

AUDIT REPORT

CITY OF KENMARE
Kenmare, North Dakota

For the Years Ended December 31, 2023 and 2022.

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
December 31, 2023

Arlen Gartner	Mayor
James Burud	Council President
Miles Mibeck	Council Vice President
Duane Dockter	Council Member
Justin Patterson	Council Member
Terese Schmidt	Council Member
Open	Council Member
Tammy Knutson	Auditor

Rath & Mehrer, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kenmare, as of and for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, 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 August 16, 2024 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 16, 2024

CITY OF KENMARE
Kenmare, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
ASSETS:				
Cash and Cash Equivalents	1,492,575.33	456,196.85	1,948,772.18	62,707.38
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	2,487,939.00	3,970,552.00	6,458,491.00	470,078.00
Machinery and Vehicles	565,652.00		565,652.00	
Total Capital Assets	3,053,591.00	3,990,552.00	7,044,143.00	470,078.00
Total Assets	4,546,166.33	4,446,748.85	8,992,915.18	532,785.38
LIABILITIES:				
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	28,419.66		28,419.66	
Special Assessment Bonds Payable	137,450.36		137,450.36	
Revenue Bonds Payable		75,000.00	75,000.00	
Due After One Year:				
Loans Payable	305,809.93		305,809.93	
Special Assessment Bonds Payable	365,000.00		365,000.00	
Revenue Bonds Payable		435,000.00	435,000.00	
Total Liabilities	836,679.95	510,000.00	1,346,679.95	
NET POSITION:				
Net Investment in Capital Assets	2,216,911.05	3,480,552.00	5,697,463.05	470,078.00
Restricted for:				
Debt Service	129,391.16	67,959.67	197,350.83	
Special Purposes	1,350,216.59	262,749.72	1,612,966.31	
Unrestricted	12,967.58	125,487.46	138,455.04	62,707.38
Total Net Position	3,709,486.38	3,936,748.85	7,646,235.23	532,785.38
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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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
ASSETS:				
Cash and Cash Equivalents	951,610.07	614,902.38	1,566,512.45	66,285.39
Capital Assets (net of accumulated depreciation):				
Land		20,000.00	20,000.00	
Buildings and Infrastructure	2,659,285.00	4,117,665.00	6,776,950.00	548,424.00
Machinery and Vehicles	153,618.00		153,618.00	
Total Capital Assets	2,812,903.00	4,137,665.00	6,950,568.00	548,424.00
Total Assets	3,764,513.07	4,752,567.38	8,517,080.45	614,709.39
LIABILITIES:				
Long-Term Liabilities:				
Due Within One Year:				
Special Assessment Bonds Payable	132,087.05		132,087.05	
Revenue Bonds Payable		70,000.00	70,000.00	
Due After One Year:				
Special Assessment Bonds Payable	502,450.36		502,450.36	
Revenue Bonds Payable		510,000.00	510,000.00	
Total Liabilities	634,537.41	580,000.00	1,214,537.41	
NET POSITION:				
Net Investment in Capital Assets	2,178,365.59	3,557,665.00	5,736,030.59	548,424.00
Restricted for:				
Debt Service	40,875.26	86,418.53	127,293.79	
Special Purposes	1,088,405.06	254,546.59	1,342,951.65	
Unrestricted	(177,670.25)	273,937.26	96,267.01	66,285.39
Total Net Position	3,129,975.66	4,172,567.38	7,302,543.04	614,709.39

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

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2023

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22	1223	1224	1225	1226	1227	1228	1229	1230	1231	1232	1233	1234	1235	1236	1237	1238	1239	1240	1241	1242	1243	1244	1245	1246	1247	1248	1249	1250	1251	1252	1253	1254	1255	1256	1257	1258	1259	1260	1261	1262	1263	1264	1265	1266	1267	1268	1269	1270	1271	1272	1273	1274	1275	1276	1277	1278	1279	1280	1281	1282	1283	1284	1285	1286	1287	1288	1289	1290	1291	1292	1293	1294	1295	1296	1297	1298	1299	1300	1301	1302	1303	1304	1305	1306	1307	1308	1309	1310	1311	1312	1313	1314	1315	1316	1317	1318	1319	1320	1321	1322	1323	1324	1325	1326	1327	1328	1329	1330	1331	1332	1333	1334	1335	1336	1337	1338	1339	1340	1341	1342	1343	1344	1345	1346	1347	1348	1349	1350	1351	1352	1353	1354	1355	1356	1357	1358	1359	1360	1361	1362	1363	1364	1365	1366	1367	1368	1369	1370	1371	1372	1373	1374	1375	1376	1377	1378	1379	1380	1381	1382	1383	1384	1385	1386	1387	1388	1389	1390	1391	1392	1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	1404	1405	1406	1407	1408	1409	1410	1411	1412	1413	1414	1415	1416	1417	1418	1419	1420	1421	1422	1423	1424	1425	1426	1427	1428	1429	1430	1431	1432	1433	1434	1435	1436	1437	1438	1439	1440	1441	1442	1443	1444	1445	1446	1447	1448	1449	1450	1451	1452	1453	1454	1455	1456	1457	1458	1459	1460	1461	1462	1463	1464	1465	1466	1467	1468	1469	1470	1471	1472	1473	1474	1475	1476	1477	1478	1479	1480	1481	1482	1483	1484	1485	1486	1487	1488	1489	1490	1491	1492	1493	1494	1495	1496	1497	1498	149
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General Revenues:

Taxes:				
Property taxes; levied for general purposes	337,665.84		337,665.84	12,521.75
Property taxes; levied for special purposes	25,765.68		25,765.68	
City sales taxes	386,491.50		386,491.50	
Telecommunication taxes	3,747.03		3,747.03	
Cigarette taxes	1,680.82		1,680.82	
Oil and gas production taxes	1,310.55		1,310.55	
Gaming taxes	2,258.85		2,258.85	
Intergovernmental revenue not restricted to specific programs	94,288.31		94,288.31	
Earnings on investments and other revenue	115,772.73	39,989.72	155,762.45	20,244.40
Lawsuit settlement	261,000.00		261,000.00	
Gain on trade-in of capital assets	142,078.00		142,078.00	
Transfers	30,000.00	(30,000.00)		
Total General Revenues and Transfers	1,402,059.31	9,989.72	1,412,049.03	32,766.15
Change in Net Position	579,510.72	(235,818.53)	343,692.19	(81,924.01)
Net Position - January 1	3,129,975.66	4,172,567.38	7,302,543.04	614,709.39
Net Position - December 31	3,709,486.38	3,936,748.85	7,646,235.23	532,785.38
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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, 2022

Net (Expense) Revenue and Change in Net Position							
	Program Revenues				Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Airport Authority
<u>Functions/Programs</u>							
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	285,537.28	35,216.02	960.48		(249,360.78)	(249,360.78)	
Public Safety	148,271.12	5,187.00			(143,084.12)	(143,084.12)	
Streets and Public Works	473,322.38		57,117.69	81,276.29	(334,928.40)	(334,928.40)	
Urban and Economic Development	12,593.56				(12,593.56)	(12,593.56)	
Culture and Recreation	123,168.18				(123,168.18)	(123,168.18)	
Health and Welfare	135,955.71				(135,955.71)	(135,955.71)	
Other	56,609.89				(56,609.89)	(56,609.89)	
Interest on Long-Term Debt	16,890.18		15,789.62		(1,100.56)	(1,100.56)	
Total Governmental Activities	1,252,348.30	40,403.02	73,867.79	81,276.29	(1,056,801.20)	(1,056,801.20)	
<u>Business-Type Activities:</u>							
Water	264,856.52	384,970.14				120,113.62	120,113.62
Sewer	71,642.64	144,953.13				73,310.49	73,310.49
Garbage and Landfill	224,449.91	217,361.95				(7,087.96)	(7,087.96)
Water and Sewer Imp. District	140,761.00					(140,761.00)	(140,761.00)
Total Business-Type Activities	701,710.07	747,285.22				45,575.15	45,575.15
Total Primary Government	1,954,058.37	787,688.24	73,867.79	81,276.29	(1,056,801.20)	45,575.15	(1,011,226.05)

<u>Component Unit:</u>							
Airport Authority	185,532.74			74,946.50			(110,586.24)

General Revenues:

Taxes:				
Property taxes; levied for general purposes	343,689.03		343,689.03	12,632.34
Property taxes; levied for special purposes	12,861.78		12,861.78	
City sales taxes	388,623.87		388,623.87	
Telecommunication taxes	3,973.07		3,973.07	
Cigarette taxes	1,836.12		1,836.12	
Oil and gas production taxes	2,029.60		2,029.60	
Intergovernmental revenue not restricted to specific programs	87,522.93		87,522.93	
Earnings on investments and other revenue	136,772.97	13,184.97	149,957.94	52,990.13
Refund from Waste Management		143,682.90	143,682.90	
Gain on trade-in of capital assets	15,000.00		15,000.00	
Total General Revenues	992,309.37	156,867.87	1,149,177.24	65,622.47
Change in Net Position	(64,491.83)	202,443.02	137,951.19	(44,963.77)
Net Position - January 1	3,194,467.49	3,970,124.36	7,164,591.85	659,673.16
Net Position - December 31	3,129,975.66	4,172,567.38	7,302,543.04	614,709.39
	=====	=====	=====	=====

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, 2023

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	18,019.18		757,502.59	103,091.54	613,962.02	1,492,575.33
Interfund Receivable			5,051.60			5,051.60
Total Assets	18,019.18	-0-	762,554.19	103,091.54	613,962.02	1,497,626.93
=====						
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Interfund Payable		5,051.60				5,051.60
Fund Balances:						
Restricted for:						
Infrastructure			680,689.98			680,689.98
Health Care			40,007.91			40,007.91
Fund ITT			14,083.07			14,083.07
Cemetery					14,810.38	14,810.38
Police Department Equipment					9,050.00	9,050.00
Streets and Public Works					18,375.61	18,375.61
Culture and Recreation			27,773.23		9,218.58	36,991.81
Emergency Services					4,926.28	4,926.28
Economic Development					11,293.79	11,293.79
Capital Improvements					519,987.76	519,987.76
Debt Service				103,091.54	26,299.62	129,391.16
Unassigned	18,019.18	(5,051.60)				12,967.58
Total Fund Balances	18,019.18	(5,051.60)	762,554.19	103,091.54	613,962.02	1,492,575.33
=====						
Total Liabilities and Fund Balances	18,019.18	-0-	762,554.19	103,091.54	613,962.02	1,497,626.93
=====						

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, 2022

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	225,440.86		297,396.09		428,773.12	951,610.07
Interfund Receivable			403,111.11			403,111.11
Total Assets	225,440.86	-0-	700,507.20	-0-	428,773.12	1,354,721.18
=====						
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Interfund Payable		251,775.89		150,545.86	789.36	403,111.11
Fund Balances:						
Restricted for:						
Infrastructure			584,618.59			584,618.59
Health Care			30,345.61			30,345.61
Fund ITT			44,153.38			44,153.38
Cemetery					11,545.34	11,545.34
Police Department Equipment					10,000.00	10,000.00
Culture and Recreation			41,389.62		12,541.05	53,930.67
Emergency Services					17,382.39	17,382.39
Capital Improvements					336,429.08	336,429.08
Debt Service					40,875.26	40,875.26
Unassigned	225,440.86	(251,775.89)		(150,545.86)	(789.36)	(177,670.25)
Total Fund Balances	225,440.86	(251,775.89)	700,507.20	(150,545.86)	427,983.76	951,610.07
=====						
Total Liabilities and Fund Balances	225,440.86	-0-	700,507.20	-0-	428,773.12	1,354,721.18
=====						

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
December 31, 2023

Total Fund Balances for Governmental Funds	1,492,575.33
--	--------------

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	5,893,521.00	
Less Accumulated Depreciation	(2,839,930.00)	
	<hr/>	
Net Capital Assets		3,053,591.00

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, 2023 are:

Loans Payable	(334,229.59)	
Special Assessment Bonds Payable	(502,450.36)	
	<hr/>	
Total Long-Term Liabilities		(836,679.95)

Total Net Position of Governmental Activities	3,709,486.38	
	<hr/>	
	=====	

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
December 31, 2022

Total Fund Balances for Governmental Funds	951,610.07
--	------------

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	5,624,021.00	
Less Accumulated Depreciation	(2,811,118.00)	
Net Capital Assets		2,812,903.00

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, 2022 are:

Special Assessment Bonds Payable	(634,537.41)
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Total Net Position of Governmental Activities	3,129,975.66
	=====

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, 2023

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	341,250.04		386,491.50		25,928.51	753,670.05
Special Assessments				115,346.96	15,976.99	131,323.95
Licenses, Permits and Fees	14,147.14					14,147.14
Intergovernmental	105,805.25	59,770.05			201,934.29	367,509.59
Charges for Services	28,470.00					28,470.00
Fines and Forfeits	12,171.00					12,171.00
Miscellaneous	91,113.02	27,953.23	18,217.88	0.44	4,266.16	141,550.73
Total Revenues	592,956.45	87,723.28	404,709.38	115,347.40	248,105.95	1,448,842.46
Expenditures:						
Current:						
General Government	388,297.75					388,297.75
Public Safety	169,464.60				950.00	170,414.60
Streets and Public Works	4,318.03	204,025.34	3,134.68			211,478.05
Urban and Economic Development			191,058.77			191,058.77
Culture and Recreation	13,297.75		32,940.94		3,328.00	49,566.69
Other					21,070.90	21,070.90
Capital Outlay		347,000.00				347,000.00
Debt Service:						
Principal		12,770.41		110,000.00	22,087.05	144,857.46
Interest		911.24		12,710.00	8,511.74	22,132.98
Total Expenditures	575,378.13	564,706.99	227,134.39	122,710.00	55,947.69	1,545,877.20
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,578.32	(476,983.71)	177,574.99	(7,362.60)	192,158.26	(97,034.74)
Other Financing Sources (Uses):						
Proceeds from Bank Loans		347,000.00				347,000.00
Lawsuit Settlement				261,000.00		261,000.00
Transfers In		376,708.00				376,708.00
Transfers Out	(225,000.00)		(115,528.00)		(6,180.00)	(346,708.00)
Total Other Financing Sources (Uses)	(225,000.00)	723,708.00	(115,528.00)	261,000.00	(6,180.00)	638,000.00
Net Change in Fund Balances	(207,421.68)	246,724.29	62,046.99	253,637.40	185,978.26	540,965.26
Fund Balance - January 1	225,440.86	(251,775.89)	700,507.20	(150,545.86)	427,983.76	951,610.07
Fund Balance - December 31	18,019.18	(5,051.60)	762,554.19	103,091.54	613,962.02	1,492,575.33

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, 2022

Major Funds

	General	Highway Distribution	Sales Tax	Street Improvement District No. 7	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	347,273.23		388,623.87		13,250.65	749,147.75
Special Assessments					15,789.62	15,789.62
Licenses, Permits and Fees	12,821.72					12,821.72
Intergovernmental	92,349.13	57,117.69			81,276.29	230,743.11
Charges for Services	22,394.30					22,394.30
Fines and Forfeits	5,187.00					5,187.00
Miscellaneous	101,898.05	9,602.00	40,093.04	24.69	155.19	151,772.97
Total Revenues	581,923.43	66,719.69	428,716.91	24.69	110,471.75	1,187,856.47
Expenditures:						
Current:						
General Government	278,149.28					278,149.28
Public Safety	136,531.12					136,531.12
Streets and Public Works		273,788.38				273,788.38
Urban and Economic Development					12,593.56	12,593.56
Culture and Recreation	26,649.49		50,992.20		45,526.49	123,168.18
Health and Welfare			135,955.71			135,955.71
Other	19,971.13			27,645.00	8,993.76	56,609.89
Capital Outlay	56,986.00	13,500.00				70,486.00
Debt Service:						
Principal				110,000.00	21,468.61	131,468.61
Interest				14,910.00	1,980.18	16,890.18
Total Expenditures	518,287.02	287,288.38	186,947.91	152,555.00	90,562.60	1,235,640.91
Net Change in Fund Balances	63,636.41	(220,568.69)	241,769.00	(152,530.31)	19,909.15	(47,784.44)
Fund Balance - January 1	161,804.45	(31,207.20)	458,738.20	1,984.45	408,074.61	999,394.51
Fund Balance - December 31	225,440.86	(251,775.89)	700,507.20	(150,545.86)	427,983.76	951,610.07
=====						

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, 2023

Net Change in Fund Balances - Total Governmental Funds	540,965.26
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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 capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	347,000.00	
Current Year Depreciation Expense	(222,612.00)	124,388.00

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	(347,000.00)	
Repayment of Debt	144,857.46	(202,142.54)

In the statement of activities, only the gain on the trade-in of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus the net effect of transactions involving capital assets (i.e., sales, trade-ins) results in an increase to net position.

116,300.00

Change in Net Position of Governmental Activities

579,510.72

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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, 2022

Net Change in Fund Balances - Total Governmental Funds	(47,784.44)
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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	70,486.00	
Current Year Depreciation Expense	(218,662.00)	(148,176.00)

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	131,468.61	131,468.61

Change in Net Position of Governmental Activities	(64,491.83)
	=====

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, 2023

	Major Enterprise Funds					
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents	49,491.32	46,351.67	29,644.47	67,959.67	262,749.72	456,196.85
Noncurrent Assets:						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	913,767.00			3,056,785.00		3,970,552.00
Total Noncurrent Assets	913,767.00		20,000.00	3,056,785.00		3,990,552.00
Total Assets	963,258.32	46,351.67	49,644.47	3,124,744.67	262,749.72	4,446,748.85
LIABILITIES						
Current Liabilities:						
Revenue Bonds Payable	75,000.00					75,000.00
Noncurrent Liabilities:						
Revenue Bonds Payable	435,000.00					435,000.00
Total Liabilities	510,000.00					510,000.00
NET POSITION						
Net Investment in Capital Assets	403,767.00		20,000.00	3,056,785.00		3,480,552.00
Restricted for:						
Debt Service				67,959.67		67,959.67
Water Maintenance					176,647.40	176,647.40
Water Deposits					4,737.37	4,737.37
Landfill Maintenance					81,364.95	81,364.95
Unrestricted	49,491.32	46,351.67	29,644.47			125,487.46
Total Net Position	453,258.32	46,351.67	49,644.47	3,124,744.67	262,749.72	3,936,748.85

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, 2022

	Major Enterprise Funds					
	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents	90,462.81	125,744.39	57,730.06	86,418.53	254,546.59	614,902.38
Noncurrent Assets:						
Capital Assets (net of accumulated depr):						
Land			20,000.00			20,000.00
Buildings and Infrastructure	928,044.00			3,189,621.00		4,117,665.00
Total Noncurrent Assets	928,044.00		20,000.00	3,189,621.00		4,137,665.00
Total Assets	1,018,506.81	125,744.39	77,730.06	3,276,039.53	254,546.59	4,752,567.38
LIABILITIES						
Current Liabilities:						
Revenue Bonds Payable	70,000.00					70,000.00
Noncurrent Liabilities:						
Revenue Bonds Payable	510,000.00					510,000.00
Total Liabilities	580,000.00					580,000.00
NET POSITION						
Net Investment in Capital Assets	348,044.00		20,000.00	3,189,621.00		3,557,665.00
Restricted for:						
Debt Service				86,418.53		86,418.53
Water Maintenance					181,670.75	181,670.75
Water Deposits					4,124.00	4,124.00
Landfill Maintenance					68,751.84	68,751.84
Unrestricted	90,462.81	125,744.39	57,730.06			273,937.26
Total Net Position	438,506.81	125,744.39	77,730.06	3,276,039.53	254,546.59	4,172,567.38

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, 2023

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:						
Charges for Services:						
Water Sales	301,774.09					301,774.09
Water Maintenance Fee					13,726.65	13,726.65
Sewer Charges		148,986.25				148,986.25
Garbage Charges			112,880.57			112,880.57
Landfill Charges			13,423.00			13,423.00
Landfill Maintenance Fee					12,613.11	12,613.11
Meter Sales	285.00					285.00
Water Deposits					773.37	773.37
Other Fees	8,974.60					8,974.60
Total Operating Revenues	311,033.69	148,986.25	126,303.57		27,113.13	613,436.64
Operating Expenses:						
Salaries and Benefits	71,600.79	44,358.75	17,058.22			133,017.76
NAWS Water	106,946.71					106,946.71
Utilities	8,595.07	20,744.22	960.25			30,299.54
Repairs, Maintenance and Supplies	55,104.09	25,587.33	15,058.76			95,750.18
Refunds					160.00	160.00
Contracted Services	22,608.52	141,609.57	137,089.61			301,307.70
Depreciation	14,277.00			132,836.00		147,113.00
Total Operating Expenses	279,132.18	232,299.87	170,166.84	132,836.00	160.00	814,594.89
Operating Income (Loss)	31,901.51	(83,313.62)	(43,863.27)	(132,836.00)	26,953.13	(201,158.25)
Non-Operating Revenues (Expenses):						
Interest Income				291.14		291.14
Other Receipts		13,920.90	25,777.68			39,698.58
Legal Fees				(18,750.00)	(18,750.00)	(37,500.00)
Debt Service - Interest Expense	(7,150.00)					(7,150.00)
Total Non-Operating Revenues (Expenses)	(7,150.00)	13,920.90	25,777.68	(18,458.86)	(18,750.00)	(4,660.28)
Income (Loss) Before Transfers	24,751.51	(69,392.72)	(18,085.59)	(151,294.86)	8,203.13	(205,818.53)
Transfers Out	(10,000.00)	(10,000.00)	(10,000.00)			(30,000.00)
Change in Net Position	14,751.51	(79,392.72)	(28,085.59)	(151,294.86)	8,203.13	(235,818.53)
Net Position - January 1	438,506.81	125,744.39	77,730.06	3,276,039.53	254,546.59	4,172,567.38
Net Position - December 31	453,258.32	46,351.67	49,644.47	3,124,744.67	262,749.72	3,936,748.85

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, 2022

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:						
Charges for Services:						
Water Sales	373,019.39					373,019.39
Water Maintenance Fee					8,054.00	8,054.00
Sewer Charges		144,953.13				144,953.13
Garbage Charges			194,867.43			194,867.43
Landfill Charges			14,697.47			14,697.47
Landfill Maintenance Fee					7,797.05	7,797.05
Meter Sales	2,675.00					2,675.00
Water Deposits					1,075.50	1,075.50
Other Fees	146.25					146.25
Total Operating Revenues	375,840.64	144,953.13	209,564.90		16,926.55	747,285.22
Operating Expenses:						
Salaries and Benefits	56,659.10	38,836.83	3,770.09			99,266.02
NAWS Water	115,767.50					115,767.50
Utilities	11,739.91	18,991.94	2,143.02			32,874.87
Repairs, Maintenance and Supplies	39,581.80	12,866.35	30,350.99			82,799.14
Refunds					85.50	85.50
Contracted Services	18,820.71	947.52	188,185.81			207,954.04
Depreciation	14,277.00			132,836.00		147,113.00
Total Operating Expenses	256,846.02	71,642.64	224,449.91	132,836.00	85.50	685,860.07
Operating Income (Loss)	118,994.62	73,310.49	(14,885.01)	(132,836.00)	16,841.05	61,425.15
Non-Operating Revenues (Expenses):						
Interest Income	57.10			112.87		169.97
Refund from Waste Management			143,682.90			143,682.90
Other Receipts			13,015.00			13,015.00
Debt Service - Interest Expense	(7,925.00)			(7,925.00)		(15,850.00)
Total Non-Operating Revenues (Expenses)	(7,867.90)		156,697.90	(7,812.13)		141,017.87
Income (Loss) Before Transfers	111,126.72	73,310.49	141,812.89	(140,648.13)	16,841.05	202,443.02
Transfers In	65,000.00			144,000.00		209,000.00
Transfers Out	(84,000.00)	(60,000.00)		(65,000.00)		(209,000.00)
Change in Net Position	92,126.72	13,310.49	141,812.89	(61,648.13)	16,841.05	202,443.02
Net Position - January 1	346,380.09	112,433.90	(64,082.83)	3,337,687.66	237,705.54	3,970,124.36
Net Position - December 31	438,506.81	125,744.39	77,730.06	3,276,039.53	254,546.59	4,172,567.38

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, 2023

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<u>Cash flows from operating activities:</u>						
Receipts from customers	311,033.69	148,986.25	126,303.57		27,113.13	613,436.64
Payments to suppliers	(193,254.39)	(187,941.12)	(153,108.62)		(160.00)	(534,464.13)
Payments to employees	(71,600.79)	(44,358.75)	(17,058.22)			(133,017.76)
Net cash provided (used) by operating activities	46,178.51	(83,313.62)	(43,863.27)		26,953.13	(54,045.25)
<u>Cash flows from noncapital financing activities:</u>						
Other receipts		13,920.90	25,777.68			39,698.58
Legal fees				(18,750.00)	(18,750.00)	(37,500.00)
Transfers out	(10,000.00)	(10,000.00)	(10,000.00)			(30,000.00)
Net cash provided (used) by noncapital financing activities	(10,000.00)	3,920.90	15,777.68	(18,750.00)	(18,750.00)	(27,801.42)
<u>Cash flows from capital and related financing activities:</u>						
Principal payments	(70,000.00)					(70,000.00)
Interest payments	(7,150.00)					(7,150.00)
Net cash provided (used) by capital and related financing activities	(77,150.00)					(77,150.00)
<u>Cash flows from investing activities:</u>						
Interest income				291.14		291.14
Net increase in cash and cash equivalents	(40,971.49)	(79,392.72)	(28,085.59)	(18,458.86)	8,203.13	(158,705.53)
Cash and cash equivalents, January 1	90,462.81	125,744.39	57,730.06	86,418.53	254,546.59	614,902.38
Cash and cash equivalents, December 31	49,491.32	46,351.67	29,644.47	67,959.67	262,749.72	456,196.85
=====						
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	31,901.51	(83,313.62)	(43,863.27)	(132,836.00)	26,953.13	(201,158.25)
<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
Net cash provided (used) by operating activities	46,178.51	(83,313.62)	(43,863.27)	-0-	26,953.13	(54,045.25)
=====						

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, 2022

Major Enterprise Funds

	Water	Sewer	Garbage & Landfill	Water and Sewer Improvement District 1993-1	Other Enterprise Funds	Total Enterprise Funds
<u>Cash flows from operating activities:</u>						
Receipts from customers	375,840.64	144,953.13	209,564.90		16,926.55	747,285.22
Payments to suppliers	(185,909.92)	(32,805.81)	(220,679.82)		(85.50)	(439,481.05)
Payments to employees	(56,659.10)	(38,836.83)	(3,770.09)			(99,266.02)
Net cash provided (used) by operating activities	133,271.62	73,310.49	(14,885.01)		16,841.05	208,538.15
<u>Cash flows from noncapital financing activities:</u>						
Refund from Waste Management			143,682.90			143,682.90
Other receipts			13,015.00			13,015.00
Transfers in	65,000.00			144,000.00		209,000.00
Transfers out	(84,000.00)	(60,000.00)		(65,000.00)		(209,000.00)
Interfund loan transactions		84,082.83	(84,082.83)			
Net cash provided (used) by noncapital financing activities	(19,000.00)	24,082.83	72,615.07	79,000.00		156,697.90
<u>Cash flows from capital and related financing activities:</u>						
Principal payments	(65,000.00)					(65,000.00)
Interest payments	(7,925.00)			(7,925.00)		(15,850.00)
Net cash provided (used) by capital and related financing activities	(72,925.00)			(7,925.00)		(80,850.00)
<u>Cash flows from investing activities:</u>						
Interest income	57.10			112.87		169.97
Net increase in cash and cash equivalents	41,403.72	97,393.32	57,730.06	71,187.87	16,841.05	284,556.02
Cash and cash equivalents, January 1	49,059.09	28,351.07	-0-	15,230.66	237,705.54	330,346.36
Cash and cash equivalents, December 31	90,462.81	125,744.39	57,730.06	86,418.53	254,546.59	614,902.38
=====						
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>						
Operating income (loss)	118,994.62	73,310.49	(14,885.01)	(132,836.00)	16,841.05	61,425.15
<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
Net cash provided (used) by operating activities	133,271.62	73,310.49	(14,885.01)	-0-	16,841.05	208,538.15
=====						

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, 2023 and 2022

	Custodial Funds	
	2023	2022
<u>Assets:</u>		
Cash	18,323.57	2,052.26
	=====	=====
<u>Net Position:</u>		
Restricted for:		
Other Governments	18,323.57	2,052.26
	=====	=====

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
For the Year Ended December 31, 2023 and 2022

	Custodial Funds	
	2023	2022
<u>Additions:</u>		
Property tax collections for other governments	16,271.31	16,274.25
<u>Deductions:</u>		
Payments of property tax to other governments		15,741.21
Change in Net Position	16,271.31	533.04
Net Position - January 1	2,052.26	1,519.22
Net Position - December 31	18,323.57	2,052.26

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

CITY OF KENMARE
Kenmare, North Dakota

Notes to the Financial Statements
December 31, 2023 and 2022

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, 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 investment 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 financial statements 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 financial 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, 2023 the city's carrying amount of deposits was \$1,967,096 and the bank balance was \$1,961,979. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,711,979 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2022 the city's carrying amount of deposits was \$1,568,565 and the bank balance was \$1,596,611. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,346,611 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, 2023 and 2022 are as follows:

	Receivable <u>Fund</u>	Payable <u>Fund</u>
<u>December 31, 2023</u>		
Sales Tax	5,051.60	
Highway Distribution		5,051.60
<u>December 31, 2022</u>		
Sales Tax	403,111.11	
Highway Distribution		251,775.89
SID No. 7		150,545.86
Job Development		789.36

Note 5 CAPITAL ASSETS

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

<u>2023</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	5,088,671			5,088,671
Machinery and Vehicles	535,350	496,000	226,500	804,850
Total	<u>5,624,021</u>	<u>496,000</u>	<u>226,500</u>	<u>5,893,521</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	2,429,386	171,346		2,600,732
Machinery and Vehicles	381,732	51,266	193,800	239,198
Total	<u>2,811,118</u>	<u>222,612</u>	<u>193,800</u>	<u>2,839,930</u>
Governmental Activities Capital Assets, Net	<u>2,812,903</u>	<u>273,388</u>	<u>(32,700)</u>	<u>3,053,591</u>
	=====	=====	=====	=====

<u>2022</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	5,088,671			5,088,671
Machinery and Vehicles	482,179	70,486	17,315	535,350
Total	<u>5,570,850</u>	<u>70,486</u>	<u>17,315</u>	<u>5,624,021</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	2,258,040	171,346		2,429,386
Machinery and Vehicles	351,731	47,316	17,315	381,732
Total	<u>2,609,771</u>	<u>218,662</u>	<u>17,315</u>	<u>2,811,118</u>
Governmental Activities Capital Assets, Net	<u>2,961,079</u>	<u>(148,176)</u>	<u>-0-</u>	<u>2,812,903</u>
	=====	=====	=====	=====

	<u>2023</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>
Business-type Activities:			
Capital assets not being depreciated:			<u>Balance December 31</u>
Land	20,000		20,000
Capital assets being depreciated:			
Buildings and Infrastructure	6,382,126		6,382,126
Machinery and Vehicles	10,000		10,000
Total	<u>6,392,126</u>		<u>6,392,126</u>
Less accumulated depreciation for:			
Buildings and Infrastructure	2,264,461	147,113	2,411,574
Machinery and Vehicles	10,000		10,000
Total	<u>2,274,461</u>	<u>147,113</u>	<u>2,421,574</u>
Total capital assets being depreciated, net	<u>4,117,665</u>	<u>(147,113)</u>	<u>3,970,552</u>
Business-type Activities Capital Assets, Net	<u>4,137,665</u>	<u>(147,113)</u>	<u>-0-</u>
	=====	=====	=====

	<u>2022</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>
Business-type Activities:			<u>Balance December 31</u>
Capital assets not being depreciated:			
Land	20,000		20,000
Capital assets being depreciated:			
Buildings and Infrastructure	6,382,126		6,382,126
Machinery and Vehicles	10,000		10,000
Total	<u>6,392,126</u>		<u>6,392,126</u>
Less accumulated depreciation for:			
Buildings and Infrastructure	2,117,348	147,113	2,264,461
Machinery and Vehicles	10,000		10,000
Total	<u>2,127,348</u>	<u>147,113</u>	<u>2,274,461</u>
Total capital assets being depreciated, net	<u>4,264,778</u>	<u>(147,113)</u>	<u>4,117,665</u>
Business-type Activities Capital Assets, Net	<u>4,284,778</u>	<u>(147,113)</u>	<u>-0-</u>
	=====	=====	=====

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

	<u>2023</u>	<u>2022</u>
<u>Governmental Activities:</u>		
General Government	7,388	7,388
Public Safety	11,740	11,740
Streets and Public Works	203,484	199,534
Total	<u>222,612</u>	<u>218,662</u>
	=====	=====
<u>Business-type Activities:</u>		
Water	14,277	14,277
W&S Improv. Dist. 1993-1	132,836	132,836
Total	<u>147,113</u>	<u>147,113</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>2023</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>
Discretely Presented:				
Component Unit:				
Capital assets				
being depreciated:				
Buildings and				
Infrastructure	1,175,192			1,175,192
Machinery and				
Vehicles	15,200			15,200
Total	<u>1,190,392</u>	<u></u>	<u></u>	<u>1,190,392</u>
Less accumulated				
depreciation for:				
Buildings and				
Infrastructure	626,768	78,346		705,114
Machinery and				
Vehicles	15,200			15,200
Total	<u>641,968</u>	<u>78,346</u>	<u></u>	<u>720,314</u>
Discretely Presented				
Component Unit, Net	<u>548,424</u>	<u>(78,346)</u>	<u>-0-</u>	<u>470,078</u>
	=====	=====	=====	=====

	<u>2022</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Discretely Presented:				
Component Unit:				
Capital assets				
being depreciated:				
Buildings and				
Infrastructure	1,175,192			1,175,192
Machinery and				
Vehicles	15,200			15,200
Total	1,190,392			1,190,392
Less accumulated				
depreciation for:				
Buildings and				
Infrastructure	548,422	78,346		626,768
Machinery and				
Vehicles	13,300	1,900		15,200
Total	561,722	80,246		641,968
Discretely Presented				
Component Unit, Net	628,670	(80,246)	-0-	548,424
	=====	=====	=====	=====

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

	<u>2023</u>	<u>2022</u>
Authority Airport	78,346	80,246
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2023 and 2022, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2023</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>
Loans Payable		347,000	12,771	334,229	28,420
Special Assmt. Bonds	634,537		132,087	502,450	137,450
Total	634,537	347,000	144,858	836,679	165,870
	=====	=====	=====	=====	=====
	<u>2022</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	766,006		148,469	634,537	132,087
	=====	=====	=====	=====	=====

Business-type Activities2023

	<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	580,000		70,000	510,000	75,000
	=====	=====	=====	=====	=====

2022

	<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	645,000		65,000	580,000	70,000
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2023 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, 2023, is as follows:

Governmental Activities

Loans Payable. The city has entered into loan agreements to provide funds for the purchase of a John Deere 544P Payloader and a John Deere 670G Motorgrader. Loans outstanding at December 31, 2023, are as follows:

\$86,000.00 bank loan with the State Bank of Kenmare, due in annual installments of \$13,681.66 through September 22, 2029; payments include interest at 3.25%. 73,229.59

\$261,000.00 bank loan with the State Bank of Kenmare, due in annual installments of \$23,500.90 through March 20, 2037; payments include interest at 3.25%. 261,000.00

Total Loans Payable	334,229.59
	=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	28,419.66	8,762.90
2025	27,235.03	9,947.53
2026	28,120.17	9,062.39
2027	29,034.07	8,148.49
2028	29,957.94	7,224.62
2029-2033	107,415.75	23,770.38
2034-2037	84,046.97	6,791.46
Total	334,229.59	73,707.77
	=====	=====

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, 2023, are as follows:

\$1,600,000.00 Refunding Improvement Bonds,
Series 2012, due in annual installments of
\$115,000.00 to \$125,000.00 through May 1, 2027;
interest is at 2% to 2.4%. 480,000.00

\$200,000.00 State Bank of Kenmare Loan,
(Street Improvement District No. 8) due
in one last installment of \$23,448.79 on
September 22, 2024; payment includes
interest at 3%. 22,450.36

Total Special Assessment Bonds Payable 502,450.36
=====

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>
2024	137,450.36	10,908.43
2025	120,000.00	7,320.00
2026	120,000.00	4,440.00
2027	125,000.00	1,500.00
Total	502,450.36	24,168.43
	=====	=====

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, 2023, 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%. 135,000.00

\$892,039 Water Revenue Bonds of 2011 due in
annual installments of \$50,000.00 to \$60,000.00
through September 1, 2030; interest is at 2.5%. 375,000.00

Total Revenue Bonds Payable 510,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	75,000.00	10,050.00
2025	75,000.00	8,675.00
2026	80,000.00	7,300.00
2027	80,000.00	5,800.00
2028	80,000.00	4,300.00
2029-2030	120,000.00	4,050.00
Total	510,000.00	40,175.00
	=====	=====

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, 2023</u>		
Highway Distribution	376,708.00	
General		225,000.00
Sales Tax Infrastructure		115,528.00
Emergency		6,180.00
Water Operating		10,000.00
Sewer Operating		10,000.00
Garbage and Landfill		10,000.00

To subsidize expenditures.

December 31, 2022

W&S Improve. Dist No. 1993-1	144,000.00	
Water Operating		84,000.00
Sewer Operating		60,000.00

To subsidize debt service payments.

Water Operating	65,000.00	
W&S Improve. Dist No. 1993-1		65,000.00

To reimburse for principal payment made on water revenue bonds.

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2023</u>	<u>2022</u>
<u>Special Revenue Funds</u>		
Highway Distribution	(5,051.60)	(251,775.89)
SID No. 7		(150,545.86)
Job Development		(789.36)

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 \$880,010 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 \$1,222,579 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, 2023 and 2022, the city contributed 19,027.24 and 17,907.58, 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, 2023 or 2022.

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	348,228.75	341,250.04	(6,978.71)
Licenses, Permits and Fees	10,450.00	14,147.14	3,697.14
Intergovernmental	53,000.00	105,805.25	52,805.25
Charges for Services	2,500.00	28,470.00	25,970.00
Fines and Forfeits	5,000.00	12,171.00	7,171.00
Miscellaneous	94,500.00	91,113.02	(3,386.98)
Total Revenues	513,678.75	592,956.45	79,277.70
<u>Expenditures:</u>			
Current:			
General Government	294,850.00	388,297.75	(93,447.75)
Public Safety	185,000.00	169,464.60	15,535.40
Culture and Recreation	15,000.00	4,318.03	10,681.97
Other	30,000.00	13,297.75	16,702.25
Total Expenditures	524,850.00	575,378.13	(50,528.13)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,171.25)	17,578.32	28,749.57
<u>Other Financing (Uses):</u>			
Transfers Out	(137,950.00)	(225,000.00)	(87,050.00)
Net Change in Fund Balances	(149,121.25)	(207,421.68)	(58,300.43)
Fund Balance - January 1	225,440.86	225,440.86	
Fund Balance - December 31	76,319.61	18,019.18	(58,300.43)
	=====	=====	=====

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	347,699.00	347,273.23	(425.77)
Licenses, Permits and Fees	18,700.00	12,821.72	(5,878.28)
Intergovernmental	98,700.00	92,349.13	(6,350.87)
Charges for Services	20,000.00	22,394.30	2,394.30
Fines and Forfeits	10,000.00	5,187.00	(4,813.00)
Miscellaneous	90,700.00	101,898.05	11,198.05
Total Revenues	585,799.00	581,923.43	(3,875.57)
<u>Expenditures:</u>			
Current:			
General Government	280,175.00	278,149.28	2,025.72
Public Safety	219,034.00	136,531.12	82,502.88
Culture and Recreation	79,500.00	26,649.49	52,850.51
Other	7,000.00	19,971.13	(12,971.13)
Capital Outlay		56,986.00	(56,986.00)
Total Expenditures	585,709.00	518,287.02	67,421.98
Net Change in Fund Balances	90.00	63,636.41	63,546.41
Fund Balance - January 1	161,804.45	161,804.45	
Fund Balance - December 31	161,894.45	225,440.86	63,546.41

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Distribution Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	25,000.00	59,770.05	34,770.05
Miscellaneous	750.00	27,953.23	27,203.23
Total Revenues	25,750.00	87,723.28	61,973.28
Expenditures:			
Current:			
Streets and Public Works	163,700.00	204,025.34	(40,325.34)
Capital Outlay	347,000.00	347,000.00	
Debt Service:			
Principal		12,770.41	(12,770.41)
Interest		911.24	(911.24)
Total Expenditures	510,700.00	564,706.99	(54,006.99)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(484,950.00)	(476,983.71)	7,966.29
Other Financing Sources:			
Proceeds from Bank Loans	347,000.00	347,000.00	
Transfers In	137,950.00	376,708.00	238,758.00
Total Other Financing Sources	484,950.00	723,708.00	238,758.00
Net Change in Fund Balances		246,724.29	246,724.29
Fund Balance - January 1	(251,775.89)	(251,775.89)	
Fund Balance - December 31	(251,775.89)	(5,051.60)	246,724.29
=====			

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Distribution Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	74,000.00	57,117.69	(16,882.31)
Miscellaneous	4,000.00	9,602.00	5,602.00
Total Revenues	78,000.00	66,719.69	(11,280.31)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	232,005.00	273,788.38	(41,783.38)
Capital Outlay		13,500.00	(13,500.00)
Total Expenditures	232,005.00	287,288.38	(55,283.38)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(154,005.00)	(220,568.69)	(66,563.69)
<u>Other Financing Sources:</u>			
Transfers In	200,000.00		(200,000.00)
Net Change in Fund Balances	45,995.00	(220,568.69)	(266,563.69)
Fund Balance - January 1	(31,207.20)	(31,207.20)	
Fund Balance - December 31	14,787.80	(251,775.89)	(266,563.69)

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	319,500.00	386,491.50	66,991.50
Miscellaneous	720.00	18,217.88	17,497.88
Total Revenues	320,220.00	404,709.38	84,489.38
<u>Expenditures:</u>			
Current:			
Streets and Public Works		3,134.68	(3,134.68)
Urban and Economic Development	120,010.00	191,058.77	(71,048.77)
Culture and Recreation	16,580.00	32,940.94	(16,360.94)
Total Expenditures	136,590.00	227,134.39	(90,544.39)
Excess (Deficiency) of Revenues Over (Under) Expenditures	183,630.00	177,574.99	(6,055.01)
<u>Other Financing (Uses):</u>			
Transfers Out		(115,528.00)	(115,528.00)
Net Change in Fund Balances	183,630.00	62,046.99	(121,583.01)
Fund Balance - January 1	700,507.20	700,507.20	
Fund Balance - December 31	884,137.20	762,554.19	(121,583.01)
	=====	=====	=====

CITY OF KENMARE
Kenmare, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	203,000.00	388,623.87	185,623.87
Miscellaneous	400.00	40,093.04	39,693.04
Total Revenues	203,400.00	428,716.91	225,316.91
Expenditures:			
Current:			
Streets and Public Works	20,000.00		20,000.00
Urban and Economic Development	132,000.00		132,000.00
Culture and Recreation	15,000.00	50,992.20	(35,992.20)
Health and Welfare	10,000.00	135,955.71	(125,955.71)
Total Expenditures	177,000.00	186,947.91	(9,947.91)
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,400.00	241,769.00	215,369.00
Other Financing (Uses):			
Transfers Out	(200,000.00)		200,000.00
Net Change in Fund Balances	(173,600.00)	241,769.00	415,369.00
Fund Balance - January 1	458,738.20	458,738.20	
Fund Balance - December 31	285,138.20	700,507.20	415,369.00

CITY OF KENMARE
Kenmare, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2023 and 2022

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, 2023 and 2022.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
General Fund	50,528.13	
<u>Special Revenue Funds</u>		
Highway Distribution	54,006.99	55,283.38
Sales Tax	90,544.39	9,947.91

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, 2023

	Balance 1-1-23	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-23
Major Governmental Funds						
General Fund	225,440.86	592,956.45		225,000.00	575,378.13	18,019.18
Highway Distribution	(251,775.89)	434,723.28	376,708.00		564,706.99	(5,051.60)
Sales Tax:						
Infrastructure	584,618.59	214,734.07		115,528.00	3,134.68	680,689.98
Recreation	41,389.62	19,324.55			32,940.94	27,773.23
Health Care	30,345.61	9,662.30				40,007.91
Fund ITT	44,153.38	160,988.46			191,058.77	14,083.07
Street Improvement District No. 7	(150,545.86)	376,347.40			122,710.00	103,091.54
Total Major Governmental Funds	523,626.31	1,808,736.51	376,708.00	340,528.00	1,489,929.51	878,613.31
Non-Major Governmental Funds						
Cemetery	11,545.34	10,415.04			7,150.00	14,810.38
Police Department Equipment	10,000.00				950.00	9,050.00
Legacy Highway Funds		18,375.61				18,375.61
Library	12,541.05	5.53			3,328.00	9,218.58
Emergency	17,382.39	7,644.79		6,180.00	13,920.90	4,926.28
Job Development	(789.36)	12,083.15				11,293.79
Street Improvement District No. 8	40,875.26	16,023.15			30,598.79	26,299.62
Capital Improvements:						
Campground	50,000.00					50,000.00
Prairie Dog	125,000.00	143,558.68				268,558.68
ARPA	161,429.08	40,000.00				201,429.08
Total Non-Major Governmental Funds	427,983.76	248,105.95		6,180.00	55,947.69	613,962.02
Total Governmental Funds	951,610.07	2,056,842.46	376,708.00	346,708.00	1,545,877.20	1,492,575.33
Major Enterprise Funds						
Water Operating	90,462.81	311,033.69		10,000.00	342,005.18	49,491.32
Sewer Operating	125,744.39	162,907.15		10,000.00	232,299.87	46,351.67
Garbage and Landfill	57,730.06	152,081.25		10,000.00	170,166.84	29,644.47
W&S Improvement District 1993-1	86,418.53	291.14			18,750.00	67,959.67
Total Major Enterprise Funds	360,355.79	626,313.23		30,000.00	763,221.89	193,447.13
Non-Major Enterprise Funds						
Water Maintenance Fee	181,670.75	13,726.65			18,750.00	176,647.40
Water Deposit	4,124.00	773.37			160.00	4,737.37
Landfill Maintenance	68,751.84	12,613.11				81,364.95
Total Non-Major Enterprise Funds	254,546.59	27,113.13			18,910.00	262,749.72
Total Enterprise Funds	614,902.38	653,426.36		30,000.00	782,131.89	456,196.85
Fiduciary Fund						
Custodial Funds						
Airport Authority	914.13	385.52				1,299.65
Fire Department Trust	1,138.13	15,885.79				17,023.92
Total Custodial Funds	2,052.26	16,271.31				18,323.57
Total Primary Government	1,568,564.71	2,726,540.13	376,708.00	376,708.00	2,328,009.09	1,967,095.75
Discretely Presented Component Unit						
Airport Authority	66,285.39	199,848.65			203,426.66	62,707.38
Total Reporting Entity	1,634,850.10	2,926,388.78	376,708.00	376,708.00	2,531,435.75	2,029,803.13

CITY OF KENMARE
Kenmare, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2022

	Balance 1-1-22	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-22
Major Governmental Funds						
General Fund	161,804.45	581,923.43			518,287.02	225,440.86
Highway Distribution	(31,207.20)	66,719.69			287,288.38	(251,775.89)
Sales Tax:						
Infrastructure	369,754.08	214,864.51				584,618.59
Recreation	56,843.50	35,538.32			50,992.20	41,389.62
Health Care	20,630.01	9,715.60				30,345.61
Fund ITT	11,510.61	168,598.48			135,955.71	44,153.38
Street Improvement District No. 7	1,984.45	24.69			152,555.00	(150,545.86)
Total Major Governmental Funds	591,319.90	1,077,384.72			1,145,078.31	523,626.31
Non-Major Governmental Funds						
Cemetery	19,666.10	548.00			8,668.76	11,545.34
Police Department Equipment	10,000.00					10,000.00
Library	13,039.96	27.58			526.49	12,541.05
Emergency	17,190.88	191.51				17,382.39
Job Development	(789.36)	12,593.56			12,593.56	(789.36)
Street Improvement District No. 8	48,814.24	15,834.81			23,773.79	40,875.26
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	81,276.29				161,429.08
Total Non-Major Governmental Funds	408,074.61	110,471.75			90,562.60	427,983.76
Total Governmental Funds	999,394.51	1,187,856.47			1,235,640.91	951,610.07
Major Enterprise Funds						
Water Operating	49,059.09	375,897.74	65,000.00	84,000.00	315,494.02	90,462.81
Sewer Operating	112,433.90	144,953.13		60,000.00	71,642.64	125,744.39
Garbage and Landfill	(84,082.83)	366,262.80			224,449.91	57,730.06
W&S Improvement District 1993-1	15,230.66	112.87	144,000.00	65,000.00	7,925.00	86,418.53
Total Major Enterprise Funds	92,640.82	887,226.54	209,000.00	209,000.00	619,511.57	360,355.79
Non-Major Enterprise Funds						
Water Maintenance Fee	173,616.75	8,054.00				181,670.75
Water Deposit	3,134.00	1,075.50			85.50	4,124.00
Landfill Maintenance	60,954.79	7,797.05				68,751.84
Total Non-Major Enterprise Funds	237,705.54	16,926.55			85.50	254,546.59
Total Enterprise Funds	330,346.36	904,153.09	209,000.00	209,000.00	619,597.07	614,902.38
Fiduciary Fund						
Custodial Funds						
Airport Authority	381.09	533.04				914.13
Fire Department Trust	1,138.13	15,741.21			15,741.21	1,138.13
Total Custodial Funds	1,519.22	16,274.25			15,741.21	2,052.26
Total Primary Government	1,331,260.09	2,108,283.81	209,000.00	209,000.00	1,870,979.19	1,568,564.71
Discretely Presented						
Component Unit						
Airport Authority	31,003.16	140,568.97			105,286.74	66,285.39
Total Reporting Entity	1,362,263.25	2,248,852.78	209,000.00	209,000.00	1,976,265.93	1,634,850.10

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Kenmare, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 16, 2024.

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 2023-001 and 2023-002, 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 16, 2024

CITY OF KENMARE
Kenmare, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2023 and 2022

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. 2023-001 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. 2023-002 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.