

# **AUDIT REPORT**

CITY OF LAMOURE  
LaMoure, North Dakota

For the Year Ended December 31, 2021

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

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For the Year Ended December 31, 2021

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CITY OF LAMOURE  
LaMoure, North Dakota

CITY OFFICIALS

Kevin Willey	Mayor
Lori Gentzkow	Council Member
Clinton Hoggarth	Council Member
Brad Nogosek	Council Member
Greg Pedersen	Council Member
Steve Sandness	Council Member
Vince Watkins	Council Member
Gina Haugen	Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of LaMoure  
LaMoure, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of LaMoure as of and for the year ended December 31, 2021, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the city as of December 31, 2021, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with 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 other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 these 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 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 judgement 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 judgement 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 judgement, 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, the schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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, the schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards 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 June 17, 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

June 17, 2022

CITY OF LAMOURE  
LaMoure, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	LaMoure Municipal Airport Authority
<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	432,171.54	691,113.77	1,123,285.31	85,204.95
Capital Assets (net of accumulated depreciation):				
Land		60,000.00	60,000.00	
Construction in Progress		1,715,630.00	1,715,630.00	
Buildings and Infrastructure	1,450,646.00	6,327,337.00	7,777,983.00	
Vehicles and Machinery	307,848.00		307,848.00	21,120.00
Total Capital Assets	1,758,494.00	8,102,967.00	9,861,461.00	21,120.00
Total Assets	2,190,665.54	8,794,080.77	10,984,746.31	106,324.95
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	134,069.74		134,069.74	4,043.01
Special Assessment Bonds Payable	25,000.00	44,616.35	69,616.35	
Revenue Bonds Payable		63,835.00	63,835.00	
Due After One Year:				
Loans Payable	159,485.81		159,485.81	2,044.79
Special Assessment Bonds Payable	160,000.00	1,546,328.65	1,706,328.65	
Revenue Bonds Payable		1,592,266.00	1,592,266.00	
Total Liabilities	478,555.55	3,247,046.00	3,725,601.55	6,087.80
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,279,938.45	4,855,921.00	6,135,859.45	15,032.20
Restricted for:				
Debt Service	25,441.74	118,472.82	143,914.56	
Special Purposes	337,004.70	63,942.99	400,947.69	
Unrestricted	69,725.10	508,697.96	578,423.06	85,204.95
Total Net Position	1,712,109.99	5,547,034.77	7,259,144.76	100,237.15

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

CITY OF LAMOURE  
LaMoure, North Dakota

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

Functions/Programs	Net (Expense) Revenue and Change in Net Position						Component Unit LaMoure Municipal Airport Authority
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>							
<u>Governmental Activities:</u>							
General Government	270,057.15	2,695.00	69,319.21	(198,042.94)		(198,042.94)	
Public Safety	132,232.65	608.00	6,876.46	(124,748.19)		(124,748.19)	
Streets and Public Works	309,389.35	40,608.24	87,217.81	(181,563.30)		(181,563.30)	
Urban and Economic Development	50,000.00			(50,000.00)		(50,000.00)	
Other	1,120.48			(1,120.48)		(1,120.48)	
Interest on Long-Term Debt	13,541.77		31,164.74	17,622.97		17,622.97	
<b>Total Governmental Activities</b>	<b>776,341.40</b>	<b>43,911.24</b>	<b>194,578.22</b>	<b>(537,851.94)</b>		<b>(537,851.94)</b>	
<u>Business-Type Activities:</u>							
Water	191,846.69	182,131.24	275,750.70		266,035.25	266,035.25	
Sewer	356,770.80	209,937.38			(146,833.42)	(146,833.42)	
Garbage	92,650.72	100,758.94			8,108.22	8,108.22	
Water Main Replacement	13,093.73	21,748.52			8,654.79	8,654.79	
Sewer Main Replacement	10,062.50	6,044.24			(4,018.26)	(4,018.26)	
<b>Total Business-Type Activities</b>	<b>664,424.44</b>	<b>520,620.32</b>	<b>275,750.70</b>		<b>131,946.58</b>	<b>131,946.58</b>	
<b>Total Primary Government</b>	<b>1,440,765.84</b>	<b>564,531.56</b>	<b>470,328.92</b>	<b>(537,851.94)</b>	<b>131,946.58</b>	<b>(405,905.36)</b>	
<b>Component Unit</b>							
LaMoure Municipal Airport Authority	33,360.83		20,258.00				(13,102.83)
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for general purposes				176,606.86		176,606.86	30,435.12
Property taxes; levied for special purposes				6,767.48		6,767.48	
City sales taxes				135,005.93		135,005.93	
Cigarette taxes				1,900.15		1,900.15	
Telecommunication taxes				2,461.49		2,461.49	
Homestead tax credit				3,659.82		3,659.82	
Intergovernmental revenue not restricted to specific programs				66,257.38		66,257.38	
Earnings on investments and other revenue				18,399.18		18,399.18	60.72
Gain on sale of capital assets				68,339.00		68,339.00	
Transfers				6.08	(6.08)	-	
<b>Total General Revenues and Transfers</b>				<b>479,403.37</b>	<b>(6.08)</b>	<b>479,397.29</b>	<b>30,495.84</b>
<b>Change in Net Position</b>				<b>(58,448.57)</b>	<b>131,940.50</b>	<b>73,491.93</b>	<b>17,393.01</b>
Net Position - January 1				1,592,742.56	5,415,094.27	7,007,836.83	82,844.14
Prior Period Adjustments (Note 12)				177,816.00		177,816.00	
<b>Net Position - January 1, as Restated</b>				<b>1,770,558.56</b>	<b>5,415,094.27</b>	<b>7,185,652.83</b>	<b>82,844.14</b>
<b>Net Position - December 31</b>				<b>1,712,109.99</b>	<b>5,547,034.77</b>	<b>7,259,144.76</b>	<b>100,237.15</b>

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



CITY OF LAMOURE  
LaMoure, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2021

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Highway		
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	50,242.37	138,755.82	243,173.35	432,171.54
<u>FUND BALANCES:</u>				
Restricted for:				
Public Safety			46,182.18	46,182.18
Streets and Public Works		138,755.82		138,755.82
Emergency			5,913.27	5,913.27
Urban and Economic Development			57,583.92	57,583.92
Debt Service			25,441.74	25,441.74
City Share of Specials			19,250.30	19,250.30
American Recovery Plan Act			69,319.21	69,319.21
Assigned to:				
Vehicle and Equipment Replacement			19,482.73	19,482.73
Unassigned	50,242.37			50,242.37
Total Fund Balances	50,242.37	138,755.82	243,173.35	432,171.54

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

CITY OF LAMOURE  
LaMoure, 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		432,171.54
Total net position reported for governmental 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	2,390,139.00	
Less Accumulated Depreciation	<u>(631,645.00)</u>	
Net Capital Assets		1,758,494.00
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, 2021 are:		
Loans Payable	(293,555.55)	
Special Assessments Bonds Payable	<u>(185,000.00)</u>	
Total Long-Term Liabilities		<u>(478,555.55)</u>
Total Net Position of Governmental Activities		<u>1,712,109.99</u>

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

CITY OF LAMOURE  
LaMoure, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Modified Cash Basis  
For the Year Ended December 31, 2021

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Highway		
<u>Revenues:</u>				
Taxes	188,614.87		128,832.22	317,447.09
Special Assessments			31,164.74	31,164.74
Licenses, Permits and Fees	2,695.00			2,695.00
Intergovernmental	78,693.81	90,612.48	69,319.21	238,625.50
Charges for Services	9,411.56	31,196.68		40,608.24
Fines and Forfeitures	608.00			608.00
Sale of Equipment	12,050.00	87,752.00		99,802.00
Miscellaneous	18,399.18			18,399.18
<b>Total Revenues</b>	<b>310,472.42</b>	<b>209,561.16</b>	<b>229,316.17</b>	<b>749,349.75</b>
<u>Expenditures:</u>				
Current:				
General Government	168,995.15			168,995.15
Public Safety	101,907.90		12,068.75	113,976.65
Streets and Public Works	50,709.73	145,314.51	61,893.11	257,917.35
Urban and Economic Development	50,000.00			50,000.00
Other			1,120.48	1,120.48
Capital Outlay	99,600.00	199,500.00		299,100.00
Debt Service:				
Principal		82,000.00	93,999.96	175,999.96
Interest and Service Charges		2,935.26	10,606.51	13,541.77
<b>Total Expenditures</b>	<b>471,212.78</b>	<b>429,749.77</b>	<b>179,688.81</b>	<b>1,080,651.36</b>
Excess (Deficiency) of Revenue Over Expenditures	(160,740.36)	(220,188.61)	49,627.36	(331,301.61)
<u>Other Financing Sources:</u>				
Transfers In	6.08			6.08
Proceeds from Bank Loan		183,215.00		183,215.00
<b>Total Other Financing Sources</b>	<b>6.08</b>	<b>183,215.00</b>	<b>-</b>	<b>183,221.08</b>
<b>Net Changes in Fund Balances</b>	<b>(160,734.28)</b>	<b>(36,973.61)</b>	<b>49,627.36</b>	<b>(148,080.53)</b>
Fund Balance - January 1	210,976.65	175,729.43	193,545.99	580,252.07
Fund Balance - December 31	50,242.37	138,755.82	243,173.35	432,171.54

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

CITY OF LAMOURE  
LaMoure, 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 (148,080.53)

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 capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	299,100.00	
Current Year Depreciation Expense	<u>(170,790.00)</u>	128,310.00

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 debt proceeds exceeded repayment of debt.

Debt Proceeds	(183,215.00)	
Repayment of Debt	<u>175,999.96</u>	(7,215.04)

In the statement of activities, only the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the amount of capital assets sold.

(31,463.00)

Change in Net Position of Governmental Activities

(58,448.57)

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

CITY OF LAMOURE  
LaMoure, North Dakota

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

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	74,078.46	346,556.77	270,478.54	691,113.77
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depreciation):				
Land	60,000.00			60,000.00
Construction in Progress	1,715,630.00			1,715,630.00
Buildings and Infrastructure	28,000.00	6,184,466.00	114,871.00	6,327,337.00
Total Noncurrent Assets	1,803,630.00	6,184,466.00	114,871.00	8,102,967.00
Total Assets	1,877,708.46	6,531,022.77	385,349.54	8,794,080.77
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Special Assessment Bonds Payable	44,616.35			44,616.35
Revenue Bonds Payable		55,935.00	7,900.00	63,835.00
Total Current Liabilities	44,616.35	55,935.00	7,900.00	108,451.35
<b>Noncurrent Liabilities:</b>				
Special Assessment Bonds Payable	1,546,328.65			1,546,328.65
Revenue Bonds Payable		1,592,266.00		1,592,266.00
Total Noncurrent Liabilities	1,546,328.65	1,592,266.00	-	3,138,594.65
Total Liabilities	1,590,945.00	1,648,201.00	7,900.00	3,247,046.00
<b>NET POSITION</b>				
Net Investment in Capital Assets	212,685.00	4,536,265.00	106,971.00	4,855,921.00
Restricted for:				-
Debt Service	41,627.82	76,845.00		118,472.82
Sewer Replacement			63,942.99	63,942.99
Unrestricted	32,450.64	269,711.77	206,535.55	508,697.96
Total Net Position	286,763.46	4,882,821.77	377,449.54	5,547,034.77

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

CITY OF LAMOURE  
LaMoure, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2021

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water	Sewer		
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	177,573.17			177,573.17
Sewer Charges		206,685.13		206,685.13
Garbage Charges			79,057.69	79,057.69
Surcharges			27,792.76	27,792.76
Utility Late Charges	4,408.07	3,252.25	1,063.38	8,723.70
Miscellaneous Charges and Services	150.00		20,637.87	20,787.87
<b>Total Operating Revenues</b>	<b>182,131.24</b>	<b>209,937.38</b>	<b>128,551.70</b>	<b>520,620.32</b>
<u>Operating Expenses:</u>				
Water	43,003.14			43,003.14
Water Costs	138,387.26			138,387.26
Sewer		71,215.14		71,215.14
Garbage			92,650.72	92,650.72
Repairs and Maintenance		112,261.16	2,163.03	114,424.19
Depreciation	800.00	138,666.00	10,863.00	150,329.00
<b>Total Operating Expenses</b>	<b>182,190.40</b>	<b>322,142.30</b>	<b>105,676.75</b>	<b>610,009.45</b>
<b>Operating Income (Loss)</b>	<b>(59.16)</b>	<b>(112,204.92)</b>	<b>22,874.95</b>	<b>(89,389.13)</b>
<u>Non-Operating Revenues (Expenses):</u>				
Special Assessments	110,334.82			110,334.82
USDA Grants	165,415.88			165,415.88
Other Project Costs	(4.29)			(4.29)
Interest and Service Charges	(9,652.00)	(34,628.50)	(10,130.20)	(54,410.70)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>266,094.41</b>	<b>(34,628.50)</b>	<b>(10,130.20)</b>	<b>221,335.71</b>
<b>Income (Loss) Before Transfers</b>	<b>266,035.25</b>	<b>(146,833.42)</b>	<b>12,744.75</b>	<b>131,946.58</b>
Transfers In		17,535.00		17,535.00
Transfers Out		(17,541.08)		(17,541.08)
<b>Total Transfers</b>	<b>-</b>	<b>(6.08)</b>	<b>-</b>	<b>(6.08)</b>
<b>Changes in Net Position</b>	<b>266,035.25</b>	<b>(146,839.50)</b>	<b>12,744.75</b>	<b>131,940.50</b>
<b>Net Position - January 1</b>	<b>20,728.21</b>	<b>5,029,661.27</b>	<b>364,704.79</b>	<b>5,415,094.27</b>
<b>Net Position - December 31</b>	<b>286,763.46</b>	<b>4,882,821.77</b>	<b>377,449.54</b>	<b>5,547,034.77</b>

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

CITY OF LAMOURE  
LaMoure, 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		
<u>Cash flows from operating activities:</u>				
Receipts from customers	182,131.24	209,937.38	128,551.70	520,620.32
Payments to employees and suppliers	(181,390.40)	(183,476.30)	(94,813.75)	(459,680.45)
Net cash provided (used) by operating activities	740.84	26,461.08	33,737.95	60,939.87
<u>Cash flows from noncapital financing activities:</u>				
Transfers in		17,535.00		17,535.00
Transfers out		(17,541.08)		(17,541.08)
Net cash provided (used) by noncapital financing activities	-	(6.08)	-	(6.08)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments	110,334.82			110,334.82
USDA grant	165,415.88			165,415.88
Special assessment bonds issued	1,117,277.79			1,117,277.79
Water tower project	(1,279,890.00)			(1,279,890.00)
Other project costs	(4.29)			(4.29)
Principal payments	(59,055.00)	(50,109.00)	(7,700.00)	(116,864.00)
Interest payments and service charges	(9,652.00)	(34,628.50)	(10,130.20)	(54,410.70)
Net cash provided (used) by capital and related financing activities	44,427.20	(84,737.50)	(17,830.20)	(58,140.50)
Net increase in cash and cash equivalents	45,168.04	(58,282.50)	15,907.75	2,793.29
Cash and cash equivalents, January 1	28,910.42	404,839.27	254,570.79	688,320.48
Cash and cash equivalents, December 31	74,078.46	346,556.77	270,478.54	691,113.77
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	(59.16)	(112,204.92)	22,874.95	(89,389.13)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	800.00	138,666.00	10,863.00	150,329.00
Net cash provided (used) by operating activities	740.84	26,461.08	33,737.95	60,939.87

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

CITY OF LAMOURE  
LaMoure, North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>438.78</u>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>438.78</u>

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



CITY OF LAMOURE  
LaMoure, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	11,357.01
State aid collections for other governments	14,245.79
Sales taxes collected for other governments	102,516.23
Pass-through grants/contributions	<u>41,821.80</u>
Total Additions	<u>169,940.83</u>
<u>Deductions:</u>	
Payment of property taxes to other governments	12,090.40
Payment of state aid to other governments	16,975.10
Payment of sales taxes to other governments	99,701.59
Payment of pass-through grants/contributions	<u>41,082.46</u>
Total Deductions	<u>169,849.55</u>
Change in Net Position	<u>91.28</u>
Net Position - January 1	<u>347.50</u>
Net Position - December 31	<u><u>438.78</u></u>

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

CITY OF LAMOURE  
LaMoure, North Dakota

Notes to the Financial Statements  
December 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of LaMoure 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. These criteria include 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 their 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.

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

The financial statements of the discretely presented component unit is presented in the basic financial statements.

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 LaMoure and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities.

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. Separate statements for each fund category – *governmental, proprietary and fiduciary* – 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.* This fund accounts for the state highway distribution tax and a utility surcharge used for street repairs and maintenance.

The city reports the following major enterprise funds:

*Water.* This fund accounts for the activities of the city's water distribution system. This fund also accounts for the Water Tower 2019-1 project that is being financing through USDA loans and grants.

*Sewer.* This fund is used to account for the activities of the city's sewer collection system.

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 and business-like 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, Cash Equivalents and Investments

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.

Investments consist of certificates of deposit stated at cost.

#### 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	7 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, share 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 \$1,123,724, and the bank balance was \$1,159,082. Of the bank balance, \$385,763 was covered by Federal Depository Insurance. The remaining balance of \$773,319 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.

At December 31 2021, the city held certificates of deposit in the amount of \$555,941, which are all considered deposits.

#### 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 the 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 CAPITAL ASSETS

The following is a summary of changes in capital assets for the City of LaMoure for the year ended December 31, 2021:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,158,745	90,000	310,000	1,938,745
Machinery and Vehicles	410,313	209,100	168,019	451,394
Total	<u>2,569,058</u>	<u>299,100</u>	<u>478,019</u>	<u>2,390,139</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	647,026	141,073	300,000	488,099
Machinery and Vehicles	260,385	29,717	146,556	143,546
Total	<u>907,411</u>	<u>170,790</u>	<u>446,556</u>	<u>631,645</u>
Governmental Activities				
Capital Assets, Net	<u>1,661,647</u>	<u>128,310</u>	<u>31,463</u>	<u>1,758,494</u>



	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	60,000			60,000
Construction in Progress	435,740	1,279,890		1,715,630
Total	<u>495,740</u>	<u>1,279,890</u>	-	<u>1,775,630</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	7,531,160			7,531,160
Machinery and Vehicles	18,000			18,000
Total	<u>7,549,160</u>	-	-	<u>7,549,160</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,053,494	150,329		1,203,823
Machinery and Vehicles	18,000			18,000
Total	<u>1,071,494</u>	<u>150,329</u>	-	<u>1,221,823</u>
Total capital assets being depreciated, net	<u>6,477,666</u>	<u>(150,329)</u>	-	<u>6,327,337</u>
Business-Type Activities Capital Assets, Net	<u>6,973,406</u>	<u>1,129,561</u>	-	<u>8,102,967</u>

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

Governmental Activities:

General Government	101,062
Public Safety	18,256
Streets and Public Works	<u>51,472</u>
Total	<u>170,790</u>

Business-type Activities:

Water	800
Sewer	138,666
Water Main Replacement	<u>10,863</u>
Total	<u>150,329</u>

The following is a summary of changes in capital assets for the discretely presented component unit for the year ended December 31, 2021:

	Balance January 1	Increases	Decreases	Balance December 31
<b>Municipal Airport:</b>				
<i>Capital assets being depreciated:</i>				
Machinery and Vehicles	105,600			105,600
<i>Less accumulated depreciation for:</i>				
Machinery and Vehicles	79,200	5,280		84,480
Governmental Activities Capital Assets, Net	<u>26,400</u>	<u>(5,280)</u>	-	<u>21,120</u>

Depreciation expense was charged to functions/programs of the municipal airport as follows:

Discretely Presented Component Unit:

Airport Authority	<u>5,280</u>
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Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2021, the following changes occurred in the liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	266,341	183,215	156,000	293,556	134,070
Special Assessment Bonds	205,000		20,000	185,000	25,000
Total	<u>471,341</u>	<u>183,215</u>	<u>176,000</u>	<u>478,556</u>	<u>159,070</u>

Business-type Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Bonds	532,722	1,117,278	59,055	1,590,945	44,616
Revenue Bonds	1,713,910		57,809	1,656,101	63,835
Total	<u>2,246,632</u>	<u>1,117,278</u>	<u>116,864</u>	<u>3,247,046</u>	<u>108,451</u>

Outstanding debt at December 31, 2021 consists of the following:

Governmental Activities:

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:

Loans Payable. The city has taken out loans to provide funds for the construction of fire/ambulance building and the purchase of vehicles and equipment. Loans payable at December 31, 2021 are as follows:

\$200,000 loan payable with Bank North, dated February 5, 2013. There are no specific terms for repayment of this loan. Interest is at 4.69%.	46,340.19
\$340,000 loan payable with Dakota Valley Electric Cooperative. This loan is due in monthly installments of \$2,833.33 through December 28, 2022; interest is at 0%.	34,000.36
\$300,000 loan payable with Dakota Valley Electric Cooperative. This loan is due in monthly installments of \$2,500.00 through December 28, 2022; interest is at 0%.	30,000.00
\$183,215 loan payable with Bank North, dated November 8, 2021. This loan is due in annual payments of \$29,692.07 through November 8, 2028; interest is at 3.21%.	<u>183,215.00</u>
Total	<u><u>293,555.55</u></u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	134,069.74	8,142.27
2023	24,501.47	5,190.60
2024	25,286.86	4,405.21
2025	26,121.87	3,570.20
2026	26,972.03	2,720.04
2027 - 2028	<u>56,603.58</u>	<u>2,780.56</u>
Total	<u><u>293,555.55</u></u>	<u><u>26,808.88</u></u>

Special Assessment Debt: The city has issued special assessment bonds to provide funds for a water, sewer and street project. Special assessment bonds outstanding at December 31, 2021 are as follows:

\$340,000 Refunding Improvement Bonds of 2013, due in annual installments of \$25,000 to \$30,000 through May 1, 2028; interest is at 2.5% to 4%.	<u><u>185,000.00</u></u>
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The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	25,000.00	6,337.50
2023	25,000.00	5,712.50
2024	25,000.00	4,900.00
2025	25,000.00	3,900.00
2026	25,000.00	2,900.00
2027-2028	60,000.00	2,400.00
Total	<u>185,000.00</u>	<u>26,150.00</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:

\$220,000 Water Main Revenue Bonds of 1982, due in a final installment of \$7,900 through October 4, 2022; interest is at 2%.	7,900.00
\$1,107,000 USDA Sanitation Sewer Replacement Bonds of 2012, due in annual installments of \$54,675 through December 4, 2041 and a final payment of \$54,358 on December 4, 2042; payments include interest at 2.75%.	863,201.00
\$826,686 Wastewater Treatment Bonds, Series 2016, due in annual installments of \$25,000 to \$45,000 through September 1, 2046; interest is at 2%.	<u>785,000.00</u>
Total	<u>1,656,101.00</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	63,835.00	39,598.00
2023	56,785.00	38,090.00
2024	57,659.00	36,716.00
2025	58,557.00	35,318.00
2026	59,480.00	33,895.00
2027-2031	322,156.00	147,119.00
2032-2036	364,346.00	105,529.00
2037-2041	420,485.00	58,391.00
2042-2046	252,798.00	13,960.00
Total	<u>1,656,101.00</u>	<u>508,616.00</u>

Special Assessment Bonds.

The city has received funding as part of the Water and Waste Disposal System for Rural Communities from the United States Department of Agriculture (USDA). The city is in the process of constructing a new water tower and issued the Rural Development Loans of 2019, in the amount of \$1,650,000. As of December 31, 2021, the city had requested drawdowns of \$1,650,000 and has repaid principal of \$59,055. The project was not completed as of December 31, 2021 and a final debt service repayment schedule is not yet available. The outstanding balance at December 31, 2021 was \$1,590,945.

DISCRETELY PRESENTED COMPONENT UNIT:

Changes in Long-Term Liabilities. During the year ended December 31, 2021, the following changes occurred in the liabilities reported in the long-term liabilities of the airport authority:

	<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	10,037	-	3,949	6,088	4,043

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:

Loan Payable. The airport authority has taken out a loan to provide funds for airport improvements. Loans payable at December 31, 2021 are as follows:

\$67,772.54 loan payable with Bank North dated October 30, 2017. There are no specific terms for repayment of this loan. Interest is at 3.57%.

6,087.80

The annual requirements to amortize the outstanding loan payable is as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	4,043.01	243.24
2023	2,044.79	80.91
Total	<u>6,087.80</u>	<u>324.15</u>

Note 7 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2021:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	6.08	
Water and Sewer Project #2		6.08
To close fund.		

2012 Reserve	8,355.00	
2016 Reserve	9,180.00	
Sewer		17,535.00
To set-aside funds for debt service reserves		

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances as of December 31, 2021:

<u>Enterprise Fund</u>		
Water: Water Tower 2019-1	(8,398.62)	
<u>Custodial Fund</u>		
Airport Authority	(100.90)	

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

Note 9 RISK MANAGEMENT

The City of LaMoure 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 \$800,000 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 \$645,414 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

## Note 10 PENSION PLAN

### North Dakota Public Employees Retirement System (Main System)

The 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 or more years of service.

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

#### **Death and Disability Benefits**

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under

this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

**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 year ended December 31, 2021, the city contributed \$14,634.22.

**Note 11 TAX ABATEMENTS**

The city has not entered into any tax abatement agreements that would reduce the city’s tax revenues for the year ended December 31, 2021.

**Note 12 PRIOR PERIOD ADJUSTMENTS**

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

	<u>Governmental Activities</u>
Net Position as previously reported	1,592,742.56
Adjustments to restate the January 1, 2021 balance:	
Deferred Outflows of Resources - Related to Pensions	(68,219.00)
Net Pension Liability	128,752.00
Deferred Inflows of Resources - Related to Pensions	<u>117,283.00</u>
Net Position, January 1, 2021 as restated	<u>1,770,558.56</u>



CITY OF LAMOURE  
LaMoure, 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
<u>Revenues:</u>			
Taxes	243,330.00	188,614.87	(54,715.13)
Licenses, Permits and Fees	4,650.00	2,695.00	(1,955.00)
Intergovernmental	54,100.00	78,693.81	24,593.81
Charges for Services	8,400.00	9,411.56	1,011.56
Fines and Forfeitures	1,000.00	608.00	(392.00)
Sale of Equipment		12,050.00	12,050.00
Miscellaneous	12,000.00	18,399.18	6,399.18
<b>Total Revenues</b>	<b>323,480.00</b>	<b>310,472.42</b>	<b>(13,007.58)</b>
<u>Expenditures:</u>			
Current:			
General Government	198,080.00	168,995.15	29,084.85
Public Safety	87,000.00	101,907.90	(14,907.90)
Streets and Public Works	28,400.00	50,709.73	(22,309.73)
Urban and Economic Development		50,000.00	(50,000.00)
Capital Outlay		99,600.00	(99,600.00)
<b>Total Expenditures</b>	<b>313,480.00</b>	<b>471,212.78</b>	<b>(157,732.78)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>10,000.00</b>	<b>(160,740.36)</b>	<b>(170,740.36)</b>
<u>Other Financing Sources (Uses):</u>			
Transfers In		6.08	6.08
Transfers Out	(5,000.00)		5,000.00
<b>Total Other Financing Sources (Uses)</b>	<b>(5,000.00)</b>	<b>6.08</b>	<b>5,006.08</b>
<b>Net Change in Fund Balances</b>	<b>5,000.00</b>	<b>(160,734.28)</b>	<b>(165,734.28)</b>
Fund Balance - January 1	210,976.65	210,976.65	
<b>Fund Balance - December 31</b>	<b>215,976.65</b>	<b>50,242.37</b>	<b>(165,734.28)</b>

CITY OF LAMOURE  
LaMoure, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	87,000.00	90,612.48	3,612.48
Charges for Services	28,000.00	31,196.68	3,196.68
Sale of Equipment		87,752.00	87,752.00
Other	500.00		(500.00)
<b>Total Revenues</b>	<b>115,500.00</b>	<b>209,561.16</b>	<b>94,061.16</b>
<u>Expenditures:</u>			
Current:			
Streets and Public Works	134,810.00	145,314.51	(10,504.51)
Capital Outlay		199,500.00	(199,500.00)
Debt Service:			
Principal		82,000.00	(82,000.00)
Interest and Service Charges		2,935.26	(2,935.26)
<b>Total Expenditures</b>	<b>134,810.00</b>	<b>429,749.77</b>	<b>(294,939.77)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(19,310.00)</b>	<b>(220,188.61)</b>	<b>(200,878.61)</b>
<u>Other Financing Sources:</u>			
Proceeds from Bank Loan		183,215.00	183,215.00
<b>Net Change in Fund Balances</b>	<b>(19,310.00)</b>	<b>(36,973.61)</b>	<b>(17,663.61)</b>
<b>Fund Balance - January 1</b>	<b>175,729.43</b>	<b>175,729.43</b>	
<b>Fund Balance - December 31</b>	<b>156,419.43</b>	<b>138,755.82</b>	<b>(17,663.61)</b>

CITY OF LAMOURE  
LaMoure, North Dakota.

Notes to the Budgetary Comparison Schedules  
December 31, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING 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 city's budget during the year ended December 31, 2021.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ended December 31, 2021:

General Fund	157,732.78
<u>Special Revenue Funds</u>	
Highway Fund	294,939.77
Sales Tax Emergency Center	18,755.22
<u>Debt Service Funds</u>	
* Highway Lighting Project	61,893.11
* Water, Sewer and Street Project	27,920.00
* A budget was not prepared for this fund.	

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

CITY OF LAMOURE  
LaMoure, North Dakota

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

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
<b>Major Governmental Funds</b>						
General Fund	210,976.65	310,472.42	6.08		471,212.78	50,242.37
Highway	175,729.43	392,776.16			429,749.77	138,755.82
<b>Total Major Governmental Funds</b>	<b>386,706.08</b>	<b>703,248.58</b>	<b>6.08</b>	<b>-</b>	<b>900,962.55</b>	<b>188,998.19</b>
<b>Non-major Governmental Funds</b>						
City Share of Specials	18,267.80	2,102.98			1,120.48	19,250.30
Emergency and Natural Disaster	4,726.67	1,186.60				5,913.27
Sales Tax Emergency Center	17,540.98	117,396.42			88,755.22	46,182.18
City Sales Tax	49,437.70	8,146.22				57,583.92
Vehicle and Equipment Replacement	19,482.73					19,482.73
American Recovery Plan Act		69,319.21				69,319.21
Highway Lighting Project	61,893.11				61,893.11	-
Water, Sewer and Street Project	22,197.00	31,164.74			27,920.00	25,441.74
<b>Total Nonmajor Governmental Funds</b>	<b>193,545.99</b>	<b>229,316.17</b>	<b>-</b>	<b>-</b>	<b>179,688.81</b>	<b>243,173.35</b>
<b>Total Governmental Funds</b>	<b>580,252.07</b>	<b>932,564.75</b>	<b>6.08</b>	<b>-</b>	<b>1,080,651.36</b>	<b>432,171.54</b>
<b>Major Enterprise Funds</b>						
Water Fund:						
Operations	40,108.42	182,131.24			181,390.40	40,849.26
Water Tower 2019-1	(11,198.00)	1,282,693.67			1,279,894.29	(8,398.62)
Water Tower Repayment		110,334.82			68,707.00	41,627.82
Sewer Fund:						
Operations	345,523.19	209,937.38		17,535.00	268,213.80	269,711.77
Water and Sewer Project #2	6.08			6.08		-
2012 Reserve	50,130.00		8,355.00			58,485.00
2016 Reserve	9,180.00		9,180.00			18,360.00
<b>Total Major Enterprise Funds</b>	<b>433,749.69</b>	<b>1,785,097.11</b>	<b>17,535.00</b>	<b>17,541.08</b>	<b>1,798,205.49</b>	<b>420,635.23</b>
<b>Non-major Enterprise Funds</b>						
Garbage	(2,853.50)	100,758.94			92,650.72	5,254.72
Watermain Replacement	189,463.04	21,748.52			9,930.73	201,280.83
Sewer Replacement	67,961.25	6,044.24			10,062.50	63,942.99
<b>Total Non-major Enterprise Funds</b>	<b>254,570.79</b>	<b>128,551.70</b>	<b>-</b>	<b>-</b>	<b>112,643.95</b>	<b>270,478.54</b>
<b>Total Enterprise Funds</b>	<b>688,320.48</b>	<b>1,913,648.81</b>	<b>17,535.00</b>	<b>17,541.08</b>	<b>1,910,849.44</b>	<b>691,113.77</b>
<b>Fiduciary Fund</b>						
<b>Custodial Funds</b>						
Park District	2,729.31	14,245.79			16,975.10	-
Library	539.68	8,047.96			8,047.96	539.68
Airport Authority	(202.86)	4,144.40			4,042.44	(100.90)
Swimming Pool	(2,718.59)	15,524.68			12,806.09	-
Job Development Authority	(0.04)	88,047.26			88,047.22	-
Lake Lamoure Project		39,930.74			39,930.74	-
<b>Total Custodial Funds</b>	<b>347.50</b>	<b>169,940.83</b>	<b>-</b>	<b>-</b>	<b>169,849.55</b>	<b>438.78</b>
<b>Total Primary Government</b>	<b>1,268,920.05</b>	<b>3,016,154.39</b>	<b>17,541.08</b>	<b>17,541.08</b>	<b>3,161,350.35</b>	<b>1,123,724.09</b>
<b>Discretely Presented Component Unit</b>						
LaMoure Municipal Airport Authority	66,480.78	50,753.84			32,029.67	85,204.95
<b>Total Reporting Entity</b>	<b>1,335,400.83</b>	<b>3,066,908.23</b>	<b>17,541.08</b>	<b>17,541.08</b>	<b>3,193,380.02</b>	<b>1,208,929.04</b>

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Development - Direct Program:			
Water and Waste Disposal Systems for Rural Communities - Loans	10.760	N/A	1,117,277.79
Water and Waste Disposal Systems for Rural Communities - Grants	10.760	N/A	<u>165,415.88</u>
Total Water and Waste Disposal Systems for Rural Communities			<u>1,282,693.67</u>
<u>U.S. Department of Treasury</u>			
Passed Through North Dakota State Treasurer:			
Coronavirus Relief Fund	21.019	N/A	<u>6,876.46</u>
Total Expenditures of Federal Awards			<u><u>1,289,570.13</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

Program Title	Federal Assistance Listing Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	1,590,945.00

# 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 LaMoure  
LaMoure, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of LaMoure, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated June 17, 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 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 did identify 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 to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the 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

June 17, 2022

# Rath & Mehrer, P.C.

Certified Public Accountants

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of LaMoure  
LaMoure, North Dakota

#### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the City of LaMoure's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the year ended December 31, 2021. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the city complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the city and to meet our other 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the city's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the city's federal programs.



## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the city's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the city's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 city's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the city's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rath and Mehner".

Rath and Mehner, P.C.

Bismarck, North Dakota

June 17, 2022

CITY OF LAMOURE  
LaMoure, North Dakota

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

**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

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes        X   None Reported

Type of auditor’s report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of major program(s):

Federal Assistance Listing Number

Name of Federal Program

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B Programs:

\$750,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2020-001

#### 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 that 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 external 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2020-002

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF LAMOURE  
LaMoure, North Dakota

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2021

1. Finding No. 2020-001: Segregation of Duties

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2021-001.

*Reasons for Recurrence and Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2020-002: Financial Statement Preparation

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2021-002.

*Reasons for Recurrence and Corrective Action Plan:* The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

# CITY OF LAMOURE



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CITY OF LAMOURE  
LaMoure, North Dakota

Corrective Action Plan  
For the Year Ended December 31, 2021

1. Finding No. 2021-001: Segregation of Duties

*Contact Person:* Gina Haugen, City Auditor

*Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

*Completion Date:* The City of LaMoure will implement when it becomes cost effective.

2. Finding No. 2021-002: Financial Statement Preparation

*Contact Person:* Gina Haugen, City Auditor

*Corrective Action Plan:* The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

*Completion Date:* The City of LaMoure will implement when it becomes cost effective.