

AUDIT REPORT

CITY OF STANTON
Stanton, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF STANTON
Stanton, North Dakota

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CITY OF STANTON
Stanton, North Dakota

CITY OFFICIALS

Ron Boyko	Mayor
Marvin Ballensky	Council Member
Gary Kalmbach	Council Member
Tom Sayler	Council Member
Ryan Vigesaa	Council Member
Chonny Braithwaite	City Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Stanton
Stanton, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Stanton, Stanton, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Stanton, North Dakota, as of December 31, 2019 and 2018, 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 budgeting comparison information and 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 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 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 June 19, 2020 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

June 19, 2020

CITY OF STANTON
Stanton, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stanton Job Dev. Authority
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	382,032.62	616,566.26	998,598.88	33,918.51
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	181,065.00	375,746.00	556,811.00	
Machinery and Vehicles	136,944.00		136,944.00	
Total Capital Assets	318,009.00	375,746.00	693,755.00	
Total Assets	700,041.62	992,312.26	1,692,353.88	33,918.51
<u>LIABILITIES:</u>				
Long-Term Liabilities:				
Due Within One Year:				
Bank Loan Payable	11,530.83		11,530.83	
Due After One Year:				
Bank Loan Payable	49,262.23		49,262.23	
Compensated Absences Payable	2,021.70		2,021.70	
Total Liabilities	62,814.76		62,814.76	
<u>NET POSITION:</u>				
Net Investment in Capital Assets	257,215.94	375,746.00	632,961.94	
Restricted for:				
Special Purposes	29,071.16		29,071.16	
Unrestricted	350,939.76	616,566.26	967,506.02	33,918.51
Total Net Position	637,226.86	992,312.26	1,629,539.12	33,918.51
	=====	=====	=====	=====

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

CITY OF STANTON
Stanton, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stanton Job Dev. Authority
ASSETS:				
Cash, Cash Equivalents and Investments	332,120.33	536,322.31	868,442.64	34,025.51
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	190,119.00	401,537.00	591,656.00	
Machinery and Vehicles	147,212.00		147,212.00	
Total Capital Assets	337,331.00	401,537.00	738,868.00	
Total Assets	669,451.33	937,859.31	1,607,310.64	34,025.51
LIABILITIES:				
Long-Term Liabilities:				
Due Within One Year:				
Bank Loan Payable	11,188.54		11,188.54	
Due After One Year:				
Bank Loan Payable	60,793.06		60,793.06	
Compensated Absences Payable	3,097.53		3,097.53	
Total Liabilities	75,079.13		75,079.13	
NET POSITION:				
Net Investment in Capital Assets	265,349.40	401,537.00	666,886.40	
Restricted for:				
Special Purposes	21,224.17		21,224.17	
Unrestricted	307,798.63	536,322.31	844,120.94	34,025.51
Total Net Position	594,372.20	937,859.31	1,532,231.51	34,025.51

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

CITY OF STANTON
Stanton, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position							Component Unit
Program Revenues			Primary Government				
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
<hr/>							
<u>Functions/Programs</u>							
Primary Government:							
<u>Governmental Activities:</u>							
General Government	185,721.10	5,624.37		(180,096.73)	(180,096.73)		
Public Safety	14,220.00	3,102.00		(11,118.00)	(11,118.00)		
Streets and Public Works	103,933.41		24,202.97	(79,730.44)	(79,730.44)		
Urban and Econ. Development	4,152.73			(4,152.73)	(4,152.73)		
Culture and Recreation	23,628.58		19,977.72	(3,650.86)	(3,650.86)		
Interest	1,983.71			(1,983.71)	(1,983.71)		
Other	540.08			(540.08)	(540.08)		
<hr/>							
Total Governmental Activities	334,179.61	8,726.37	44,180.69	(281,272.55)	(281,272.55)		
<hr/>							
<u>Business-Type Activities:</u>							
Water	157,438.92	142,189.32		(15,249.60)	(15,249.60)		
Sewer	102,029.47	72,768.68		(29,260.79)	(29,260.79)		
Garbage	64,341.76	93,178.96		28,837.20	28,837.20		
Electric	414,178.98	516,912.88		102,733.90	102,733.90		
<hr/>							
Total Business-Type Activities	737,989.13	825,049.84		87,060.71	87,060.71		
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Total Primary Government	1,072,168.74	833,776.21	44,180.69	(281,272.55)	87,060.71	(194,211.84)	
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Component Unit:							
Stanton Job Dev. Authority	2,704.98					(2,704.98)	
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General Revenues:

Taxes:				
Property taxes; levied for general purposes	91,921.90		91,921.90	2,398.25
Property taxes; levied for special purposes	7,720.82		7,720.82	
Cigarette taxes	963.64		963.64	
Coal severance taxes	69,982.92		69,982.92	
Coal conversion taxes	33,106.07		33,106.07	
Intergovernmental revenue not restricted to specific programs	26,836.25		26,836.25	
Earnings on investments and other revenue	58,659.09	2,328.76	60,987.85	199.73
Transfers	34,936.52	(34,936.52)		
Total General Revenues and Transfers	324,127.21	(32,607.76)	291,519.45	2,597.98
Change in Net Position	42,854.66	54,452.95	97,307.61	(107.00)
Net Position - January 1	594,372.20	937,859.31	1,532,231.51	34,025.51
Net Position - December 31	637,226.86	992,312.26	1,629,539.12	33,918.51
	=====		=====	=====

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

CITY OF STANTON
Stanton, 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		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Stanton Job Dev. Authority
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	158,950.46	5,569.65		(153,380.81)		(153,380.81)
Public Safety	12,624.40	1,196.00		(11,428.40)		(11,428.40)
Streets and Public Works	108,809.47		23,685.27	(85,124.20)		(85,124.20)
Urban and Econ. Development	2,150.61			(2,150.61)		(2,150.61)
Culture and Recreation	16,927.38		5,817.71	(11,109.67)		(11,109.67)
Interest	2,153.85			(2,153.85)		(2,153.85)
Other	561.08			(561.08)		(561.08)
Total Governmental Activities	302,177.25	6,765.65	29,502.98	(265,908.62)		(265,908.62)
<u>Business-Type Activities:</u>						
Water	147,618.94	135,430.06			(12,188.88)	(12,188.88)
Sewer	79,712.12	67,520.66			(12,191.46)	(12,191.46)
Garbage	58,274.15	93,593.84			35,319.69	35,319.69
Electric	422,565.73	524,443.18			101,877.45	101,877.45
Total Business-Type Activities	708,170.94	820,987.74			112,816.80	112,816.80
Total Primary Government	1,010,348.19	827,753.39	29,502.98	(265,908.62)	112,816.80	(153,091.82)
=====						
<u>Component Unit:</u>						
Stanton Job Dev. Authority	=====					-----

General Revenues:

Taxes:				
Property taxes; levied for general purposes	63,796.15		63,796.15	1,991.72
Property taxes; levied for special purposes	5,972.27		5,972.27	
Cigarette taxes	1,017.59		1,017.59	
Coal severance taxes	76,801.65		76,801.65	
Coal conversion taxes	33,946.43		33,946.43	
Oil and gas production taxes	2.54		2.54	
Intergovernmental revenue not restricted to specific programs	24,236.16		24,236.16	
Earnings on investments and other revenue	13,342.56	31,418.14	44,760.70	114.68
Gain on trade-in of capital assets	16,000.00		16,000.00	
Transfers	37,076.90	(37,076.90)		
Total General Revenues and Transfers	272,192.25	(5,658.76)	266,533.49	2,106.40
Change in Net Position	6,283.63	107,158.04	113,441.67	2,106.40
Net Position - January 1	588,088.57	830,701.27	1,418,789.84	31,919.11
Net Position - December 31	594,372.20	937,859.31	1,532,231.51	34,025.51
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	343,435.82		38,596.80	382,032.62
Interfund Receivables	23,319.03			23,319.03
Total Assets	366,754.85	-0-	38,596.80	405,351.65
	=====			
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Interfund Payables		17,392.23	5,926.80	23,319.03
<u>FUND BALANCES:</u>				
Restricted for:				
Culture and Recreation			20,054.60	20,054.60
Cemetery			9,016.56	9,016.56
Assigned to:				
Harmon Avenue Restoration			9,525.64	9,525.64
Unassigned	366,754.85	(17,392.23)	(5,926.80)	343,435.82
Total Fund Balances	366,754.85	(17,392.23)	32,670.00	382,032.62
Total Liabilities and Fund Balances	366,754.85	-0-	38,596.80	405,351.65
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, North Dakota

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Highway		
ASSETS:				
Cash, Cash Equivalents and Investments	301,370.52		30,749.81	332,120.33
Interfund Receivables	28,984.49			28,984.49
Total Assets	330,355.01	-0-	30,749.81	361,104.82
=====				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payables		23,057.69	5,926.80	28,984.49
Fund Balances:				
Restricted for:				
Culture and Recreation			14,129.70	14,129.70
Cemetery			7,094.47	7,094.47
Assigned to:				
Harmon Avenue Restoration			9,525.64	9,525.64
Unassigned	330,355.01	(23,057.69)	(5,926.80)	301,370.52
Total Fund Balances	330,355.01	(23,057.69)	24,823.01	332,120.33
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Total Liabilities and Fund Balances	330,355.01	-0-	30,749.81	361,104.82
=====				

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

CITY OF STANTON
Stanton, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		382,032.62
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	946,745.00	
Less Accumulated Depreciation	(628,736.00)	
Net Capital Assets		318,009.00
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, 2019 are:		
Bank Loan Payable	(60,793.06)	
Compensated Absences Payable	(2,021.70)	
Total Long-Term Liabilities		(62,814.76)
Total Net Position of Governmental Activities		637,226.86
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, 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 332,120.33

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	946,745.00	
Less Accumulated Depreciation	(609,414.00)	
	<hr/>	
Net Capital Assets		337,331.00

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, 2018 are:

Bank Loan Payable	(71,981.60)	
Compensated Absences Payable	(3,097.53)	
	<hr/>	
Total Long-Term Liabilities		(75,079.13)

Total Net Position of Governmental Activities		594,372.20
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
Revenues:				
Taxes	91,921.90		7,720.82	99,642.72
Licenses, Permits and Fees	5,624.37			5,624.37
Intergovernmental	134,411.60	24,202.97	16,455.00	175,069.57
Fines and Forfeits	3,102.00			3,102.00
Miscellaneous	55,588.60	271.70	2,798.79	58,659.09
Total Revenues	290,648.47	24,474.67	26,974.61	342,097.75
Expenditures:				
Current:				
General Government	177,876.93			177,876.93
Public Safety	14,220.00			14,220.00
Streets and Public Works		93,531.41		93,531.41
Urban and Economic Development	4,152.73			4,152.73
Culture and Recreation	5,041.04		18,587.54	23,628.58
Other			540.08	540.08
Debt Service:				
Principal	11,188.54			11,188.54
Interest	1,983.71			1,983.71
Total Expenditures	214,462.95	93,531.41	19,127.62	327,121.98
Excess (Deficiency) of Revenues Over Expenditures	76,185.52	(69,056.74)	7,846.99	14,975.77
Other Financing Sources (Uses):				
Transfers In	20,000.00	74,722.20		94,722.20
Transfers Out	(59,785.68)			(59,785.68)
Total Other Financing Sources (Uses)	(39,785.68)	74,722.20		34,936.52
Net Change in Fund Balances	36,399.84	5,665.46	7,846.99	49,912.29
Fund Balance - January 1	330,355.01	(23,057.69)	24,823.01	332,120.33
Fund Balance - December 31	366,754.85	(17,392.23)	32,670.00	382,032.62
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, 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		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
<u>Revenues:</u>				
Taxes	63,796.15		5,972.27	69,768.42
Licenses, Permits and Fees	5,569.65			5,569.65
Intergovernmental	139,822.08	23,685.27	2,000.00	165,507.35
Fines and Forfeits	1,196.00			1,196.00
Miscellaneous	10,805.82	257.35	2,279.39	13,342.56
Total Revenues	221,189.70	23,942.62	10,251.66	255,383.98
<u>Expenditures:</u>				
Current:				
General Government	150,408.89			150,408.89
Public Safety	12,624.40			12,624.40
Streets and Public Works		98,407.47		98,407.47
Urban and Economic Development	2,150.61			2,150.61
Culture and Recreation	7,334.65		9,592.73	16,927.38
Other			561.08	561.08
Capital Outlay		83,000.00		83,000.00
Debt Service:				
Principal	11,018.40			11,018.40
Interest	2,153.85			2,153.85
Total Expenditures	185,690.80	181,407.47	10,153.81	377,252.08
Excess (Deficiency) of Revenues Over Expenditures	35,498.90	(157,464.85)	97.85	(121,868.10)
<u>Other Financing Sources (Uses):</u>				
Transfers In		61,201.23	8,153.48	69,354.71
Transfers Out	(32,277.81)			(32,277.81)
Proceeds from Bank Loan		83,000.00		83,000.00
Total Other Financing Sources (Uses)	(32,277.81)	144,201.23	8,153.48	120,076.90
Net Change in Fund Balances	3,221.09	(13,263.62)	8,251.33	(1,791.20)
Fund Balance - January 1	327,133.92	(9,794.07)	16,571.68	333,911.53
Fund Balance - December 31	330,355.01	(23,057.69)	24,823.01	332,120.33
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, 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, 2019

Net Change in Fund Balances - Total Governmental Funds	49,912.29
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(19,322.00)	(19,322.00)

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	11,188.54	11,188.54

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences	1,075.83
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Change in Net Position of Governmental Activities	42,854.66

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

CITY OF STANTON
Stanton, 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	(1,791.20)
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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	83,000.00	
Current Year Depreciation Expense	(19,322.00)	63,678.00

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	(83,000.00)	
Repayment of Debt	11,018.40	(71,981.60)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences	378.43
--------------------------------------	--------

In the statement of activities, only the gain on the trade-in/disposal 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) is to increase net position.

	16,000.00

Change in Net Position of Governmental Activities	6,283.63
	=====

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

CITY OF STANTON
Stanton, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>ASSETS</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	18,546.18		89,965.41	508,054.67	616,566.26
Interfund Receivable				16,260.79	16,260.79
Total Current Assets	18,546.18		89,965.41	524,315.46	632,827.05
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	103,999.00			271,747.00	375,746.00
Total Assets	122,545.18	-0-	89,965.41	796,062.46	1,008,573.05
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Interfund Payable		16,260.79			16,260.79
<u>NET POSITION</u>					
Net Investment in Capital Assets	103,999.00			271,747.00	375,746.00
Unrestricted	18,546.18	(16,260.79)	89,965.41	524,315.46	616,566.26
Total Net Position	122,545.18	(16,260.79)	89,965.41	796,062.46	992,312.26

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

CITY OF STANTON
Stanton, North Dakota

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

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>ASSETS</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	11,554.64		61,043.02	463,724.65	536,322.31
Interfund Receivable				12,063.48	12,063.48
Total Current Assets	11,554.64		61,043.02	475,788.13	548,385.79
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	106,666.00			294,871.00	401,537.00
Total Assets	118,220.64	-0-	61,043.02	770,659.13	949,922.79
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Interfund Payable		12,063.48			12,063.48
<u>NET POSITION</u>					
Net Investment in Capital Assets	106,666.00			294,871.00	401,537.00
Unrestricted	11,554.64	(12,063.48)	61,043.02	475,788.13	536,322.31
Total Net Position	118,220.64	(12,063.48)	61,043.02	770,659.13	937,859.31

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

CITY OF STANTON
Stanton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds

For the Year Ended December 31, 2019

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	142,189.32				142,189.32
Garbage Collections			93,178.96		93,178.96
Electricity Charges				516,912.88	516,912.88
Sewer Charges		72,768.68			72,768.68
Total Operating Revenues	142,189.32	72,768.68	93,178.96	516,912.88	825,049.84
<u>Operating Expenses:</u>					
Salaries and Benefits	38,994.32	37,307.65	2,718.38	24,621.00	103,641.35
Retirement	1,592.59	1,539.53	133.99	875.20	4,141.31
Insurance	10,985.34	5,771.47	3,578.85	13,711.83	34,047.49
Operations and Maintenance	50,942.66	57,410.82	57,910.54	42,196.69	208,460.71
Purchase of Water	52,257.01				52,257.01
Power Cost				307,625.26	307,625.26
Refunds				2,025.00	2,025.00
Depreciation	2,667.00			23,124.00	25,791.00
Total Operating Expenses	157,438.92	102,029.47	64,341.76	414,178.98	737,989.13
Operating Income (Loss)	(15,249.60)	(29,260.79)	28,837.20	102,733.90	87,060.71
<u>Non-Operating Revenues:</u>					
Interest Income	52.26		85.19	1,414.65	1,552.10
Miscellaneous Revenues				776.66	776.66
Total Non-Operating Revenues	52.26		85.19	2,191.31	2,328.76
Income (Loss) Before Transfers	(15,197.34)	(29,260.79)	28,922.39	104,925.21	89,389.47
Transfers In	19,521.88	25,063.48			44,585.36
Transfers Out				(79,521.88)	(79,521.88)
Change in Net Position	4,324.54	(4,197.31)	28,922.39	25,403.33	54,452.95
Net Position - January 1	118,220.64	(12,063.48)	61,043.02	770,659.13	937,859.31
Net Position - December 31	122,545.18	(16,260.79)	89,965.41	796,062.46	992,312.26
=====					

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

CITY OF STANTON
Stanton, 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	Garbage	Electric	
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	135,430.06				135,430.06
Garbage Collections			93,593.84		93,593.84
Electricity Charges				524,443.18	524,443.18
Sewer Charges		67,520.66			67,520.66
Total Operating Revenues	135,430.06	67,520.66	93,593.84	524,443.18	820,987.74
<u>Operating Expenses:</u>					
Salaries and Benefits	33,536.27	42,335.64	3,370.96	26,443.12	105,685.99
Retirement	1,427.54	1,826.56	29.02	1,160.52	4,443.64
Insurance	10,435.17	6,706.16	3,634.37	14,348.07	35,123.77
Operations and Maintenance	60,178.32	28,843.76	51,239.80	27,533.64	167,795.52
Water Purchase	39,374.64				39,374.64
Power Cost				327,406.38	327,406.38
Refunds				2,550.00	2,550.00
Depreciation	2,667.00			23,124.00	25,791.00
Total Operating Expenses	147,618.94	79,712.12	58,274.15	422,565.73	708,170.94
Operating Income (Loss)	(12,188.88)	(12,191.46)	35,319.69	101,877.45	112,816.80
<u>Non-Operating Revenues:</u>					
Interest Income	104.99		76.64	1,468.77	1,650.40
Miscellaneous Receipts				29,767.74	29,767.74
Total Non-Operating Revenues	104.99		76.64	31,236.51	31,418.14
Income (Loss) Before Transfers	(12,083.89)	(12,191.46)	35,396.33	133,113.96	144,234.94
Transfers In	12,923.10				12,923.10
Transfers Out				(50,000.00)	(50,000.00)
Change in Net Position	839.21	(12,191.46)	35,396.33	83,113.96	107,158.04
Net Position - January 1	117,381.43	127.98	25,646.69	687,545.17	830,701.27
Net Position - December 31	118,220.64	(12,063.48)	61,043.02	770,659.13	937,859.31

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

CITY OF STANTON
Stanton, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>Cash flows from operating activities:</u>					
Receipts from customers	142,189.32	72,768.68	93,178.96	516,912.88	825,049.84
Payments to suppliers	(115,777.60)	(64,721.82)	(61,623.38)	(366,433.98)	(608,556.78)
Payments to employees	(38,994.32)	(37,307.65)	(2,718.38)	(24,621.00)	(103,641.35)
Net cash provided (used) by operating activities	(12,582.60)	(29,260.79)	28,837.20	125,857.90	112,851.71
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts				776.66	776.66
Transfers in	19,521.88	25,063.48			44,585.36
Transfers out				(79,521.88)	(79,521.88)
Interfund loan transaction		4,197.31		(4,197.31)	
Net cash provided (used) by noncapital financing activities	19,521.88	29,260.79		(82,942.53)	(34,159.86)
<u>Cash flows from investing activities:</u>					
Interest income	52.26		85.19	1,414.65	1,552.10
Net increase in cash and cash equivalents	6,991.54		28,922.39	44,330.02	80,243.95
Cash and cash equivalents, January 1	11,554.64	-0-	61,043.02	463,724.65	536,322.31
Cash and cash equivalents, December 31	18,546.18	-0-	89,965.41	508,054.67	616,566.26
=====					
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	(15,249.60)	(29,260.79)	28,837.20	102,733.90	87,060.71
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	2,667.00			23,124.00	25,791.00
Net cash provided (used) by operating activities	(12,582.60)	(29,260.79)	28,837.20	125,857.90	112,851.71
=====					

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

CITY OF STANTON
Stanton, 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	Garbage	Electric	
<u>Cash flows from operating activities:</u>					
Receipts from customers	135,430.06	67,520.66	93,593.84	524,443.18	820,987.74
Payments to suppliers	(111,415.67)	(37,376.48)	(54,903.19)	(373,298.61)	(576,993.95)
Payments to employees	(33,536.27)	(42,335.64)	(3,370.96)	(26,143.12)	(105,385.99)
Net cash provided (used) by operating activities	(9,521.88)	(12,191.46)	35,319.69	125,001.45	138,607.80
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts				29,767.74	29,767.74
Transfers in	12,923.10				12,923.10
Transfers out				(50,000.00)	(50,000.00)
Interfund loan transaction		12,063.48		(12,063.48)	
Net cash provided (used) by noncapital financing activities	12,923.10	12,063.48		(32,295.74)	(7,309.16)
<u>Cash flows from investing activities:</u>					
Interest income	104.99		76.64	1,468.77	1,650.40
Net increase in cash and cash equivalents	3,506.21	(127.98)	35,396.33	94,174.48	132,949.04
Cash and cash equivalents, January 1	8,048.43	127.98	25,646.69	369,550.17	403,373.27
Cash and cash equivalents, December 31	11,554.64	-0-	61,043.02	463,724.65	536,322.31
=====					
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	(12,188.88)	(12,191.46)	35,319.69	101,877.45	112,816.80
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	2,667.00			23,124.00	25,791.00
Net cash provided (used) by operating activities	(9,521.88)	(12,191.46)	35,319.69	125,001.45	138,607.80
=====					

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

CITY OF STANTON
Stanton, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stanton 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.

Stanton Job Development Authority: The city's governing body has the authority to disapprove, amend, or approve the job development authority budget. The job development authority has the authority to issue its own debt.

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

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Stanton and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the city's funds. Separate statements for each fund category - *governmental* 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. This fund accounts for the state highway distribution tax and a special levy to be used for street repairs and maintenance.

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system.

Sewer. This fund accounts for the activities of the city's sewage collection system.

Garbage. This fund accounts for the activities of the city's garbage collection system.

Electric. This fund accounts for the activities of the city's electrical services.

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 to 20 years

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the city. The employees may carry forward unused vacation leave not to exceed 160 hours at the employees current pay rate.

G. 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.

H. 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.

I. Interfund Transactions

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

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

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

J. 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, 2019 the city's carrying amount of deposits was \$998,599 and the bank balance was \$1,001,139. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$751,139 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the city's carrying amount of deposits was \$868,443 and the bank balance was \$874,377. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$624,377 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, 2019 the city held certificates of deposit in the amount of \$403,100, which are all considered deposits.

At December 31, 2018 the city held certificates of deposit in the amount of \$401,083, 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 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2019 and 2018 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2019</u>		
General	23,319.03	
Highway		17,392.23
Social Security		5,926.80
Electric	16,260.79	
Sewer		16,260.79
<u>December 31, 2018</u>		
General	28,984.49	
Highway		23,057.69
Social Security		5,926.80
Electric	12,063.48	
Sewer		12,063.48

Note 5 CAPITAL ASSETS

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

	<u>2019</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>
Governmental Activities:			
Capital assets being depreciated:			
Buildings and Infrastructure	679,000		
Machinery and Vehicles	267,745		
Total	946,745		
Less accumulated depreciation for:			
Buildings and Infrastructure	488,881	9,054	
Machinery and Vehicles	120,533	10,268	
Total	609,414	19,322	
Governmental Activities Capital Assets, Net	337,331	(19,322)	-0-

	<u>2018</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>
Governmental Activities:			
Capital assets being depreciated:			
Buildings and Infrastructure	679,000		
Machinery and Vehicles	206,145	99,000	37,400
Total	885,145	99,000	37,400
Less accumulated depreciation for:			
Buildings and Infrastructure	479,827	9,054	
Machinery and Vehicles	147,665	10,268	37,400
Total	627,492	19,322	37,400
Governmental Activities Capital Assets, Net	257,653	79,678	-0-

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	1,202,496			1,202,496
Less accumulated depreciation for:				
Buildings and Infrastructure	800,959	25,791		826,750
Business-Type Activities Capital Assets, Net	401,537	(25,791)	-0-	375,746
	=====	=====	=====	=====

	<u>2018</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	1,202,496			1,202,496
Less accumulated depreciation for:				
Buildings and Infrastructure	775,168	25,791		800,959
Business-Type Activities Capital Assets, Net	427,328	(25,791)	-0-	401,537
	=====	=====	=====	=====

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

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
General Government	8,920	8,920
Streets and Public Works	10,402	10,402
Total	19,322	19,322
	=====	=====
<u>Business-Type Activities:</u>		
Water	2,667	2,667
Electric	23,124	23,124
Total	25,791	25,791
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>2019</u>				
	Balance			Balance	Due Within
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Bank Loan Payable	71,982		11,189	60,793	11,531
Compensated Absences	3,098		1,076	2,022	
Total	75,080	-0-	12,265	62,815	11,531
	=====	=====	=====	=====	=====

	<u>2018</u>				
	Balance			Balance	Due Within
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Bank Loan Payable		83,000	11,018	71,982	11,189
Compensated Absences	3,476		378	3,098	
Total	3,476	83,000	11,396	75,080	11,189
	=====	=====	=====	=====	=====

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Outstanding debt at December 31, 2019 consists of the following:

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019 is as follows:

Bank Loan Payable. The city has obtained financing for the purchase of a wheel loader.

\$125,289.00 Bank Loan Payable due in annual installments of \$13,172.25 through December 15, 2024; interest is at 2.7%.

60,793.06
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	11,530.83	1,641.42
2021	11,842.17	1,330.08
2022	12,161.91	1,010.34
2023	12,490.28	681.97
2024	12,767.87	404.38
Total	60,793.06	5,068.19
	=====	=====

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
General	20,000.00	
Electric		20,000.00
Highway	74,722.20	
Water	19,521.88	
Sewer	25,063.48	
General		59,785.68
Electric		58,521.88

To subsidize expenditures.

December 31, 2018

Highway	61,201.23	
Social Security	8,153.48	
Water	12,923.10	
General		32,277.81
Electric		50,000.00

To subsidize expenditures.

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances for the years ending December 31:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway	(17,392.23)	(23,057.69)
Social Security	(5,926.80)	(5,926.80)
<u>Enterprise Fund</u>		
Sewer	(16,260.79)	(12,063.48)

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

Note 9 RISK MANAGEMENT

The City of Stanton 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 \$905,685 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 \$422,000 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; 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 has a simple IRA plan for qualified employees. The city matches employee contributions up to 3%. The city's contributions in 2019 and 2018 were \$4,364.59 and \$4,557.45, respectively. The city is only responsible for current contributions.

CITY OF STANTON
Stanton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	77,832.00	77,832.00	91,921.90	14,089.90
Licenses, Permits and Fees	2,525.00	2,525.00	5,624.37	3,099.37
Intergovernmental	124,325.00	124,325.00	134,411.60	10,086.60
Fines and Forfeits	500.00	500.00	3,102.00	2,602.00
Miscellaneous	12,715.00	12,715.00	55,588.60	42,873.60
Total Revenues	217,897.00	217,897.00	290,648.47	72,751.47
<u>Expenditures:</u>				
Current:				
General Government	201,455.00	201,455.00	177,876.93	23,578.07
Public Safety	14,327.00	14,327.00	14,220.00	107.00
Urban and Economic Development	5,000.00	5,000.00	4,152.73	847.27
Culture and Recreation			5,041.04	(5,041.04)
Debt Service:				
Principal	11,200.00	11,200.00	11,188.54	11.46
Interest	2,000.00	2,000.00	1,983.71	16.29
Total Expenditures	233,982.00	233,982.00	214,462.95	19,519.05
Excess (Deficiency) of Revenues Over Expenditures	(16,085.00)	(16,085.00)	76,185.52	92,270.52
<u>Other Financing Sources (Uses):</u>				
Transfers In			20,000.00	20,000.00
Transfers Out			(59,785.68)	(59,785.68)
Total Other Financing Sources (Uses)			(39,785.68)	(39,785.68)
Net Change in Fund Balances	(16,085.00)	(16,085.00)	36,399.84	52,484.84
Fund Balance - January 1	330,355.01	330,355.01	330,355.01	
Fund Balance - December 31	314,270.01	314,270.01	366,754.85	52,484.84

CITY OF STANTON
Stanton, 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	68,009.00	68,009.00	63,796.15	(4,212.85)
Licenses, Permits and Fees	2,505.00	2,505.00	5,569.65	3,064.65
Intergovernmental	143,780.00	143,780.00	139,822.08	(3,957.92)
Fines and Forfeits	1,000.00	1,000.00	1,196.00	196.00
Miscellaneous	22,600.00	22,600.00	10,805.82	(11,794.18)
Total Revenues	237,894.00	237,894.00	221,189.70	(16,704.30)
<u>Expenditures:</u>				
Current:				
General Government	183,463.00	183,463.00	150,408.89	33,054.11
Public Safety	18,155.00	18,155.00	12,624.40	5,530.60
Urban and Economic Development	5,775.00	5,775.00	2,150.61	3,624.39
Culture and Recreation	7,000.00	7,000.00	7,334.65	(334.65)
Other	4,565.00	4,565.00		4,565.00
Debt Service:				
Principal	11,100.00	11,100.00	11,018.40	81.60
Interest	2,200.00	2,200.00	2,153.85	46.15
Total Expenditures	232,258.00	232,258.00	185,690.80	46,567.20
Excess (Deficiency) of Revenues Over Expenditures	5,636.00	5,636.00	35,498.90	29,862.90
<u>Other Financing (Uses):</u>				
Transfers Out	(70,000.00)	(70,000.00)	(32,277.81)	37,722.19
Net Change in Fund Balances	(64,364.00)	(64,364.00)	3,221.09	67,585.09
Fund Balance - January 1	327,133.92	327,133.92	327,133.92	
Fund Balance - December 31	262,769.92	262,769.92	330,355.01	67,585.09

CITY OF STANTON
Stanton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	22,750.00	22,750.00	24,202.97	1,452.97
Miscellaneous	250.00	250.00	271.70	21.70
Total Revenues	23,000.00	23,000.00	24,474.67	1,474.67
<u>Expenditures:</u>				
Current:				
Streets and Public Works	100,029.00	100,029.00	93,531.41	6,497.59
Excess (Deficiency) of Revenues Over Expenditures	(77,029.00)	(77,029.00)	(69,056.74)	7,972.26
<u>Other Financing Sources:</u>				
Transfers In	77,029.00	77,029.00	74,722.20	(2,306.80)
Net Change in Fund Balances			5,665.46	5,665.46
Fund Balance - January 1	(23,057.69)	(23,057.69)	(23,057.69)	
Fund Balance - December 31	(23,057.69)	(23,057.69)	(17,392.23)	5,665.46

CITY OF STANTON
Stanton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	20,500.00	20,500.00	23,685.27	3,185.27
Miscellaneous	950.00	950.00	257.35	(692.65)
Total Revenues	21,450.00	21,450.00	23,942.62	2,492.62
<u>Expenditures:</u>				
Current:				
Streets and Public Works	94,185.00	94,185.00	98,407.47	(4,222.47)
Capital Outlay	83,000.00	83,000.00	83,000.00	
Total Expenditures	177,185.00	177,185.00	181,407.47	(4,222.47)
Excess (Deficiency) of Revenues Over Expenditures	(155,735.00)	(155,735.00)	(157,464.85)	(1,729.85)
<u>Other Financing Sources:</u>				
Transfers In			61,201.23	61,201.23
Proceeds from Bank Loan	83,000.00	83,000.00	83,000.00	
Total Other Financing Sources	83,000.00	83,000.00	144,201.23	61,201.23
Net Change in Fund Balances	(72,735.00)	(72,735.00)	(13,263.62)	59,471.38
Fund Balance - January 1	(9,794.07)	(9,794.07)	(9,794.07)	
Fund Balance - December 31	(82,529.07)	(82,529.07)	(23,057.69)	59,471.38

CITY OF STANTON
Stanton, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019 and 2018

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

The governing board did not amend the budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway		4,222.47
Library	9,487.54	4,307.73

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

CITY OF STANTON
Stanton, North Dakota

Schedule of Fund Activity Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds:</u>						
General Fund	330,355.01	290,648.47	20,000.00	59,785.68	214,462.95	366,754.85
Highway	(23,057.69)	24,474.67	74,722.20		93,531.41	(17,392.23)
Total Major Governmental Funds	307,297.32	315,123.14	94,722.20	59,785.68	307,994.36	349,362.62
<u>Non-Major Governmental Funds:</u>						
Social Security	(5,926.80)					(5,926.80)
Cemetery	7,094.47	2,462.17			540.08	9,016.56
Library	14,129.70	24,512.44			18,587.54	20,054.60
Harmon Avenue Restoration	9,525.64					9,525.64
Total Non-Major Governmental Funds	24,823.01	26,974.61			19,127.62	32,670.00
Total Governmental Funds	332,120.33	342,097.75	94,722.20	59,785.68	327,121.98	382,032.62
<u>Major Enterprise Funds:</u>						
Water	11,554.64	142,241.58	19,521.88		154,771.92	18,546.18
Sewer	(12,063.48)	72,768.68	25,063.48		102,029.47	(16,260.79)
Garbage	61,043.02	93,264.15			64,341.76	89,965.41
Electric	475,788.13	519,104.19		79,521.88	391,054.98	524,315.46
Total Enterprise Funds	536,322.31	827,378.60	44,585.36	79,521.88	712,198.13	616,566.26
Total Primary Government	868,442.64	1,169,476.35	139,307.56	139,307.56	1,039,320.11	998,598.88
<u>Discretely Presented Component Unit:</u>						
Stanton Job Dev. Authority	34,025.51	2,597.98			2,704.98	33,918.51
Total Reporting Entity	902,468.15	1,172,074.33	139,307.56	139,307.56	1,042,025.09	1,032,517.39

CITY OF STANTON
Stanton, 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	327,133.92	221,189.70		32,277.81	185,690.80	330,355.01
Highway	(9,794.07)	106,942.62	61,201.23		181,407.47	(23,057.69)
Total Major Governmental Funds	317,339.85	328,132.32	61,201.23	32,277.81	367,098.27	307,297.32
<u>Non-Major Governmental Funds:</u>						
Social Security	(14,080.28)		8,153.48			(5,926.80)
Cemetery	5,371.95	2,283.60			561.08	7,094.47
Library	15,754.37	7,968.06			9,592.73	14,129.70
Harmon Avenue Restoration	9,525.64					9,525.64
Total Non-Major Governmental Funds	16,571.68	10,251.66	8,153.48		10,153.81	24,823.01
Total Governmental Funds	333,911.53	338,383.98	69,354.71	32,277.81	377,252.08	332,120.33
<u>Major Enterprise Funds:</u>						
Water	8,048.43	135,535.05	12,923.10		144,951.94	11,554.64
Sewer	127.98	67,520.66			79,712.12	(12,063.48)
Garbage	25,646.69	93,670.48			58,274.15	61,043.02
Electric	369,550.17	555,679.69		50,000.00	399,441.73	475,788.13
Total Enterprise Funds	403,373.27	852,405.88	12,923.10	50,000.00	682,379.94	536,322.31
Total Primary Government	737,284.80	1,190,789.86	82,277.81	82,277.81	1,059,632.02	868,442.64
<u>Discretely Presented Component Unit:</u>						
Stanton Job Dev. Authority	31,919.11	2,106.40				34,025.51
Total Reporting Entity	769,203.91	1,192,896.26	82,277.81	82,277.81	1,059,632.02	902,468.15

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 Stanton
Stanton, 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 Stanton, Stanton, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated June 19, 2020.

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 2019-001 and 2019-002, 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 audits 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

June 19, 2020

CITY OF STANTON
Stanton, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

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 ☒ No

* Significant deficiency(ies) identified? ☒ Yes ☐ None Reported

Noncompliance Material to financial statements noted? ☐ Yes ☒ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2019-001 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. 2019-002 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.