.58
Fire Department Trust	187.37	16,023.24			16,035.39	175.22
<b>Total Custodial Funds</b>	<b>200.64</b>	<b>16,553.37</b>			<b>16,567.21</b>	<b>186.80</b>
<b>Total Primary Government</b>	<b>813,086.07</b>	<b>1,981,163.08</b>	<b>446,979.08</b>	<b>446,979.08</b>	<b>1,730,948.16</b>	<b>1,063,300.99</b>
<b>Discretely Presented Component Unit</b>						
Airport Authority	4,065.66	167,283.54			144,481.02	26,868.18
<b>Total Reporting Entity</b>	<b>817,151.73</b>	<b>2,148,446.62</b>	<b>446,979.08</b>	<b>446,979.08</b>	<b>1,875,429.18</b>	<b>1,090,169.17</b>

# Rath & Mehrer, P.C.

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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, each major fund and the aggregate remaining fund information of the City of Kenmare, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated September 9, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the city's internal control over financial reporting (internal control) as a basis for designing 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

### **City's Response to Findings**

Government Auditing Standards require the auditor to perform limited procedures on the city's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 9, 2022



CITY OF KENMARE  
Kenmare, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2021 and 2020

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

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ 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. 2021-001 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. 2021-002 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.