

# **AUDIT REPORT**

CITY OF HETTINGER  
Hettinger, North Dakota

For the Years Ended December 31, 2018 and 2017

**RATH & MEHRER, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HETTINGER  
Hettinger, North Dakota

TABLE OF CONTENTS  
For the Years Ended December 31, 2018 and 2017

	<u>Page(s)</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
 <b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position - Modified Cash Basis	13,14
Statement of Activities - Modified Cash Basis	15,16
Balance Sheet - Modified Cash Basis - Governmental Funds	17,18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	19,20
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	21,22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	23,24
Statement of Net Position - Modified Cash Basis - Proprietary Funds	25,26
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds	27,28
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	29,30
Notes to the Financial Statements	31-40
 <b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules - Modified Cash Basis	
General Fund	41,42
Highway Tax Fund	43,44
Sales Tax Fund	45,46
Notes to the Budgetary Comparison Schedules	47
Schedule of Fund Activity Arising from Cash Transactions	48,49
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	50-51
Schedule of Findings and Responses	52-53

CITY OF HETTINGER  
Hettinger, North Dakota

CITY OFFICIALS

Shawn Hanna	Mayor
Curt Drolc	Council Member
Kimberlee Erickson	Council Member
James Lindquist	Council Member
Suzie Reuther	Council Member
Patricia Carroll	Auditor

# Rath & Mehrer

Certified Public Accountants

*Specializing in Governmental Auditing*

Phone: (701) 258-4560

Jayson Rath, CPA  
Ken Mehrer, CPA

425 North Fifth Street  
Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Hettinger  
Hettinger, North Dakota

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

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the city's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of December 31, 2018 and 2017, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### Other Information

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

The management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2019 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

April 19, 2019

CITY OF HETTINGER

Management's Discussion and Analysis

December 31, 2018 and 2017

The Management's Discussion and Analysis (MD&A) of the City of Hettinger's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2018 and 2017. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2018 are as follows:

- \* Total net position of the city increased \$130,733 as a result of the current year's operations. Net position of the governmental activities increased \$114,142 and net position of the business-type activities increased \$16,591.
- \* Governmental net position totaled \$2,599,905 and business-type net position totaled \$440,066.
- \* Total revenues from all sources were \$876,593 for governmental activities and \$354,886 for business-type activities.
- \* Total expenses were \$762,451 for governmental activities and \$338,294 for business-type activities.
- \* The city's general fund had \$365,676 in total revenues and \$328,942 in total expenditures. Overall, the general fund balance increased by \$36,734 for the year ended December 31, 2018.

Key financial highlights for the year ended December 31, 2017 are as follows:

- \* Total net position of the city increased \$46,275 as a result of the current year's operations. Net position of the governmental activities increased \$30,450 and net position of the business-type activities increased \$15,825.
- \* Governmental net position totaled \$2,485,763 and business-type net position totaled \$423,475.
- \* Total revenues from all sources were \$790,813 for governmental activities and \$365,541 for business-type activities.
- \* Total expenses were \$760,363 for governmental activities and \$349,715 for business-type activities.
- \* The city's general fund had \$317,170 in total revenues and \$372,328 in total expenditures. Overall, the general fund balance decreased by \$55,158 for the year ended December 31, 2017.

## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- \* Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- \* Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

## REPORTING ON THE CITY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2018 and 2017?"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works and urban and economic development. Business-type activities are where the city's enterprise services are reported including, but not limited to, water and sewer.

#### **REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

##### Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, highway tax fund, sales tax fund, capital projects #1 fund and special street improvements fund are considered "major governmental funds". The city's water fund and sewer fund are considered "major enterprise funds".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Table I provides a summary of the city's net position as of December 31, 2018 and 2017. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position increased by \$130,733 and by \$46,275 for the years ended December 31, 2018 and 2017, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2018, the city's net position of \$3,039,971 is segregated into three separate categories. Net investment in capital assets represents 22% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 30% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 48% of the city's net position and is available to meet the city's ongoing obligations.



Table I

Net Position  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,997,709	370,580
Capital Assets (net of accumulated depreciation)	602,196	69,486
Total Assets	<u>2,599,905</u>	<u>440,066</u>
<u>Net Position</u>		
Net Investment in Capital Assets	602,196	69,486
Restricted	896,506	
Unrestricted	1,101,204	370,580
Total Net Position	<u>2,599,905</u> =====	<u>440,066</u> =====

As of December 31, 2017, the city's net position of \$2,909,238 is segregated into three separate categories. Net investment in capital assets represents 25% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 26% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 49% of the city's net position and is available to meet the city's ongoing obligations.

Net Position  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,834,069	344,383
Capital Assets (net of accumulated depreciation)	651,694	79,092
Total Assets	<u>2,485,763</u>	<u>423,475</u>
<u>Net Position</u>		
Net Investment in Capital Assets	651,694	79,092
Restricted	741,052	
Unrestricted	1,093,017	344,383
Total Net Position	<u>2,485,763</u> =====	<u>423,475</u> =====

Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<b><u>Assets</u></b>		
Current Assets	1,763,312	318,951
Capital Assets (net of accumulated depreciation)	692,002	88,698
Total Assets	<u>2,455,314</u>	<u>407,649</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	692,002	88,698
Restricted	608,357	
Unrestricted	1,154,954	318,951
Total Net Position	<u>2,455,314</u> =====	<u>407,649</u> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2018 and 2017. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II

Changes in Net Position  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<b><u>Program Revenues:</u></b>		
Charges for Services	150,574	350,727
Operating Grants and Contributions	125,315	
<b><u>General Revenues:</u></b>		
Property Taxes	110,392	
Other Taxes	324,486	
Intergovernmental - Unrestricted	67,658	
Interest Earnings and Other Revenue	98,168	4,158
Total Revenues	<u>876,593</u>	<u>354,886</u>
<b>Expenses</b>		
General Government	139,948	
Public Safety	140,080	
Streets and Public Works	314,035	
Culture and Recreation	100,741	
Urban and Economic Development	45,402	
Other	22,244	
Water		298,860
Sewer		39,434
Total Expenses	<u>762,451</u>	<u>338,294</u>
Net Change in Position	<u>114,142</u> =====	<u>16,592</u> =====

Property taxes constituted 9%, other taxes 26%, unrestricted intergovernmental 5%, grants and contributions 10%, and charges for services made up 41% of the total revenues of all activities of the city for the fiscal year ended December 31, 2018.

General government constituted 13%, public safety 13%, streets and public works 29%, and enterprise 31% of total expenses for all activities during the fiscal year ended December 31, 2018.

Changes in Net Position  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	146,643	364,376
Operating Grants and Contributions	120,738	
<u>General Revenues:</u>		
Property Taxes	105,219	
Other Taxes	289,966	
Intergovernmental - Unrestricted	62,655	
Interest Earnings and Other Revenue	65,593	1,165
Total Revenues	<u>790,813</u>	<u>365,541</u>
<b>Expenses</b>		
General Government	179,010	
Public Safety	120,140	
Streets and Public Works	269,443	
Culture and Recreation	107,851	
Urban and Economic Development	30,333	
Other	53,587	
Water		321,030
Sewer		28,685
Total Expenses	<u>760,363</u>	<u>349,715</u>
Net Change in Position	<u>30,450</u>	<u>15,826</u>
	=====	=====

Property taxes constituted 9%, other taxes 25%, unrestricted intergovernmental 5%, grants and contributions 10%, and charges for services made up 44% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 16%, public safety 11%, streets and public works 24%, and enterprise 32% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	148,199	365,946
Operating Grants and Contributions	129,370	
<u>General Revenues:</u>		
Property Taxes	76,277	
Other Taxes	330,096	
Intergovernmental - Unrestricted	81,294	
Interest Earnings and Other Revenue	66,953	2,307
 Total Revenues	 832,190	 368,254
<b>Expenses</b>		
General Government	183,841	
Public Safety	120,000	
Streets and Public Works	724,119	
Culture and Recreation	92,692	
Urban and Economic Development	5,718	
Other	28,435	
Water		318,168
Sewer		23,270
Sanitation		1,727
 Total Expenses	 1,154,806	 343,166
 Net Change in Position	 (322,616)	 25,088

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2018

	<u>Total Cost Year Ended Dec. 31, 2018</u>	<u>Net Cost Year Ended Dec. 31, 2018</u>
General Government	139,948	99,803
Public Safety	140,080	139,830
Streets and Public Works	314,035	102,763
Culture and Recreation	100,741	76,969
Urban and Economic Development	45,402	45,402
Other	22,244	21,795
 Total Expenses	 762,451	 486,562

Total and Net Cost of Services  
As of December 31, 2017

	Total Cost Year Ended <u>Dec. 31, 2017</u>	Net Cost Year Ended <u>Dec. 31, 2017</u>
General Government	179,010	143,297
Public Safety	120,140	119,970
Streets and Public Works	269,443	59,958
Culture and Recreation	107,851	85,837
Urban and Economic Development	30,333	30,333
Other	53,587	53,587
 Total Expenses	 760,363	 492,983

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$876,593 and expenditures of \$712,953 for the year ended December 31, 2018. For the year ended December 31, 2017, the city's governmental funds had total revenue of \$790,813 and expenditures of \$720,055. As of December 31, 2018, the unassigned fund balance of the city's general fund was \$264,418. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$227,684.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2018 and 2017, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2018 was \$43,360 more than budgeted. This variance was mainly due to the city underestimating collections from miscellaneous sources. Actual expenditures for the year ended December 31, 2018 were under budget by \$71,958. This variance was mainly due to the city overestimating appropriations for general government purposes.

Actual revenue for the year ended December 31, 2017 was \$56,092 less than budgeted. This variance was mainly due to the city overestimating collections from various sources. Actual expenditures for the year ended December 31, 2017 were under budget by \$144,812. This variance was mainly due to the city overestimating appropriations for general government purposes.

**CAPITAL ASSETS**

As of December 31, 2018 and 2017, the city had \$671,682 and \$730,786, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2018, 2017 and 2016.

Table IV

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	480,539	56,886
Machinery and Vehicles	116,657	7,600
 Total (net of depreciation)	 602,196	 69,486

This total represents a decrease of \$59,104 in capital assets from January 1, 2018.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	501,072	64,592
Machinery and Vehicles	145,622	9,500
Total (net of depreciation)	651,694	79,092

This total represents a decrease of \$49,914 in capital assets from January 1, 2017.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	521,605	72,298
Machinery and Vehicles	165,397	11,400
Total (net of depreciation)	692,002	88,698

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2018 and 2017, the city had no outstanding debt.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Patricia Carroll, City Auditor, Hettinger, ND.

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	1,997,709.12	370,580.03	2,368,289.15
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	480,539.00	56,886.00	537,425.00
Machinery and Vehicles	116,657.00	7,600.00	124,257.00
Total Capital Assets	602,196.00	69,486.00	671,682.00
Total Assets	2,599,905.12	440,066.03	3,039,971.15
<b>NET POSITION:</b>			
Net Investment in Capital Assets	602,196.00	69,486.00	671,682.00
Restricted for:			
Special Purposes	896,505.59		896,505.59
Unrestricted	1,101,203.53	370,580.03	1,471,783.56
Total Net Position	2,599,905.12	440,066.03	3,039,971.15

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	1,834,069.20	344,382.51	2,178,451.71
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	501,072.00	64,592.00	565,664.00
Machinery and Vehicles	145,622.00	9,500.00	155,122.00
Total Capital Assets	651,694.00	79,092.00	730,786.00
Total Assets	2,485,763.20	423,474.51	2,909,237.71
<b>NET POSITION:</b>			
Net Investment in Capital Assets	651,694.00	79,092.00	730,786.00
Restricted for:			
Special Purposes	741,052.30		741,052.30
Unrestricted	1,093,016.90	344,382.51	1,437,399.41
Total Net Position	2,485,763.20	423,474.51	2,909,237.71

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



CITY OF HETTINGER  
Hettinger, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b><u>Functions/Programs</u></b>					
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
General Government	139,948.46	40,145.90		(99,802.56)	(99,802.56)
Public Safety	140,080.00	250.00		(139,830.00)	(139,830.00)
Streets and Public Works	314,035.11	110,178.33	101,093.69	(102,763.09)	(102,763.09)
Culture and Recreation	100,741.13		23,771.80	(76,969.33)	(76,969.33)
Urban and Economic Development	45,402.29			(45,402.29)	(45,402.29)
Other	22,243.89		449.28	(21,794.61)	(21,794.61)
<b>Total Governmental Activities</b>	<b>762,450.88</b>	<b>150,574.23</b>	<b>125,314.77</b>	<b>(486,561.88)</b>	<b>(486,561.88)</b>
<b><u>Business-Type Activities:</u></b>					
Water	298,860.04	306,961.67		8,101.63	8,101.63
Sewer	39,434.32	43,765.82		4,331.50	4,331.50
<b>Total Business-Type Activities</b>	<b>338,294.36</b>	<b>350,727.49</b>		<b>12,433.13</b>	<b>12,433.13</b>
<b>Total Primary Government</b>	<b>1,100,745.24</b>	<b>501,301.72</b>	<b>125,314.77</b>	<b>(486,561.88)</b>	<b>12,433.13</b>
-----					
<b><u>General Revenues:</u></b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes				110,315.87	110,315.87
Property taxes; levied for special purposes				75.90	75.90
Sales taxes				296,293.72	296,293.72
Lodging taxes				19,306.62	19,306.62
Telecommunications taxes				1,931.83	1,931.83
Cigarette taxes				3,408.61	3,408.61
Homestead tax credit				2,777.87	2,777.87
Disabled veterans tax credit				767.68	767.68
Intergovernmental revenue not restricted to specific programs				67,658.20	67,658.20
Earnings on investments and other revenue				98,167.50	102,325.89
<b>Total General Revenues</b>				<b>600,703.80</b>	<b>604,862.19</b>
<b>Change in Net Position</b>				<b>114,141.92</b>	<b>130,733.44</b>
<b>Net Position - January 1</b>				<b>2,485,763.20</b>	<b>2,909,237.71</b>
<b>Net Position - December 31</b>				<b>2,599,905.12</b>	<b>3,039,971.15</b>
-----					

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b><u>Functions/Programs</u></b>					
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
General Government	179,009.94	35,112.48	600.00	(143,297.46)	(143,297.46)
Public Safety	120,140.00	170.00		(119,970.00)	(119,970.00)
Streets and Public Works	269,442.54	111,360.15	98,124.09	(59,958.30)	(59,958.30)
Culture and Recreation	107,851.01		22,013.78	(85,837.23)	(85,837.23)
Urban and Economic Development	30,333.00			(30,333.00)	(30,333.00)
Other	53,586.97			(53,586.97)	(53,586.97)
<b>Total Governmental Activities</b>	<b>760,363.46</b>	<b>146,642.63</b>	<b>120,737.87</b>	<b>(492,982.96)</b>	<b>(492,982.96)</b>
<b><u>Business-Type Activities:</u></b>					
Water	321,029.60	320,223.89			(805.71)
Sewer	28,685.41	44,151.67			15,466.26
<b>Total Business-Type Activities</b>	<b>349,715.01</b>	<b>364,375.56</b>			<b>14,660.55</b>
<b>Total Primary Government</b>	<b>1,110,078.47</b>	<b>511,018.19</b>	<b>120,737.87</b>	<b>(492,982.96)</b>	<b>14,660.55</b>
-----					
<b><u>General Revenues:</u></b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes			104,855.13		104,855.13
Property taxes; levied for special purposes			363.47		363.47
Sales taxes			263,377.34		263,377.34
Lodging taxes			18,227.61		18,227.61
Telecommunications taxes			1,931.83		1,931.83
Cigarette taxes			3,527.19		3,527.19
Homestead tax credit			2,175.87		2,175.87
Disabled veterans tax credit			726.56		726.56
Intergovernmental revenue not restricted to specific programs			62,654.63		62,654.63
Earnings on investments and other revenue			65,592.87	1,165.00	66,757.87
<b>Total General Revenues</b>			<b>523,432.50</b>	<b>1,165.00</b>	<b>524,597.50</b>
<b>Change in Net Position</b>			<b>30,449.54</b>	<b>15,825.55</b>	<b>46,275.09</b>
<b>Net Position - January 1</b>			<b>2,455,313.66</b>	<b>407,648.96</b>	<b>2,862,962.62</b>
<b>Net Position - December 31</b>			<b>2,485,763.20</b>	<b>423,474.51</b>	<b>2,909,237.71</b>
-----					

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash, Cash Equivalents and Investments	264,417.63	139,068.06	741,776.39	326,946.65	484,839.25	40,661.14	1,997,709.12
=====							
<b>FUND BALANCES:</b>							
Restricted for:							
Streets and Public Works		139,068.06					139,068.06
Urban and Economic Development			741,776.39				741,776.39
Emergency Purposes						15,661.14	15,661.14
Committed to:							
Capital Projects				326,946.65		25,000.00	351,946.65
Special Street Improvements					484,839.25		484,839.25
Unassigned	264,417.63						264,417.63
=====							
Total Fund Balances	264,417.63	139,068.06	741,776.39	326,946.65	484,839.25	40,661.14	1,997,709.12
=====							

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

CITY OF HETTINGER  
Hettinger, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2017

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash, Cash Equivalents and Investments	227,684.06	136,694.80	589,152.25	366,933.02	473,399.82	40,205.25	1,834,069.20
=====							
<b>FUND BALANCES:</b>							
Restricted for:							
Streets and Public Works		136,694.80					136,694.80
Urban and Economic Development			589,152.25			69.29	589,221.54
Emergency Purposes						15,135.96	15,135.96
Committed to:							
Capital Projects				366,933.02		25,000.00	391,933.02
Special Street Improvements					473,399.82		473,399.82
Unassigned	227,684.06						227,684.06
-----							
Total Fund Balances	227,684.06	136,694.80	589,152.25	366,933.02	473,399.82	40,205.25	1,834,069.20
=====							

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

Total Fund Balances for Governmental Funds		1,997,709.12
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	1,564,828.00	
Less Accumulated Depreciation	(962,632.00)	
Net Capital Assets	<hr/>	602,196.00
Total Net Position of Governmental Activities		<hr/> <u>2,599,905.12</u> =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds 1,834,069.20

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	1,564,828.00	
Less Accumulated Depreciation	(913,134.00)	
	<hr/>	
Net Capital Assets		651,694.00

Total Net Position of Governmental Activities 2,485,763.20  
=====

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

CITY OF HETTINGER  
 Hettinger, North Dakota

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

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	129,622.49		296,293.72			75.90	425,992.11
Licenses, Permits and Fees	40,145.90						40,145.90
Intergovernmental	100,315.99	101,093.69				449.28	201,858.96
Charges for Services	250.00			88,253.90		21,924.43	110,428.33
Miscellaneous	95,341.30	2,826.20					98,167.50
<b>Total Revenues</b>	<b>365,675.68</b>	<b>103,919.89</b>	<b>296,293.72</b>	<b>88,253.90</b>		<b>22,449.61</b>	<b>876,592.80</b>
<b>Expenditures:</b>							
Current:							
General Government	139,948.46						139,948.46
Public Safety	120,080.00		20,000.00				140,080.00
Streets and Public Works	10,372.52	101,546.63	26,425.69	128,240.27		10,485.00	277,070.11
Culture and Recreation	58,541.13		35,000.00				93,541.13
Urban and Economic Development			40,000.00			69.29	40,069.29
Other			22,243.89				22,243.89
<b>Total Expenditures</b>	<b>328,942.11</b>	<b>101,546.63</b>	<b>143,669.58</b>	<b>128,240.27</b>		<b>10,554.29</b>	<b>712,952.88</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>36,733.57</b>	<b>2,373.26</b>	<b>152,624.14</b>	<b>(39,986.37)</b>		<b>11,895.32</b>	<b>163,639.92</b>

<u>Other Financing Sources (Uses):</u>									
Transfers In								11,439.43	11,439.43
Transfers Out								(11,439.43)	(11,439.43)
<u>Total Other Financing Sources (Uses)</u>								<u>11,439.43</u>	<u>(11,439.43)</u>
<u>Net Change in Fund Balances</u>								<u>11,439.43</u>	<u>163,639.92</u>
<u>Fund Balance - January 1</u>								<u>473,399.82</u>	<u>1,834,069.20</u>
<u>Fund Balance - December 31</u>								<u>484,839.25</u>	<u>1,997,709.12</u>

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



CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2017

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	123,082.74		263,377.34			363.47	386,823.55
Licenses, Permits and Fees	35,112.48						35,112.48
Intergovernmental	93,629.86	98,124.09					191,753.95
Charges for Services	170.00			89,179.15		22,181.00	111,530.15
Miscellaneous	65,175.37	417.50					65,592.87
<b>Total Revenues</b>	<b>317,170.45</b>	<b>98,541.59</b>	<b>263,377.34</b>	<b>89,179.15</b>		<b>22,544.47</b>	<b>790,813.00</b>
<u>Expenditures:</u>							
Current:							
General Government	179,009.94						179,009.94
Public Safety	120,140.00						120,140.00
Streets and Public Works	7,527.34	82,821.44	23,988.96	118,139.80			232,477.54
Culture and Recreation	65,651.01		35,000.00				100,651.01
Urban and Economic Development			25,000.00				25,000.00
Other			53,586.97				53,586.97
Capital Outlay		9,190.00					9,190.00
<b>Total Expenditures</b>	<b>372,328.29</b>	<b>92,011.44</b>	<b>137,575.93</b>	<b>118,139.80</b>			<b>720,055.46</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(55,157.84)</b>	<b>6,530.15</b>	<b>125,801.41</b>	<b>(28,960.65)</b>		<b>22,544.47</b>	<b>70,757.54</b>

<u>Other Financing Sources (Uses):</u>						
Transfers In		44,038.04			44,038.04	
Transfers Out				(44,038.04)		(44,038.04)
<hr/>						
Total Other Financing Sources (Uses)		44,038.04		(44,038.04)		
<hr/>						
Net Change in Fund Balances		(55,157.84)	6,530.15	125,801.41	(28,960.65)	44,038.04
Fund Balance - January 1		282,841.90	130,164.65	463,350.84	395,893.67	429,361.78
Fund Balance - December 31		227,684.06	136,694.80	589,152.25	366,933.02	473,399.82
=====						
					40,205.25	1,834,069.20
=====						

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	163,639.92
--	------------

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.

	0.00	
Current Year Capital Outlay	(49,498.00)	(49,498.00)
Current Year Depreciation Expense	<u>                    </u>	<u>                    </u>
Change in Net Position of Governmental Activities		114,141.92 =====

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

CITY OF HETTINGER  
Hettinger, 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, 2017

Net Change in Fund Balances - Total Governmental Funds	70,757.54
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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	9,190.00	
Current Year Depreciation Expense	(49,498.00)	(40,308.00)
Change in Net Position of Governmental Activities		30,449.54 =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	215,391.09	155,188.94	370,580.03
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depr):			
Land	5,000.00		5,000.00
Buildings and Infrastructure	38,166.00	18,720.00	56,886.00
Vehicles and Machinery	4,000.00	3,600.00	7,600.00
Total Noncurrent Assets	47,166.00	22,320.00	69,486.00
 Total Assets	 262,557.09	 177,508.94	 440,066.03
=====			
<u>NET POSITION</u>			
Net Investment in Capital Assets	47,166.00	22,320.00	69,486.00
Unrestricted	215,391.09	155,188.94	370,580.03
Total Net Position	262,557.09	177,508.94	440,066.03
=====			

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2017

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	201,061.07	143,321.44	344,382.51
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depr):			
Land	5,000.00		5,000.00
Buildings and Infrastructure	39,632.00	24,960.00	64,592.00
Vehicles and Machinery	5,000.00	4,500.00	9,500.00
Total Noncurrent Assets	49,632.00	29,460.00	79,092.00
Total Assets	250,693.07	172,781.44	423,474.51
=====			
<u>NET POSITION</u>			
Net Investment in Capital Assets	49,632.00	29,460.00	79,092.00
Unrestricted	201,061.07	143,321.44	344,382.51
Total Net Position	250,693.07	172,781.44	423,474.51
=====			

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water User Fees	297,772.67		297,772.67
Bulk Water Sales	8,064.00		8,064.00
Water Reconnect Fees	975.00		975.00
New Water Connection Fees	150.00		150.00
New Sewer Connection Fee		100.00	100.00
Sewer Charges		43,665.82	43,665.82
<b>Total Operating Revenues</b>	<b>306,961.67</b>	<b>43,765.82</b>	<b>350,727.49</b>
<u>Operating Expenses:</u>			
Administrative Fees	8,000.06		8,000.06
Utilities	5,433.65	1,368.47	6,802.12
Water	228,911.98		228,911.98
Meters	565.86		565.86
Telephone	495.59		495.59
Printing and Publishing	567.77		567.77
Postage	2,291.38		2,291.38
Travel, Dues and Memberships	550.00		550.00
Repairs and Maintenance	2,495.22		2,495.22
Operations and Maintenance	42,220.58	30,925.85	73,146.43
Office Supplies and Equipment	4,861.95		4,861.95
Depreciation	2,466.00	7,140.00	9,606.00
<b>Total Operating Expenses</b>	<b>298,860.04</b>	<b>39,434.32</b>	<b>338,294.36</b>
<b>Operating Income (Loss)</b>	<b>8,101.63</b>	<b>4,331.50</b>	<b>12,433.13</b>
<u>Non-Operating Revenues (Expenses):</u>			
Miscellaneous Revenue	3,762.39	396.00	4,158.39
<b>Change in Net Position</b>	<b>11,864.02</b>	<b>4,727.50</b>	<b>16,591.52</b>
<b>Net Position - January 1</b>	<b>250,693.07</b>	<b>172,781.44</b>	<b>423,474.51</b>
<b>Net Position - December 31</b>	<b>262,557.09</b>	<b>177,508.94</b>	<b>440,066.03</b>

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2017

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water User Fees	318,317.64		318,317.64
Bulk Water Sales	1,131.25		1,131.25
Water Reconnect Fees	775.00		775.00
Sewer Charges		44,151.67	44,151.67
<b>Total Operating Revenues</b>	<b>320,223.89</b>	<b>44,151.67</b>	<b>364,375.56</b>
<u>Operating Expenses:</u>			
Administrative Fees	8,000.04		8,000.04
Utilities	4,276.27	1,094.56	5,370.83
Water	240,180.75		240,180.75
Telephone	433.36		433.36
Postage	2,039.96		2,039.96
Travel, Dues and Memberships	289.40		289.40
Repairs and Maintenance	1,342.98		1,342.98
Operations and Maintenance	57,159.91	20,450.85	77,610.76
Office Supplies and Equipment	527.87		527.87
Office Equipment	4,127.95		4,127.95
Miscellaneous	185.11		185.11
Depreciation	2,466.00	7,140.00	9,606.00
<b>Total Operating Expenses</b>	<b>321,029.60</b>	<b>28,685.41</b>	<b>349,715.01</b>
<b>Operating Income (Loss)</b>	<b>(805.71)</b>	<b>15,466.26</b>	<b>14,660.55</b>
<u>Non-Operating Revenues (Expenses):</u>			
Miscellaneous Revenue	782.50	382.50	1,165.00
<b>Change in Net Position</b>	<b>(23.21)</b>	<b>15,848.76</b>	<b>15,825.55</b>
<b>Net Position - January 1</b>	<b>250,716.28</b>	<b>156,932.68</b>	<b>407,648.96</b>
<b>Net Position - December 31</b>	<b>250,693.07</b>	<b>172,781.44</b>	<b>423,474.51</b>

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



CITY OF HETTINGER  
Hettinger, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Cash flows from operating activities:</u>			
Receipts from customers	306,961.67	43,765.82	350,727.49
Payments to suppliers	(296,394.04)	(32,294.32)	(328,688.36)
Net cash provided (used) by operating activities	10,567.63	11,471.50	22,039.13
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	3,762.39	396.00	4,158.39
Net increase in cash and cash equivalents	14,330.02	11,867.50	26,197.52
Cash and cash equivalents, January 1	201,061.07	143,321.44	344,382.51
Cash and cash equivalents, December 31	215,391.09	155,188.94	370,580.03
=====			
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income	8,101.63	4,331.50	12,433.13
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	2,466.00	7,140.00	9,606.00
Net cash provided (used) by operating activities	10,567.63	11,471.50	22,039.13
=====			

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2017

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Cash flows from operating activities:</u>			
Receipts from customers	320,223.89	44,151.67	364,375.56
Payments to suppliers	(318,563.60)	(21,545.41)	(340,109.01)
Net cash provided (used) by operating activities	1,660.29	22,606.26	24,266.55
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	782.50	382.50	1,165.00
Net increase in cash and cash equivalents	2,442.79	22,988.76	25,431.55
Cash and cash equivalents, January 1	198,618.28	120,332.68	318,950.96
Cash and cash equivalents, December 31	201,061.07	143,321.44	344,382.51
=====			
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	(805.71)	15,466.26	14,660.55
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	2,466.00	7,140.00	9,606.00
Net cash provided (used) by operating activities	1,660.29	22,606.26	24,266.55
=====			

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

CITY OF HETTINGER  
Hettinger, North Dakota

Notes to the Financial Statements  
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hettinger 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, there are no component units to be included within the City of Hettinger as a reporting entity.

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 Hettinger. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the city's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the city's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

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

*Sales Tax.* This fund accounts for the city's sales tax collections which are used for urban and economic development.

*Capital Projects #1.* This fund accounts for charges on the city's monthly utility billings that have been committed to capital improvements.

*Special Street Improvements.* This fund accounts for the accumulation of resources to be used for a future city-wide chip seal project.

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 sewer collection system.

#### C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting

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

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

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

#### D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

### E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 years

### F. Compensated Absences

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

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

### 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. 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, 2018 the city's carrying amount of deposits was \$2,368,289 and the bank balance was \$2,369,371. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,869,371 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017 the city's carrying amount of deposits was \$2,178,452 and the bank balance was \$2,228,730. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,728,730 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

At December 31, 2018 the city held certificates of deposit in the amount of \$2,246,188, which are all considered deposits.

At December 31, 2017 the city held certificates of deposit in the amount of \$1,049,193, which are all considered deposits.

#### Concentration of Credit Risk

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

#### Note 3 PROPERTY TAXES

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

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

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



Note 4 CAPITAL ASSETS

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

	<u>2018</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,140,000			1,140,000
Machinery and Vehicles	419,828			419,828
<b>Total</b>	<u>1,559,828</u>			<u>1,559,828</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	638,928	20,533		659,461
Machinery and Vehicles	274,206	28,965		303,171
<b>Total</b>	<u>913,134</u>	<u>49,498</u>		<u>962,632</u>
<b>Total capital assets being depreciated, net</b>	<u>646,694</u>	<u>(49,498)</u>		<u>597,196</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>651,694</u>	<u>(49,498)</u>	<u>-0-</u>	<u>602,196</u>

	<u>2017</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,140,000			1,140,000
Machinery and Vehicles	410,638	9,190		419,828
<b>Total</b>	<u>1,550,638</u>	<u>9,190</u>		<u>1,559,828</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	618,395	20,533		638,928
Machinery and Vehicles	245,241	28,965		274,206
<b>Total</b>	<u>863,636</u>	<u>49,498</u>		<u>913,134</u>
<b>Total capital assets being depreciated, net</b>	<u>687,002</u>	<u>(40,308)</u>		<u>646,694</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>692,002</u>	<u>(40,308)</u>	<u>-0-</u>	<u>651,694</u>

	<u>2018</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	346,000			346,000
Machinery and Vehicles	19,000			19,000
<b>Total</b>	<u>365,000</u>			<u>365,000</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	281,408	7,706		289,114
Machinery and Vehicles	9,500	1,900		11,400
<b>Total</b>	<u>290,908</u>	<u>9,606</u>		<u>300,514</u>
<b>Total capital assets being depreciated, net</b>	<u>74,092</u>	<u>(9,606)</u>		<u>64,486</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>79,092</u>	<u>(9,606)</u>	<u>-0-</u>	<u>69,486</u>

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	346,000			346,000
Machinery and Vehicles	19,000			19,000
<b>Total</b>	<u>365,000</u>			<u>365,000</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	273,702	7,706		281,408
Machinery and Vehicles	7,600	1,900		9,500
<b>Total</b>	<u>281,302</u>	<u>9,606</u>		<u>290,908</u>
<b>Total capital assets being depreciated, net</b>	<u>83,698</u>	<u>(9,606)</u>		<u>74,092</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>88,698</u>	<u>(9,606)</u>	<u>-0-</u>	<u>79,092</u>

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

	<u>2018</u>	<u>2017</u>
<u>Governmental Activities:</u>		
Streets and Public Works	36,965	36,965
Culture and Recreation	7,200	7,200
Urban and Economic Development	5,333	5,333
Total	<u>49,498</u>	<u>49,498</u>
	=====	=====
<u>Business-type Activities:</u>		
Water	2,466	2,466
Sewer	7,140	9,140
Total	<u>9,606</u>	<u>9,606</u>
	=====	=====

Note 5 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, 2018</u>		
Special Street Improvements	11,439.43	
Capital Projects #2		11,439.43
To set aside funds for future improvements.		
<u>December 31, 2017</u>		
Special Street Improvements	44,038.04	
Capital Projects #2		44,038.04
To set aside funds for future improvements.		

Note 6 RISK MANAGEMENT

The City of Hettinger 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 \$1,000,000 per occurrence for general liability and automobile; and \$397,425 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 \$821,000 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.

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

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	125,865.56	125,865.56	129,622.49	3,756.93
Licenses, Permits and Fees	46,650.00	46,650.00	40,145.90	(6,504.10)
Intergovernmental	107,400.00	107,400.00	100,315.99	(7,084.01)
Charges for Services	300.00	300.00	250.00	(50.00)
Miscellaneous	42,100.00	42,100.00	95,341.30	53,241.30
<b>Total Revenues</b>	<b>322,315.56</b>	<b>322,315.56</b>	<b>365,675.68</b>	<b>43,360.12</b>
<u>Expenditures:</u>				
Current:				
General Government	219,900.00	219,900.00	139,948.46	79,951.54
Public Safety	121,000.00	121,000.00	120,080.00	920.00
Streets and Public Works	11,000.00	11,000.00	10,372.52	627.48
Culture and Recreation	25,000.00	25,000.00	58,541.13	(33,541.13)
Urban and Economic Development	24,000.00	24,000.00		24,000.00
<b>Total Expenditures</b>	<b>400,900.00</b>	<b>400,900.00</b>	<b>328,942.11</b>	<b>71,957.89</b>
<b>Net Change in Fund Balances</b>	<b>(78,584.44)</b>	<b>(78,584.44)</b>	<b>36,733.57</b>	<b>115,318.01</b>
<b>Fund Balance - January 1</b>	<b>227,684.06</b>	<b>227,684.06</b>	<b>227,684.06</b>	
<b>Fund Balance - December 31</b>	<b>149,099.62</b>	<b>149,099.62</b>	<b>264,417.63</b>	<b>115,318.01</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	109,562.27	109,562.27	123,082.74	13,520.47
Licenses, Permits and Fees	78,700.00	78,700.00	35,112.48	(43,587.52)
Intergovernmental	142,100.00	142,100.00	93,629.86	(48,470.14)
Charges for Services	300.00	300.00	170.00	(130.00)
Miscellaneous	42,600.00	42,600.00	65,175.37	22,575.37
<b>Total Revenues</b>	<b>373,262.27</b>	<b>373,262.27</b>	<b>317,170.45</b>	<b>(56,091.82)</b>
<u>Expenditures:</u>				
Current:				
General Government	269,890.00	269,890.00	153,319.53	116,570.47
Public Safety	122,000.00	122,000.00	120,140.00	1,860.00
Streets and Public Works	10,000.00	10,000.00	7,527.34	2,472.66
Culture and Recreation	36,000.00	36,000.00	65,651.01	(29,651.01)
Urban and Economic Development	79,250.00	79,250.00	25,690.41	53,559.59
<b>Total Expenditures</b>	<b>517,140.00</b>	<b>517,140.00</b>	<b>372,328.29</b>	<b>144,811.71</b>
<b>Net Change in Fund Balances</b>	<b>(143,877.73)</b>	<b>(143,877.73)</b>	<b>(55,157.84)</b>	<b>88,719.89</b>
<b>Fund Balance - January 1</b>	<b>282,841.90</b>	<b>282,841.90</b>	<b>282,841.90</b>	
<b>Fund Balance - December 31</b>	<b>138,964.17</b>	<b>138,964.17</b>	<b>227,684.06</b>	<b>88,719.89</b>

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	90,000.00	90,000.00	101,093.69	11,093.69
Miscellaneous	500.00	500.00	2,826.20	2,326.20
<b>Total Revenues</b>	<b>90,500.00</b>	<b>90,500.00</b>	<b>103,919.89</b>	<b>13,419.89</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	135,000.00	135,000.00	101,546.63	33,453.37
<b>Net Change in Fund Balances</b>	<b>(44,500.00)</b>	<b>(44,500.00)</b>	<b>2,373.26</b>	<b>46,873.26</b>
<b>Fund Balance - January 1</b>	<b>136,694.80</b>	<b>136,694.80</b>	<b>136,694.80</b>	
<b>Fund Balance - December 31</b>	<b>92,194.80</b>	<b>92,194.80</b>	<b>139,068.06</b>	<b>46,873.26</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Tax Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	100,000.00	100,000.00	98,124.09	(1,875.91)
Miscellaneous	500.00	500.00	417.50	(82.50)
<b>Total Revenues</b>	<b>100,500.00</b>	<b>100,500.00</b>	<b>98,541.59</b>	<b>(1,958.41)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	113,900.00	113,900.00	82,821.44	31,078.56
Capital Outlay	9,100.00	9,100.00	9,190.00	(90.00)
<b>Total Expenditures</b>	<b>123,000.00</b>	<b>123,000.00</b>	<b>92,011.44</b>	<b>30,988.56</b>
<b>Net Change in Fund Balances</b>	<b>(22,500.00)</b>	<b>(22,500.00)</b>	<b>6,530.15</b>	<b>29,030.15</b>
<b>Fund Balance - January 1</b>	<b>130,164.65</b>	<b>130,164.65</b>	<b>130,164.65</b>	
<b>Fund Balance - December 31</b>	<b>107,664.65</b>	<b>107,664.65</b>	<b>136,694.80</b>	<b>29,030.15</b>



CITY OF HETTINGER  
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	260,000.00	260,000.00	296,293.72	36,293.72
<u>Expenditures:</u>				
Current:				
Public Safety			20,000.00	(20,000.00)
Streets and Public Works	234,000.00	234,000.00	26,425.69	207,574.31
Culture and Recreation	20,000.00	20,000.00	35,000.00	(15,000.00)
Urban and Economic Development	40,000.00	40,000.00	40,000.00	
Other	13,000.00	13,000.00	22,243.89	(9,243.89)
Total Expenditures	307,000.00	307,000.00	143,669.58	163,330.42
Net Change in Fund Balances	(47,000.00)	(47,000.00)	152,624.14	199,624.14
Fund Balance - January 1	589,152.25	589,152.25	589,152.25	
Fund Balance - December 31	542,152.25	542,152.25	741,776.39	199,624.14

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	300,000.00	300,000.00	263,377.34	(36,622.66)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	327,000.00	327,000.00	23,988.96	303,011.04
Culture and Recreation	20,000.00	20,000.00	35,000.00	(15,000.00)
Urban and Economic Development			25,000.00	(25,000.00)
Other	135,000.00	135,000.00	53,586.97	81,413.03
Total Expenditures	482,000.00	482,000.00	137,575.93	344,424.07
Net Change in Fund Balances	(182,000.00)	(182,000.00)	125,801.41	307,801.41
Fund Balance - January 1	463,350.84	463,350.84	463,350.84	
Fund Balance - December 31	281,350.84	281,350.84	589,152.25	307,801.41

CITY OF HETTINGER  
 Hettinger, North Dakota

Notes to the Budgetary Comparison Schedules  
 December 31, 2018 and 2017

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 and special revenue 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

Budget Amendments

The governing board approved the following amendment to the city's budget for the year ending December 31, 2018:

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Job Development	25	44	69

CITY OF HETTINGER  
Hettinger, North Dakota

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

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	227,684.06	365,675.68			328,942.11	264,417.63
Highway Tax	136,694.80	103,919.89			101,546.63	139,068.06
Sales Tax	589,152.25	296,293.72			143,669.58	741,776.39
Capital Projects #1	366,933.02	88,253.90			128,240.27	326,946.65
Special Street Improvements	473,399.82		11,439.43			484,839.25
<b>Total Major Governmental Funds</b>	<b>1,793,863.95</b>	<b>854,143.19</b>	<b>11,439.43</b>		<b>702,398.59</b>	<b>1,957,047.98</b>
<u>Non-Major Governmental Funds</u>						
Emergency	15,135.96	525.18				15,661.14
Job Development	69.29				69.29	
Capital Projects #2	25,000.00	21,924.43		11,439.43	10,485.00	25,000.00
<b>Total Non-Major Governmental Funds</b>	<b>40,205.25</b>	<b>22,449.61</b>		<b>11,439.43</b>	<b>10,554.29</b>	<b>40,661.14</b>
<b>Total Governmental Funds</b>	<b>1,834,069.20</b>	<b>876,592.80</b>	<b>11,439.43</b>	<b>11,439.43</b>	<b>712,952.88</b>	<b>1,997,709.12</b>
<u>Major Enterprise Funds</u>						
Water	201,061.07	310,724.06			296,394.04	215,391.09
Sewer	143,321.44	44,161.82			32,294.32	155,188.94
<b>Total Major Enterprise Funds</b>	<b>344,382.51</b>	<b>354,885.88</b>			<b>328,688.36</b>	<b>370,580.03</b>
<b>Total All Funds</b>	<b>2,178,451.71</b>	<b>1,231,478.68</b>	<b>11,439.43</b>	<b>11,439.43</b>	<b>1,041,641.24</b>	<b>2,368,289.15</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Major Governmental Funds</u>						
General Fund	282,841.90	317,170.45			372,328.29	227,684.06
Highway Tax	130,164.65	98,541.59			92,011.44	136,694.80
Sales Tax	463,350.84	263,377.34			137,575.93	589,152.25
Capital Projects #1	395,893.67	89,179.15			118,139.80	366,933.02
Special Street Improvements	429,361.78		44,038.04			473,399.82
<b>Total Major Governmental Funds</b>	<b>1,701,612.84</b>	<b>768,268.53</b>	<b>44,038.04</b>		<b>720,055.46</b>	<b>1,793,863.95</b>
<u>Non-Major Governmental Funds</u>						
Emergency	14,821.69	314.27				15,135.96
Job Development	20.09	49.20				69.29
Capital Projects #2	46,857.04	22,181.00		44,038.04		25,000.00
<b>Total Non-Major Governmental Funds</b>	<b>61,698.82</b>	<b>22,544.47</b>		<b>44,038.04</b>		<b>40,205.25</b>
<b>Total Governmental Funds</b>	<b>1,763,311.66</b>	<b>790,813.00</b>	<b>44,038.04</b>	<b>44,038.04</b>	<b>720,055.46</b>	<b>1,834,069.20</b>
<u>Major Enterprise Funds</u>						
Water	198,618.28	321,006.39			318,563.60	201,061.07
Sewer	120,332.68	44,534.17			21,545.41	143,321.44
<b>Total Major Enterprise Funds</b>	<b>318,950.96</b>	<b>365,540.56</b>			<b>340,109.01</b>	<b>344,382.51</b>
<b>Total All Funds</b>	<b>2,082,262.62</b>	<b>1,156,353.56</b>	<b>44,038.04</b>	<b>44,038.04</b>	<b>1,060,164.47</b>	<b>2,178,451.71</b>

# Rath & Mehler

Certified Public Accountants

Specializing in Governmental Auditing

Phone: (701) 258-4560

Jayson Rath, CPA  
Ken Mehler, CPA

425 North Fifth Street  
Bismarck, ND 58501

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 Hettinger  
Hettinger, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated April 19, 2019.

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

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

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

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

April 19, 2019

CITY OF HETTINGER  
Hettinger, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2018 and 2017

**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
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. Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

*Effect:* There is no segregation of duties as one 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 financial statements. This increases the risk of misstatement of the city's financial condition.

*Recommendation:* Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.



## 2. Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2018 and 2017 are prepared by the city's external auditors.

*Criteria:* A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.