

AUDIT REPORT

**CITY OF HETTINGER
Hettinger, North Dakota**

For the Years Ended December 31, 2020 and 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HETTINGER
Hettinger, North Dakota

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CITY OF HETTINGER
Hettinger, North Dakota

CITY OFFICIALS

Shawn Hanna	Mayor
Curt Droic	Council Member
James Lindquist	Council Member
David Parrill	Council Member
Suzie Reuther	Council Member
Krista Faller	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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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, 2020 and 2019, 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, 2020 and 2019, 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 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 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 April 16, 2021 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, P.C.

Bismarck, North Dakota

April 16, 2021

CITY OF HETTINGER
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	2,597,184.81	410,184.43	3,007,369.24
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	439,473.00	41,474.00	480,947.00
Machinery and Vehicles	63,016.00	3,800.00	66,816.00
Total Capital Assets	507,489.00	50,274.00	557,763.00
Total Assets	3,104,673.81	460,458.43	3,565,132.24
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Revenue Bonds Payable		6,074.00	6,074.00
Due After One Year:			
Revenue Bonds Payable		221,926.00	221,926.00
Total Liabilities		228,000.00	228,000.00
NET POSITION:			
Net Investment in Capital Assets	507,489.00	50,274.00	557,763.00
Restricted for:			
Special Purposes	1,337,854.39		1,337,854.39
Unrestricted	1,259,330.42	182,184.43	1,441,514.85
Total Net Position	3,104,673.81	232,458.43	3,337,132.24

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	2,179,976.67	323,503.30	2,503,479.97
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	460,006.00	49,180.00	509,186.00
Machinery and Vehicles	87,684.00	5,700.00	93,384.00
Total Capital Assets	552,690.00	59,880.00	612,570.00
Total Assets	2,732,666.67	383,383.30	3,116,049.97
NET POSITION:			
Net Investment in Capital Assets	552,690.00	59,880.00	612,570.00
Restricted for:			
Special Purposes	1,085,554.95		1,085,554.95
Unrestricted	1,094,421.72	323,503.30	1,417,925.02
Total Net Position	2,732,666.67	383,383.30	3,116,049.97

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, 2020

	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
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	126,756.94	32,141.01		(94,615.93)	(94,615.93)
Public Safety	127,977.00	275.00		(127,702.00)	(127,702.00)
Streets and Public Works	191,165.99	111,054.87	215,840.76	135,729.64	135,729.64
Culture and Recreation	91,045.29			(91,045.29)	(91,045.29)
Urban and Economic Development	45,333.00			(45,333.00)	(45,333.00)
Other	10,800.00			(10,800.00)	(10,800.00)
Total Governmental Activities	593,078.22	143,470.88	215,840.76	(233,766.58)	(233,766.58)
<u>Business-Type Activities:</u>					
Water	323,129.55	316,847.11		(6,282.44)	(6,282.44)
Sewer	480,283.01	65,846.43	266,883.70	(147,552.88)	(147,552.88)
Total Business-Type Activities	803,412.56	382,693.54	266,883.70	(153,835.32)	(153,835.32)
Total Primary Government	1,396,490.78	526,164.42	482,724.46	(233,766.58)	(153,835.32)
<hr style="border-top: 1px dashed black;"/>					
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes				102,315.01	102,315.01
Sales taxes				289,588.54	289,588.54
Lodging taxes				14,861.65	14,861.65
Cigarette taxes				3,229.40	3,229.40
Intergovernmental revenue not restricted to specific programs				91,485.60	91,485.60
Earnings on investments and other revenue				104,293.52	2,910.45
Total General Revenues				605,773.72	2,910.45
Change in Net Position				372,007.14	(150,924.87)
Net Position - January 1				2,732,666.67	383,383.30
Net Position - December 31				3,104,673.81	232,458.43

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, 2019

	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
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	187,370.50	38,073.27		(149,297.23)	(149,297.23)
Public Safety	134,670.00	240.00		(134,430.00)	(134,430.00)
Streets and Public Works	221,336.63	109,784.12	101,649.65	(9,902.86)	(9,902.86)
Culture and Recreation	142,179.28			(142,179.28)	(142,179.28)
Urban and Economic Development	20,333.00			(20,333.00)	(20,333.00)
Other	10,047.65			(10,047.65)	(10,047.65)
Total Governmental Activities	715,937.06	148,097.39	101,649.65	(466,190.02)	(466,190.02)
Business-Type Activities:					
Water	306,438.51	287,817.90		(18,620.61)	(18,620.61)
Sewer	102,784.12	55,861.03		(46,923.09)	(46,923.09)
Total Business-Type Activities	409,222.63	343,678.93		(65,543.70)	(65,543.70)
Total Primary Government	1,125,159.69	491,776.32	101,649.65	(466,190.02)	(65,543.70)
General Revenues:					
Taxes:					
Property taxes; levied for general purposes				107,378.46	107,378.46
Sales taxes				257,489.30	257,489.30
Lodging taxes				16,942.28	16,942.28
Telecommunications taxes				1,931.83	1,931.83
Cigarette taxes				3,227.95	3,227.95
Intergovernmental revenue not restricted to specific programs				102,998.59	102,998.59
Earnings on investments and other revenue				108,983.16	8,860.97
Total General Revenues				598,951.57	8,860.97
Change in Net Position				132,761.55	(56,682.73)
Net Position - January 1				2,599,905.12	440,066.03
Net Position - December 31				2,732,666.67	383,383.30

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, 2020

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash, Cash Equivalents and Investments	225,231.84	205,846.95	1,098,253.43	496,341.67	512,756.91	58,754.01	2,597,184.81
=====							
FUND BALANCES:							
Restricted for:							
Streets and Public Works		205,846.95					205,846.95
Culture and Recreation						18,092.87	18,092.87
Urban and Economic Development			1,098,253.43				1,098,253.43
Emergency Purposes						15,661.14	15,661.14
Committed to:							
Capital Projects				496,341.67		25,000.00	521,341.67
Special Street Improvements					512,756.91		512,756.91
Unassigned	225,231.84						225,231.84
=====							
Total Fund Balances	225,231.84	205,846.95	1,098,253.43	496,341.67	512,756.91	58,754.01	2,597,184.81
=====							

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, 2019

	Major Funds						
	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash, Cash Equivalents and Investments	224,944.73	164,523.05	887,277.89	353,886.08	484,839.25	64,505.67	2,179,976.67
FUND BALANCES:							
Restricted for:							
Streets and Public Works		164,523.05					164,523.05
Urban and Economic Development			887,277.89				887,277.89
Culture and Recreation						18,092.87	18,092.87
Emergency Purposes						15,661.14	15,661.14
Committed to:							
Capital Projects				353,886.08		30,751.66	384,637.74
Special Street Improvements					484,839.25		484,839.25
Unassigned	224,944.73						224,944.73
Total Fund Balances	224,944.73	164,523.05	887,277.89	353,886.08	484,839.25	64,505.67	2,179,976.67

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, 2020

Total Fund Balances for Governmental Funds		2,597,184.81
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	(1,057,339.00)	
Net Capital Assets	<u>507,489.00</u>	
Total Net Position of Governmental Activities		<u>3,104,673.81</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, 2019

Total Fund Balances for Governmental Funds		2,179,976.67
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	(1,012,138.00)	
Net Capital Assets	<u>552,690.00</u>	
Total Net Position of Governmental Activities		<u>2,732,666.67</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, 2020

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	117,176.66		289,588.54				406,765.20
Licenses, Permits and Fees	32,141.01						32,141.01
Intergovernmental	94,715.00	90,840.76		125,000.00			310,555.76
Charges for Services	275.00			88,888.87		22,166.00	111,329.87
Miscellaneous	99,121.70	171.82	5,000.00				104,293.52
Total Revenues	343,429.37	91,012.58	294,588.54	213,888.87		22,166.00	965,085.36
<u>Expenditures:</u>							
Current:							
General Government	125,571.69		1,185.25				126,756.94
Public Safety	127,977.00						127,977.00
Streets and Public Works	10,748.28	49,688.68	26,627.75	71,433.28			158,497.99
Culture and Recreation	78,845.29		5,000.00				83,845.29
Urban and Economic Development			40,000.00				40,000.00
Other			10,800.00				10,800.00
Total Expenditures	343,142.26	49,688.68	83,613.00	71,433.28			547,877.22
Excess (Deficiency) of Revenues Over Expenditures	287.11	41,323.90	210,975.54	142,455.59		22,166.00	417,208.14

<u>Other Financing Sources (Uses):</u>							
Transfers In					27,917.66		27,917.66
Transfers Out						(27,917.66)	(27,917.66)
Total Other Financing Sources (Uses)					27,917.66	(27,917.66)	
Net Change in Fund Balances	287.11	41,323.90	210,975.54	142,455.59	27,917.66	(5,751.66)	417,208.14
Fund Balance - January 1	224,944.73	164,523.05	887,277.89	353,886.08	484,839.25	64,505.67	2,179,976.67
Fund Balance - December 31	225,231.84	205,846.95	1,098,253.43	496,341.67	512,756.91	58,754.01	2,597,184.81

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, 2019

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	120,588.34		257,489.30				378,077.64
Licenses, Permits and Fees	38,073.27						38,073.27
Intergovernmental	111,890.77	101,649.65					213,540.42
Charges for Services	240.00			87,932.46		21,851.66	110,024.12
Miscellaneous	74,514.93	3,375.36	13,000.00			18,092.87	108,983.16
Total Revenues	345,307.31	105,025.01	270,489.30	87,932.46		39,944.53	848,698.61
Expenditures:							
Current:							
General Government	149,041.66		38,328.84				187,370.50
Public Safety	120,000.00		14,670.00				134,670.00
Streets and Public Works	3,711.62	79,570.02	23,988.96	60,993.03		16,100.00	184,363.63
Culture and Recreation	101,979.28		33,000.00				134,979.28
Urban and Economic Development			15,000.00				15,000.00
Other	10,047.65						10,047.65
Total Expenditures	384,780.21	79,570.02	124,987.80	60,993.03		16,100.00	666,431.06
Net Change in Fund Balances	(39,472.90)	25,454.99	145,501.50	26,939.43		23,844.53	182,267.55
Fund Balance - January 1	264,417.63	139,068.06	741,776.39	326,946.65	484,839.25	40,661.14	1,997,709.12
Fund Balance - December 31	224,944.73	164,523.05	887,277.89	353,886.08	484,839.25	64,505.67	2,179,976.67

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, 2020

Net Change in Fund Balances - Total Governmental Funds		417,208.14
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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	(45,201.00)	(45,201.00)

Change in Net Position of Governmental Activities		372,007.14
		=====

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, 2019

Net Change in Fund Balances - Total Governmental Funds	182,267.55
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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	(49,506.00)	(49,506.00)

Change in Net Position of Governmental Activities	132,761.55
	=====

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, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	203,560.95	206,623.48	410,184.43
Noncurrent Assets:			
Capital Assets (net of accumulated depr):			
Land	5,000.00		5,000.00
Buildings and Infrastructure	35,234.00	6,240.00	41,474.00
Vehicles and Machinery	2,000.00	1,800.00	3,800.00
Total Noncurrent Assets	42,234.00	8,040.00	50,274.00
Total Assets	245,794.95	214,663.48	460,458.43
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable		6,074.00	6,074.00
Noncurrent Liabilities:			
Revenue Bonds Payable		221,926.00	221,926.00
Total Liabilities		228,000.00	228,000.00
NET POSITION			
Net Investment in Capital Assets	42,234.00	8,040.00	50,274.00
Restricted for:			
Unrestricted	203,560.95	(21,376.52)	182,184.43
Total Net Position	245,794.95	(13,336.52)	232,458.43

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, 2019

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	204,466.94	119,036.36	323,503.30
Noncurrent Assets:			
Capital Assets (net of accumulated depr):			
Land	5,000.00		5,000.00
Buildings and Infrastructure	36,700.00	12,480.00	49,180.00
Vehicles and Machinery	3,000.00	2,700.00	5,700.00
Total Noncurrent Assets	44,700.00	15,180.00	59,880.00
Total Assets	249,166.94	134,216.36	383,383.30
=====			
NET POSITION			
Net Investment in Capital Assets	44,700.00	15,180.00	59,880.00
Unrestricted	204,466.94	119,036.36	323,503.30
Total Net Position	249,166.94	134,216.36	383,383.30
=====			

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, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water User Fees	313,891.61		313,891.61
Bulk Water Sales	2,320.50		2,320.50
Water Reconnect Fees	635.00		635.00
Sewer Charges		65,846.43	65,846.43
Total Operating Revenues	316,847.11	65,846.43	382,693.54
<u>Operating Expenses:</u>			
Administrative Fees	8,000.04		8,000.04
Utilities	4,810.31	1,357.97	6,168.28
Water	264,005.80		264,005.80
Meters	2,257.27		2,257.27
Telephone	519.40		519.40
Printing and Publishing	619.72		619.72
Postage	2,059.27		2,059.27
Travel, Dues and Memberships	315.00		315.00
Repairs and Maintenance	120.00		120.00
Operations and Maintenance	33,349.79	17,354.55	50,704.34
Office Supplies and Equipment	4,606.95		4,606.95
Depreciation	2,466.00	7,140.00	9,606.00
Total Operating Expenses	323,129.55	25,852.52	348,982.07
Operating Income (Loss)	(6,282.44)	39,993.91	33,711.47
<u>Non-Operating Revenues (Expenses):</u>			
USDA Grant		168,668.49	168,668.49
CDBG Grant		98,215.21	98,215.21
Miscellaneous Revenue	2,910.45		2,910.45
Engineering Fees		(56,052.50)	(56,052.50)
Lagoon Repairs		(398,377.99)	(398,377.99)
Total Non-Operating Revenues (Expenses)	2,910.45	(187,546.79)	(184,636.34)
Change in Net Position	(3,371.99)	(147,552.88)	(150,924.87)
Net Position - January 1	249,166.94	134,216.36	383,383.30
Net Position - December 31	245,794.95	(13,336.52)	232,458.43

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, 2019

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water User Fees	287,014.90		287,014.90
Bulk Water Sales	303.00		303.00
Water Reconnect Fees	500.00		500.00
Sewer Charges		55,861.03	55,861.03
Total Operating Revenues	287,817.90	55,861.03	343,678.93
<u>Operating Expenses:</u>			
Administrative Fees	8,000.04		8,000.04
Utilities	4,405.03	1,611.34	6,016.37
Water	237,837.04		237,837.04
Telephone	526.00		526.00
Printing and Publishing	714.22		714.22
Postage	1,675.26		1,675.26
Travel, Dues and Memberships	900.00		900.00
Repairs and Maintenance	1,156.15		1,156.15
Operations and Maintenance	44,332.82	45,832.78	90,165.60
Office Supplies and Equipment	4,425.95		4,425.95
Depreciation	2,466.00	7,140.00	9,606.00
Total Operating Expenses	306,438.51	54,584.12	361,022.63
Operating Income (Loss)	(18,620.61)	1,276.91	(17,343.70)
<u>Non-Operating Revenues (Expenses):</u>			
Miscellaneous Revenue	5,230.46	3,630.51	8,860.97
Engineering Fees		(48,200.00)	(48,200.00)
Total Non-Operating Revenues (Expenses)	5,230.46	(44,569.49)	(39,339.03)
Change in Net Position	(13,390.15)	(43,292.58)	(56,682.73)
Net Position - January 1	262,557.09	177,508.94	440,066.03
Net Position - December 31	249,166.94	134,216.36	383,383.30

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, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Cash flows from operating activities:</u>			
Receipts from customers	316,847.11	65,846.43	382,693.54
Payments to suppliers	(320,663.55)	(18,712.52)	(339,376.07)
<u>Net cash provided (used) by operating activities</u>	(3,816.44)	47,133.91	43,317.47
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	2,910.45		2,910.45
<u>Cash flows from capital and related financing activities:</u>			
USDA loan		228,000.00	228,000.00
USDA grant		168,668.49	168,668.49
CDBG grant		98,215.21	98,215.21
Engineering fees		(56,052.50)	(56,052.50)
Lagoon repairs		(398,377.99)	(398,377.99)
<u>Net cash provided (used) by capital and related financing activities</u>		40,453.21	40,453.21
<u>Net increase in cash and cash equivalents</u>	(905.99)	87,587.12	86,681.13
Cash and cash equivalents, January 1	204,466.94	119,036.36	323,503.30
Cash and cash equivalents, December 31	203,560.95	206,623.48	410,184.43
=====			
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income (loss)	(6,282.44)	39,993.91	33,711.47
<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
<u>Net cash provided (used) by operating activities</u>	(3,816.44)	47,133.91	43,317.47
=====			

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, 2019

	Major Enterprise Funds		Total Enterprise Funds
	Water	Sewer	
<u>Cash flows from operating activities:</u>			
Receipts from customers	287,817.90	55,861.03	343,678.93
Payments to suppliers	(303,972.51)	(47,444.12)	(351,416.63)
Net cash provided (used) by operating activities	(16,154.61)	8,416.91	(7,737.70)
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	5,230.46	3,630.51	8,860.97
<u>Cash flows from capital and related financing activities:</u>			
Engineering fees		(48,200.00)	(48,200.00)
Net increase in cash and cash equivalents	(10,924.15)	(36,152.58)	(47,076.73)
Cash and cash equivalents, January 1	215,391.09	155,188.94	370,580.03
Cash and cash equivalents, December 31	204,466.94	119,036.36	323,503.30
=====			
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income (loss)	(18,620.61)	1,276.91	(17,343.70)
<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	(16,154.61)	8,416.91	(7,737.70)
=====			

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

CITY OF HETTINGER
Hettinger, North Dakota

Notes to the Financial Statements
December 31, 2020 and 2019

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, 2020 the city's carrying amount of deposits was \$3,007,369 and the bank balance was \$3,096,212. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,596,212 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the city's carrying amount of deposits was \$2,503,480 and the bank balance was \$2,545,561. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,045,561 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, 2020 the city held certificates of deposit in the amount of \$2,124,219, which are all considered deposits.

At December 31, 2019 the city held certificates of deposit in the amount of \$2,098,237, 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>2020</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
Governmental Activities:				
<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
Total	<u>1,559,828</u>			<u>1,559,828</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	679,994	20,533		700,527
Machinery and Vehicles	332,144	24,668		356,812
Total	<u>1,012,138</u>	<u>45,201</u>		<u>1,057,339</u>
Total capital assets being depreciated, net	<u>547,690</u>	<u>(45,201)</u>		<u>502,489</u>
Governmental Activities Capital Assets, Net	<u>552,690</u>	<u>(45,201)</u>	<u>-0-</u>	<u>507,489</u>

	<u>2019</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
Governmental Activities:				
<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
Total	<u>1,559,828</u>			<u>1,559,828</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	659,461	20,533		679,994
Machinery and Vehicles	303,171	28,973		332,144
Total	<u>962,632</u>	<u>49,498</u>		<u>1,012,138</u>
Total capital assets being depreciated, net	<u>597,196</u>	<u>(49,506)</u>		<u>547,690</u>
Governmental Activities Capital Assets, Net	<u>602,196</u>	<u>(49,506)</u>	<u>-0-</u>	<u>552,690</u>

	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<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
Total	365,000			365,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	296,820	7,706		304,526
Machinery and Vehicles	13,300	1,900		15,200
Total	290,908	9,606		319,726
Total capital assets being depreciated, net	54,880	(9,606)		45,274
Business-type Activities Capital Assets, Net	59,880	(9,606)	-0-	50,274

	<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:				
<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
Total	365,000			365,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	289,114	7,706		296,820
Machinery and Vehicles	11,400	1,900		13,300
Total	300,514	9,606		310,120
Total capital assets being depreciated, net	64,486	(9,606)		54,880
Business-type Activities Capital Assets, Net	69,486	(9,606)	-0-	59,880

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

	<u>2020</u>	<u>2019</u>
<u>Governmental Activities:</u>		
Streets and Public Works	32,668	36,973
Culture and Recreation	7,200	7,200
Urban and Economic Development	5,333	5,333
Total	<u>45,201</u>	<u>49,506</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 LONG-TERM DEBT

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

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Revenue Bonds	-0-	228,000	-0-	228,000	6,074
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2020 consists of the following:

Business-type Activities (Proprietary Funds)

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020, are as follows:

\$228,000 Sewer Revenue Bonds, Series 2020
due in annual installments \$9,494 through
August 20, 2050; payments include interest
at 1.5%.

228,000
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	6,074.00	3,420.00
2022	6,165.11	3,328.89
2023	6,257.59	3,236.41
2024	6,351.45	3,142.55
2025	6,446.72	3,047.28
2026-2030	33,713.46	13,756.54
2031-2035	36,318.96	11,151.04
2036-2040	39,125.86	8,344.14
2041-2045	42,149.65	5,320.35
2046-2050	45,397.20	2,062.85
 Total	 <u>228,000.00</u>	 <u>56,810.05</u>
	=====	=====

Note 6 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, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Special Street Improvements	27,917.66	
Capital Projects #2		27,917.66

To set aside funds for future improvements.

Note 7 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 \$800,000 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.

Note 8 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2020 or December 31, 2019.

CITY OF HETTINGER
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	110,905.46	110,905.46	117,176.66	6,271.20
Licenses, Permits and Fees	37,150.00	37,150.00	32,141.01	(5,008.99)
Intergovernmental	88,250.00	88,250.00	94,715.00	6,465.00
Charges for Services	200.00	200.00	275.00	75.00
Miscellaneous	57,100.00	57,100.00	99,121.70	42,021.70
Total Revenues	293,605.46	293,605.46	343,429.37	49,823.91
Expenditures:				
Current:				
General Government	159,150.00	159,150.00	125,571.69	33,578.31
Public Safety	128,800.00	128,800.00	127,977.00	823.00
Streets and Public Works	13,000.00	13,000.00	10,748.28	2,251.72
Culture and Recreation	64,620.00	64,620.00	78,845.29	(14,225.29)
Urban and Economic Development	14,000.00	14,000.00		14,000.00
Total Expenditures	379,570.00	379,570.00	343,142.26	36,427.74
Net Change in Fund Balances	(85,964.54)	(85,964.54)	287.11	86,251.65
Fund Balance - January 1	224,944.73	224,944.73	224,944.73	
Fund Balance - December 31	138,980.19	138,980.19	225,231.84	86,251.65

CITY OF HETTINGER
Hettinger, 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	125,454.46	125,454.46	120,588.34	(4,866.12)
Licenses, Permits and Fees	39,650.00	39,650.00	38,073.27	(1,576.73)
Intergovernmental	83,750.00	83,750.00	111,890.77	28,140.77
Charges for Services	150.00	150.00	240.00	90.00
Miscellaneous	48,600.00	48,600.00	74,514.93	25,914.93
Total Revenues	297,604.46	297,604.46	345,307.31	47,702.85
<u>Expenditures:</u>				
Current:				
General Government	164,950.00	164,950.00	149,041.66	15,908.34
Public Safety	128,800.00	128,800.00	120,000.00	8,800.00
Streets and Public Works	13,000.00	13,000.00	3,711.62	9,288.38
Culture and Recreation	58,220.00	58,220.00	101,979.28	(43,759.28)
Urban and Economic Development	14,000.00	14,000.00		14,000.00
Other			10,047.65	(10,047.65)
Total Expenditures	378,970.00	378,970.00	384,780.21	(5,810.21)
Net Change in Fund Balances	(81,365.54)	(81,365.54)	(39,472.90)	41,892.64
Fund Balance - January 1	264,417.63	264,417.63	264,417.63	
Fund Balance - December 31	183,052.09	183,052.09	224,944.73	41,892.64

CITY OF HETTINGER
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	100,000.00	100,000.00	90,840.76	(9,159.24)
Miscellaneous	500.00	500.00	171.82	(328.18)
Total Revenues	100,500.00	100,500.00	91,012.58	(9,487.42)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	138,000.00	138,000.00	49,688.68	88,311.32
Net Change in Fund Balances	(37,500.00)	(37,500.00)	41,323.90	78,823.90
Fund Balance - January 1	164,523.05	164,523.05	164,523.05	
Fund Balance - December 31	127,023.05	127,023.05	205,846.95	78,823.90

CITY OF HETTINGER
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	95,000.00	95,000.00	101,649.65	6,649.65
Miscellaneous	500.00	500.00	3,375.36	2,875.36
Total Revenues	95,500.00	95,500.00	105,025.01	9,525.01
<u>Expenditures:</u>				
Current:				
Streets and Public Works	138,000.00	138,000.00	79,570.02	58,429.98
Net Change in Fund Balances	(42,500.00)	(42,500.00)	25,454.99	67,954.99
Fund Balance - January 1	139,068.06	139,068.06	139,068.06	
Fund Balance - December 31	96,568.06	96,568.06	164,523.05	67,954.99

CITY OF HETTINGER
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	235,000.00	235,000.00	289,588.54	54,588.54
Miscellaneous			5,000.00	5,000.00
Total Revenues	235,000.00	235,000.00	294,588.54	59,588.54
<u>Expenditures:</u>				
Current:				
General Government	75,000.00	75,000.00	1,185.25	73,814.75
Public Safety	15,000.00	15,000.00		15,000.00
Streets and Public Works	77,000.00	77,000.00	26,627.75	50,372.25
Culture and Recreation	20,000.00	20,000.00	5,000.00	15,000.00
Urban and Economic Development	40,000.00	40,000.00	40,000.00	
Other	47,500.00	47,500.00	10,800.00	36,700.00
Total Expenditures	274,500.00	274,500.00	83,613.00	190,887.00
Net Change in Fund Balances	(39,500.00)	(39,500.00)	210,975.54	250,475.54
Fund Balance - January 1	887,277.89	887,277.89	887,277.89	
Fund Balance - December 31	847,777.89	847,777.89	1,098,253.43	250,475.54

CITY OF HETTINGER
Hettinger, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	235,000.00	235,000.00	257,489.30	22,489.30
Miscellaneous			13,000.00	13,000.00
Total Revenues	235,000.00	235,000.00	270,489.30	35,489.30
<u>Expenditures:</u>				
Current:				
General Government	75,000.00	75,000.00	38,328.84	36,671.16
Public Safety	15,000.00	15,000.00	14,670.00	330.00
Streets and Public Works	74,000.00	74,000.00	38,688.96	35,311.04
Culture and Recreation	20,000.00	20,000.00	33,000.00	(13,000.00)
Urban and Economic Development	40,000.00	40,000.00		40,000.00
Other	46,500.00	46,500.00		46,500.00
Total Expenditures	270,500.00	270,500.00	124,687.80	145,812.20
Net Change in Fund Balances	(35,500.00)	(35,500.00)	145,801.50	181,301.50
Fund Balance - January 1	741,776.39	741,776.39	741,776.39	
Fund Balance - December 31	706,276.39	706,276.39	887,577.89	181,301.50

CITY OF HETTINGER
Hettinger, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020 and 2019

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 did not amend the city's budget during the years ended December 31, 2020 or 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ended December 31, 2019.

General Fund	5,810.21
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No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF HETTINGER
Hettinger, North Dakota

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

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-20
Major Governmental Funds						
General Fund	224,944.73	343,429.37			343,142.26	225,231.84
Highway Tax	164,523.05	91,012.58			49,688.68	205,846.95
Sales Tax	887,277.89	294,588.54			83,613.00	1,098,253.43
Capital Projects #1	353,886.08	213,888.87			71,433.28	496,341.67
Special Street Improvements	484,839.25		27,917.66			512,756.91
Total Major Governmental Funds	2,115,471.00	942,919.36	27,917.66		547,877.22	2,538,430.80
Non-Major Governmental Funds						
Emergency	15,661.14					15,661.14
Centennial	18,092.87					18,092.87
Capital Projects #2	30,751.66	22,166.00		27,917.66		25,000.00
Total Non-Major Governmental Funds	64,505.67	22,166.00		27,917.66		58,754.01
Total Governmental Funds	2,179,976.67	965,085.36	27,917.66	27,917.66	547,877.22	2,597,184.81
Major Enterprise Funds						
Water	204,466.94	319,757.56			320,663.55	203,560.95
Sewer	119,036.36	560,730.13			473,143.01	206,623.48
Total Major Enterprise Funds	323,503.30	880,487.69			793,806.56	410,184.43
Total All Funds	2,503,479.97	1,845,573.05	27,917.66	27,917.66	1,341,683.78	3,007,369.24

CITY OF HETTINGER
Hettinger, 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	264,417.63	345,307.31			384,780.21	224,944.73
Highway Tax	139,068.06	105,025.01			79,570.02	164,523.05
Sales Tax	741,776.39	270,489.30			124,987.80	887,277.89
Capital Projects #1	326,946.65	87,932.46			60,993.03	353,886.08
Special Street Improvements	484,839.25					484,839.25
Total Major Governmental Funds	1,957,047.98	808,754.08			650,331.06	2,115,471.00
<u>Non-Major Governmental Funds</u>						
Emergency	15,661.14					15,661.14
Centennial		18,092.87				18,092.87
Capital Projects #2	25,000.00	21,851.66			16,100.00	30,751.66
Total Non-Major Governmental Funds	40,661.14	39,944.53			16,100.00	64,505.67
Total Governmental Funds	1,997,709.12	848,698.61			666,431.06	2,179,976.67
<u>Major Enterprise Funds</u>						
Water	215,391.09	293,048.36			303,972.51	204,466.94
Sewer	155,188.94	59,491.54			95,644.12	119,036.36
Total Major Enterprise Funds	370,580.03	352,539.90			399,616.63	323,503.30
Total All Funds	2,368,289.15	1,201,238.51			1,066,047.69	2,503,479.97

Rath & Mehler, 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 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, 2020 and 2019, 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 16, 2021.

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 2020-001 and 2020-002, 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 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 16, 2021

CITY OF HETTINGER
Hettinger, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2020 and 2019

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. 2020-001 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. 2020-002 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.