

CITY OF HANKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

CITY OF HANKINSON, NORTH DAKOTA

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CITY OF HANKINSON, NORTH DAKOTA

OFFICIAL DIRECTORY
December 31, 2021

Jordan Krump	President
Joline O'Hara	Vice President
Michelle Roeder	Council Member
Joel Bladow	Council Member
Mary Bommersbach	Council Member
Alan Wieser	Council Member
Loren Hovel	Mayor
Kristi Kelley	Auditor



INDEPENDENT AUDITOR'S REPORT

City Council
City of Hankinson, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hankinson, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Hankinson's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hankinson as of December 31, 2021 and 2020, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hankinson and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hankinson's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hankinson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hankinson's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023 on our consideration of the City of Hankinson'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 of Hankinson's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
June 30, 2023

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021

	Primary Government			Hankinson Housing Authority	Hankinson Library
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and Cash Equivalents	\$ 1,564,064	\$ 905,970	\$ 2,470,034	\$ 42,300	\$ 37,705
Capital Assets					
Non-depreciable					
Construction in Progress	-	39,227	39,227	-	-
Depreciable, net of accumulated depreciation					
Buildings and Improvements	1,621,032	57,600	1,678,632	865,226	-
Equipment	171,345	68,453	239,798	-	-
Infrastructure	4,918,126	1,316,037	6,234,163	-	-
Total Capital Assets	6,710,503	1,481,317	8,191,820	865,226	-
Total Assets	8,274,567	2,387,287	10,661,854	907,526	37,705
LIABILITIES					
Due to Other Governments	9,968	-	9,968	-	-
Current Debt - due within one year					
Bonds Payable	84,715	82,188	166,903	32,725	-
Noncurrent Debt - due in more than one year					
Bonds Payable	1,218,823	1,798,002	3,016,825	850,187	-
Total Liabilities	1,313,506	1,880,190	3,193,696	882,912	-
NET POSITION					
Net Investment in Capital Assets (Deficit)	5,406,965	(398,873)	5,008,092	(17,686)	-
Restricted	1,058,081	-	1,058,081	42,300	37,705
Unrestricted	496,015	905,970	1,401,985	-	-
Total Net Position	\$ 6,961,061	\$ 507,097	\$ 7,468,158	\$ 24,614	\$ 37,705

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2020

	Primary Government			Hankinson Housing Authority	Hankinson Library
	Governmental Activities	Business-type Activities	Total		
ASSETS					
Cash and Cash Equivalents	\$ 1,264,987	\$ 934,831	\$ 2,199,818	\$ 46,994	\$ 31,912
Capital Assets					
Depreciable, net of accumulated depreciation					
Buildings and Improvements	1,665,961	59,200	1,725,161	885,689	-
Equipment	193,716	81,399	275,115	-	-
Infrastructure	5,106,483	1,341,125	6,447,608	-	-
Total Capital Assets	6,966,160	1,481,724	8,447,884	885,689	-
Total Assets	8,231,147	2,416,555	10,647,702	932,683	31,912
LIABILITIES					
Current Debt - due within one year					
Bonds Payable	162,462	108,162	270,624	31,706	-
Noncurrent Debt - due in more than one year					
Bonds Payable	1,211,904	1,880,221	3,092,125	882,190	-
Total Liabilities	1,374,366	1,988,383	3,362,749	913,896	-
NET POSITION					
Net Investment in Capital Assets (Deficit)	5,591,794	(506,659)	5,085,135	(28,207)	-
Restricted	974,937	-	974,937	46,994	31,912
Unrestricted	290,050	934,831	1,224,881	-	-
Total Net Position	\$ 6,856,781	\$ 428,172	\$ 7,284,953	\$ 18,787	\$ 31,912

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2021

Program Revenues				Net (Expense) Revenue and Changes in Net Position				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units	
				Governmental Activities	Business-type Activities	Total	Hankinson Housing Authority	Hankinson Library
Governmental Activities								
General Government	\$ 497,788	\$ 26,695	\$ 69,476	\$ (401,617)	\$ -	\$ (401,617)	\$ -	\$ -
Public Safety	35,003	-	44,221	9,218	-	9,218	-	-
Public Works/Infrastructure	419,577	30,651	20,206	(368,720)	-	(368,720)	-	-
Economic Development	91,184	-	-	(91,184)	-	(91,184)	-	-
Interest and Other Charges	25,142	-	-	(25,142)	-	(25,142)	-	-
Total Governmental Activities	1,068,694	57,346	133,903	(877,445)	-	(877,445)	-	-
Business-type Activities								
Water	490,803	604,957	-	-	114,154	114,154	-	-
Sewer	101,534	61,523	-	-	(40,011)	-	-	-
Garbage	84,027	87,949	-	-	3,922	3,922	-	-
Total Business-type Activities	676,364	754,429	-	-	78,065	118,076	-	-
Total Primary Government	\$ 1,745,058	\$ 811,775	\$ 133,903	(877,445)	78,065	(759,369)		
Component Units								
Hankinson Housing Authority	\$ 36,557	\$ 31,930	\$ 10,446	-	-	-	5,819	-
Hankinson Library	13,160	832	7,896				-	(4,432)
Total Component Units	\$ 49,717	\$ 32,762	\$ 18,342	-	-	-	5,819	(4,432)
General Revenues								
Taxes								
Taxes Levied for General Purposes				366,094	-	366,094	-	-
Taxes Levied for Debt Service				206,870	-	206,870	-	-
Sales Taxes				273,432	-	273,432	-	10,177
State Aid Distribution				80,471	-	80,471	-	-
Interest and Investment Earnings				13,960	-	13,960	8	11
Miscellaneous				40,898	860	41,758	-	37
Total General Revenues				981,725	860	982,585	8	10,225
Change in Net Position				104,280	78,925	183,205	5,827	5,793
Net Position, Beginning of Year				6,856,781	428,172	7,284,953	18,787	31,912
Net Position, End of Year				\$ 6,961,061	\$ 507,097	\$ 7,468,158	\$ 24,614	\$ 37,705

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position				
				Primary Government			Component Units	
			Operating				Hankinson	Hankinson
Functions/Programs	Expenses	Charges for	Grants and	Governmental	Business-type	Total	Housing	Library
		Services	Contributions	Activities	Activities		Authority	
Governmental Activities								
General Government	\$ 429,203	\$ 19,085	\$ 25	\$ (410,093)	\$ -	\$ (410,093)	\$ -	\$ -
Public Safety	34,931	-	43,646	8,715	-	8,715	-	-
Public Works/Infrastructure	444,187	14,392	20,014	(409,781)	-	(409,781)	-	-
Economic Development	82,862	-	-	(82,862)	-	(82,862)	-	-
Interest and Other Charges	39,124	-	-	(39,124)	-	(39,124)	-	-
Total Governmental Activities	1,030,307	33,477	63,685	(933,145)	-	(933,145)	-	-
Business-type Activities								
Water	458,872	572,658	-	-	113,786	113,786	-	-
Sewer	51,364	61,891	-	-	10,527	-	-	-
Garbage	81,004	86,467	-	-	5,463	5,463	-	-
Total Business-type Activities	591,240	721,016	-	-	129,776	119,249	-	-
Total Primary Government	\$ 1,621,547	\$ 754,493	\$ 63,685	(933,145)	129,776	(813,896)		
Component Units								
Hankinson Housing Authority	\$ 69,763	\$ 30,340	\$ 5,836	-	-	-	(33,587)	-
Hankinson Library	13,704	1,240	8,068	-	-	-	-	(4,396)
Total Component Units	\$ 83,467	\$ 31,580	\$ 13,904	-	-	-	(33,587)	(4,396)
General Revenues								
Taxes								
Taxes Levied for General Purposes				338,385	-	338,385	-	-
Taxes Levied for Debt Service				209,980	-	209,980	-	-
Sales Taxes				235,260	-	235,260	-	8,753
State Aid Distribution				67,690	-	67,690	-	-
Interest and Investment Earnings				20,784	-	20,784	39	23
Gain (Loss) on Sale of Assets				10,000	-	10,000	-	-
Transfers				154,217	(154,217)	-	-	-
Miscellaneous				7,678	11,049	18,727	(4,360)	76
Total General Revenues				1,043,994	(143,168)	900,826	(4,321)	8,852
Change in Net Position				110,849	(13,392)	97,457	(37,908)	4,456
Net Position, Beginning of Year				6,745,932	441,564	7,187,496	56,695	27,456
Net Position, End of Year				\$ 6,856,781	\$ 428,172	\$ 7,284,953	\$ 18,787	\$ 31,912

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2021

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General	City Sales Tax	Infrastructure Reserve	City Sales Tax CC	Community Center Operations	2007 Ethanol Plant Reserves			
ASSETS									
Cash and Cash Equivalents	\$ 50,055	\$ 119,434	\$ 280,325	\$ -	\$ -	\$ 660,100	\$ 454,150	\$ 1,564,064	
Due from Other Funds	524,561	-	-	-	-	-	-	524,561	
Total Assets	574,616	119,434	280,325	-	-	660,100	454,150	2,088,625	
LIABILITIES									
Due to Other Funds	-	-	-	-	-	-	524,561	524,561	
Due to Other Governments	9,968	-	-	-	-	-	-	9,968	
Total Liabilities	9,968	-	-	-	-	-	524,561	534,529	
FUND BALANCE (DEFICIT)									
Restricted	-	119,434	-	-	-	660,100	278,547	1,058,081	
Assigned	-	-	280,325	-	-	-	48,362	328,687	
Unassigned (Deficit)	564,648	-	-	-	-	-	(397,320)	167,328	
Total Fund Balance (Deficit)	564,648	119,434	280,325	-	-	660,100	(70,411)	1,554,096	
Total Liabilities and Fund Balance (Deficit)	\$ 574,616	\$ 119,434	\$ 280,325	\$ -	\$ -	\$ 660,100	\$ 454,150	\$ 2,088,625	

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2020

	Major Funds								
	General	City Sales Tax	Infrastructure Reserve	City Sales Tax CC	Community Center Operations	2007 Ethanol Plant Reserves	Other Governmental Funds	Total Governmental Funds	
ASSETS									
Cash and Cash Equivalents	\$ -	\$ 86,356	\$ 168,733	\$ -	\$ -	\$ 766,181	\$ 243,717	\$ 1,264,987	
Due from Other Funds	543,619	-	21,148	-	-	-	-	564,767	
Total Assets	543,619	86,356	189,881	-	-	766,181	243,717	1,829,754	
LIABILITIES									
Due to Other Funds	-	-	-	-	-	-	564,767	564,767	
Total Liabilities	-	-	-	-	-	-	564,767	564,767	
FUND BALANCE (DEFICIT)									
Restricted	-	86,356	-	-	-	766,181	122,400	974,937	
Assigned	-	-	189,881	-	-	-	26,147	216,028	
Unassigned (Deficit)	543,619	-	-	-	-	-	(469,597)	74,022	
Total Fund Balance (Deficit)	543,619	86,356	189,881	-	-	766,181	(321,050)	1,264,987	
Total Liabilities and Fund Balance (Deficit)	\$ 543,619	\$ 86,356	\$ 189,881	\$ -	\$ -	\$ 766,181	\$ 243,717	\$ 1,829,754	

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
December 31, 2021 and 2020**

Total Fund Balance - Governmental Funds December 31, 2021		\$	1,554,096
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	10,185,808		
Less Accumulated Depreciation	(3,475,305)		
Net Capital Assets			6,710,503
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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Bonds Payable			(1,303,538)
Net Position of Governmental Activities December 31, 2021		\$	<u>6,961,061</u>
Total Fund Balance - Governmental Funds December 31, 2020		\$	1,264,987
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	10,170,502		
Less Accumulated Depreciation	(3,204,342)		
Net Capital Assets			6,966,160
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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Bonds Payable			(1,374,366)
Net Position of Governmental Activities December 31, 2020		\$	<u>6,856,781</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Major Funds							Total Governmental Funds
	General	City Sales Tax	Infrastructure Reserve	City Sales Tax CC	Community Center Operations	2007 Ethanol Plant Reserves	Other Governmental Funds	
REVENUES								
Taxes	\$ 345,709	\$ 135,697	\$ -	\$ 135,697	\$ -	\$ -	\$ 24,461	\$ 641,564
Special Assessments	-	-	-	-	-	-	204,832	204,832
Licenses, Permits, and Fees	32,170	-	-	-	15,565	-	9,611	57,346
Intergovernmental	80,471	-	-	-	-	-	133,903	214,374
Fines and Forfeitures	580	-	-	-	-	-	-	580
Interest Income	8,647	-	-	-	-	-	5,313	13,960
Miscellaneous Income	39,718	-	-	-	600	-	-	40,318
Total Revenues	507,295	135,697	-	135,697	16,165	-	378,120	1,172,974
EXPENDITURES								
Current								
General Government	193,726	1,416	-	-	95,791	106,081	62,271	459,285
Public Safety	35,003	-	-	-	-	-	-	35,003
Public Works/Infrastructure	156,631	11,000	9,556	-	-	-	16,356	193,543
Economic Development	-	90,203	-	-	-	-	981	91,184
Debt Service								
Principal	-	-	-	-	-	-	164,188	164,188
Interest and Other Charges	-	-	-	-	-	-	25,142	25,142
Facilities Acquisition and Construction	-	-	-	-	-	-	8,880	8,880
Total Expenditures	385,360	102,619	9,556	-	95,791	106,081	277,818	977,225
Excess (Deficiency) of Revenues Over Expenditures	121,935	33,078	(9,556)	135,697	(79,626)	(106,081)	100,302	195,749
OTHER FINANCING SOURCES (USES)								
Proceeds from Long-Term Debt	-	-	-	-	-	-	93,360	93,360
Operating Transfer In	73,346	-	100,000	-	135,697	-	109,371	418,414
Operating Transfer Out	(174,252)	-	-	(135,697)	(56,071)	-	(52,394)	(418,414)
Total Other Financing Sources (Uses)	(100,906)	-	100,000	(135,697)	79,626	-	150,337	93,360
NET CHANGE IN FUND BALANCE	21,029	33,078	90,444	-	-	(106,081)	250,639	289,109
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	543,619	86,356	189,881	-	-	766,181	(321,050)	1,264,987
FUND BALANCE (DEFICIT), END OF YEAR	\$ 564,648	\$ 119,434	\$ 280,325	\$ -	\$ -	\$ 660,100	\$ (70,411)	\$ 1,554,096

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2020

	Major Funds							Total Governmental Funds
	General	City Sales Tax	Infrastructure Reserve	City Sales Tax CC	Community Center Operations	2007 Ethanol Plant Reserves	Other Governmental Funds	
REVENUES								
Taxes	\$ 330,341	\$ 116,712	\$ -	\$ 116,711	\$ -	\$ -	\$ 12,237	\$ 576,001
Special Assessments	-	-	-	-	-	-	207,624	207,624
Licenses, Permits, and Fees	13,902	-	-	-	10,160	-	9,415	33,477
Intergovernmental	67,690	-	-	-	-	-	63,660	131,350
Fines and Forfeitures	750	-	-	-	-	-	-	750
Interest Income	20,784	-	-	-	-	-	-	20,784
Miscellaneous Income	4,738	-	-	-	25	-	2,190	6,953
Total Revenues	438,205	116,712	-	116,711	10,185	-	295,126	976,939
EXPENDITURES								
Current								
General Government	246,037	227	-	-	82,647	15,526	39,837	384,274
Public Safety	34,931	-	-	-	-	-	-	34,931
Public Works/Infrastructure	165,711	15,000	10,119	-	-	-	24,154	214,984
Economic Development	-	81,862	-	-	-	-	1,000	82,862
Debt Service								
Principal	-	-	-	-	-	-	158,674	158,674
Interest and Other Charges	-	-	-	-	-	-	39,124	39,124
Facilities Acquisition and Construction	-	6,675	-	-	-	217,895	54,175	278,745
Total Expenditures	446,679	103,764	10,119	-	82,647	233,421	316,964	1,193,594
Excess (Deficiency) of Revenues Over Expenditures	(8,474)	12,948	(10,119)	116,711	(72,462)	(233,421)	(21,838)	(216,655)
OTHER FINANCING SOURCES (USES)								
Operating Transfer In	100,322	-	100,000	-	116,711	154,217	82,600	553,850
Operating Transfer Out	(186,983)	-	-	(116,711)	(44,249)	-	(51,690)	(399,633)
Total Other Financing Sources (Uses)	(86,661)	-	100,000	(116,711)	72,462	154,217	30,910	154,217
NET CHANGE IN FUND BALANCE	(95,135)	12,948	89,881	-	-	(79,204)	9,072	(62,438)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	638,754	73,408	100,000	-	-	845,385	(330,122)	1,327,425
FUND BALANCE (DEFICIT), END OF YEAR	\$ 543,619	\$ 86,356	\$ 189,881	\$ -	\$ -	\$ 766,181	\$ (321,050)	\$ 1,264,987

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS Years Ended December 31, 2021 and 2020

Net Change in Fund Balance - Total Governmental Funds December 31, 2021	\$	289,109
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 costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.		(255,657)
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		(93,360)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		164,188
Change in Net Position of Governmental Activities December 31, 2021	\$	<u>104,280</u>
Net Change in Fund Balance - Total Governmental Funds December 31, 2020	\$	(62,438)
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 costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		19,613
Governmental funds report sales of assets as current financial resources. The statement of activities recognizes gain or loss on the transaction.		(5,000)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		158,674
Change in Net Position of Governmental Activities December 31, 2020	\$	<u>110,849</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2021

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 774,715	\$ 121,119	\$ 10,136	\$ 905,970
Total Current Assets	774,715	121,119	10,136	905,970
Capital Assets				
Non-Depreciable				
Construction in Progress	39,227	-	-	39,227
Depreciable, net of accumulated depreciation				
Buildings and Improvements	57,600	-	-	57,600
Equipment	68,453	-	-	68,453
Infrastructure	1,316,037	-	-	1,316,037
Total Capital Assets	1,481,317	-	-	1,481,317
Total Assets	2,256,032	121,119	10,136	2,387,287
LIABILITIES				
Current Liabilities				
Bonds Payable	82,188	-	-	82,188
Total Current Liabilities	82,188	-	-	82,188
Long-term Liabilities				
Bonds Payable	1,798,002	-	-	1,798,002
Total Long-term Liabilities	1,798,002	-	-	1,798,002
Total Liabilities	1,880,190	-	-	1,880,190
NET POSITION				
Net Investment in Capital Assets (Deficit)	(398,873)	-	-	(398,873)
Unrestricted	774,715	121,119	10,136	905,970
Total Net Position	\$ 375,842	\$ 121,119	\$ 10,136	\$ 507,097

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2020

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 767,487	\$ 161,130	\$ 6,214	\$ 934,831
Total Current Assets	767,487	161,130	6,214	934,831
Capital Assets				
Depreciable, net of accumulated depreciation				
Buildings and Improvements	59,200	-	-	59,200
Equipment	81,399	-	-	81,399
Infrastructure	1,341,125	-	-	1,341,125
Total Capital Assets	1,481,724	-	-	1,481,724
Total Assets	2,249,211	161,130	6,214	2,416,555
LIABILITIES				
Current Liabilities				
Bonds Payable	108,162	-	-	108,162
Total Current Liabilities	108,162	-	-	108,162
Long-term Liabilities				
Bonds Payable	1,880,221	-	-	1,880,221
Total Long-term Liabilities	1,880,221	-	-	1,880,221
Total Liabilities	1,988,383	-	-	1,988,383
NET POSITION				
Net Investment in Capital Assets (Deficit)	(506,659)	-	-	(506,659)
Unrestricted	767,487	161,130	6,214	934,831
Total Net Position	\$ 260,828	\$ 161,130	\$ 6,214	\$ 428,172

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2021**

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for Services	\$ 604,957	\$ 61,523	\$ 87,949	\$ 754,429
Other Income	860	-	-	860
Total Operating Revenues	605,817	61,523	87,949	755,289
OPERATING EXPENSES				
Salaries	122,383	13,753	-	136,136
Employee Benefits	30,710	4,158	-	34,868
Professional Fees	-	7,530	-	7,530
Contract Services	80,950	-	84,027	164,977
Utilities	74,016	3,159	-	77,175
Supplies	17,068	11,381	-	28,449
Repairs and Maintenance	15,790	8,265	-	24,055
Depreciation	75,569	-	-	75,569
Miscellaneous	11,265	53,288	-	64,553
Total Operating Expenses	427,751	101,534	84,027	613,312
OPERATING INCOME (LOSS)	178,066	(40,011)	3,922	141,977
NONOPERATING REVENUES (EXPENSES)				
Interest and Fiscal Fees	(63,052)	-	-	(63,052)
Transfers In	18,035	10,606	-	28,641
Transfers Out	(18,035)	(10,606)	-	(28,641)
Total Nonoperating Revenues (Expenses)	(63,052)	-	-	(63,052)
CHANGE IN NET POSITION	115,014	(40,011)	3,922	78,925
NET POSITION, BEGINNING OF YEAR	260,828	161,130	6,214	428,172
NET POSITION, END OF YEAR	\$ 375,842	\$ 121,119	\$ 10,136	\$ 507,097

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2020**

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
OPERATING REVENUES				
Charges for Services	\$ 572,658	\$ 61,891	\$ 86,467	\$ 721,016
Other Income	11,049	-	-	11,049
Total Operating Revenues	583,707	61,891	86,467	732,065
OPERATING EXPENSES				
Salaries	91,177	13,182	-	104,359
Employee Benefits	25,089	3,982	-	29,071
Professional Fees	19,548	-	-	19,548
Contract Services	75,768	-	81,004	156,772
Utilities	71,110	3,653	-	74,763
Supplies	9,463	5,380	-	14,843
Repairs and Maintenance	14,318	8,454	-	22,772
Depreciation	75,478	-	-	75,478
Miscellaneous	10,076	16,713	-	26,789
Total Operating Expenses	392,027	51,364	81,004	524,395
OPERATING INCOME	191,680	10,527	5,463	207,670
NONOPERATING REVENUES (EXPENSES)				
Interest and Fiscal Fees	(66,845)	-	-	(66,845)
Transfers In	12,220	25,175	-	37,395
Transfers Out	(166,437)	(25,175)	-	(191,612)
Total Nonoperating Revenues (Expenses)	(221,062)	-	-	(221,062)
CHANGE IN NET POSITION	(29,382)	10,527	5,463	(13,392)
NET POSITION, BEGINNING OF YEAR	290,210	150,603	751	441,564
NET POSITION, END OF YEAR	\$ 260,828	\$ 161,130	\$ 6,214	\$ 428,172

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 605,817	\$ 61,523	\$ 87,949	\$ 755,289
Payments to Suppliers	(229,799)	(87,781)	(84,027)	(401,607)
Payments to Employees	(122,383)	(13,753)	-	(136,136)
Net Cash Provided by (Used By) Operating Activities	253,635	(40,011)	3,922	217,546
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	18,035	10,606	-	28,641
Transfers to Other Funds	(18,035)	(10,606)	-	(28,641)
Net Cash Provided by Noncapital Financing Activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Fees	(63,052)	-	-	(63,052)
Principal Paid on Capital Debt	(108,193)	-	-	(108,193)
Acquisition of Capital Assets	(75,162)	-	-	(75,162)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(246,407)	-	-	(246,407)
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,228	(40,011)	3,922	(28,861)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	767,487	161,130	6,214	934,831
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 774,715</u>	<u>\$ 121,119</u>	<u>\$ 10,136</u>	<u>\$ 905,970</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:				
Operating Income (Loss)	\$ 178,066	\$ (40,011)	\$ 3,922	\$ 141,977
Depreciation Expense	75,569	-	-	75,569
Net Cash Provided by (Used By) Operating Activities	<u>\$ 253,635</u>	<u>\$ (40,011)</u>	<u>\$ 3,922</u>	<u>\$ 217,546</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2020

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 583,707	\$ 61,891	\$ 86,467	\$ 732,065
Payments to Suppliers	(225,372)	(38,182)	(81,004)	(344,558)
Payments to Employees	(91,177)	(13,182)	-	(104,359)
Net Cash Provided by Operating Activities	267,158	10,527	5,463	283,148
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	12,220	25,175	-	37,395
Transfers to Other Funds	(166,437)	(25,175)	-	(191,612)
Net Cash Provided by (Used By) Noncapital Financing Activities	(154,217)	-	-	(154,217)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Fees	(66,845)	-	-	(66,845)
Principal Paid on Capital Debt	(102,412)	-	-	(102,412)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(169,257)	-	-	(169,257)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(56,316)	10,527	5,463	(40,326)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	823,803	150,603	751	975,157
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 767,487</u>	<u>\$ 161,130</u>	<u>\$ 6,214</u>	<u>\$ 934,831</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating Income	\$ 191,680	\$ 10,527	\$ 5,463	\$ 207,670
Depreciation Expense	75,478	-	-	75,478
Net Cash Provided by Operating Activities	<u>\$ 267,158</u>	<u>\$ 10,527</u>	<u>\$ 5,463</u>	<u>\$ 283,148</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hankinson (the City) was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City of Hankinson is to maintain the accounting records on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental 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.

Reporting Entity

The accompanying financial statements present the activities of the City of Hankinson. 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 such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Hankinson 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 of Hankinson.

Based on these criteria, certain organizations have been included in the report as follows:

- **Hankinson Housing Authority** – The Hankinson Housing Authority's governing board is separate from the governing board of the City. The City's governing board approves the housing board appointments and has the authority to disapprove, amend, or approve the authority's budget.
- **Hankinson Library** – The Hankinson Library's governing board is separate from the governing board of the City. The City's governing board approves the library appointments and has the authority to disapprove, amend, or approve the library's budget.

Government-Wide and Fund Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines 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.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund and proprietary fund financial statements are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

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.

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.
- City Sales Tax – This fund is used for the collection of sales tax.
- Infrastructure Reserve – This fund accounts for the collection of resources for capital expenditures.
- City Sales Tax CC – This fund is used for the collection of sales tax that is used for community center operations.
- Community Center Operations – This fund is used for operations of the community center.
- 2007 Ethanol Plant Reserves – This fund accounts for maintains and upgrades to well fields.

The City reports the following major proprietary funds:

- Water Fund – The City accounts for cash receipts and disbursements related to the furnishing of water services to residents of the City in this fund.
- Sewer Fund – The City accounts for cash receipts and disbursements related to the furnishing of sewer services to residents of the City in this fund.
- Garbage Fund – The City accounts for cash receipts and disbursements related to the furnishing of garbage services to residents of the City in this fund.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consists of highly liquid investments with an original maturity of three months or less.

Capital Assets

Capital assets include land, buildings, infrastructure and equipment. Assets are reported in the governmental activities column in the government-wide financial 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.

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

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

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	20 – 50
Machinery and Equipment	10 – 20

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. Upon termination of employment or retirement, employees will be paid for unused vacation benefits that have accumulated through the last day of work. Any unused sick benefits will not be paid upon termination of employment or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period.

Fund Balance

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable**
 - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
- **Restricted**
 - Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed**
 - A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
- **Assigned**
 - Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the council and the city auditor.
- **Unassigned**
 - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the City to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Net Position

Net position represents the difference between assets and liabilities in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Transactions

In the governmental 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designed 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, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment 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 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 such other securities approved by the banking board.

At December 31, 2021 and 2020, the City's carrying amount of deposits was \$2,470,034 and \$2,199,818 and the bank balances were \$2,566,819 and \$2,411,464. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name. At December 31, 2020, the pledge was short by \$31,725.

Credit Risk

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

- 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.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

As of December 31, 2021 and 2020, the City held \$448,077 and \$491,588 certificates of deposit.

Interest Rate Risk

The City does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk

The City does not have a limit on the amount it 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.

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added on October 15th if not paid.

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, 2021 and 2020:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,103,162	\$ -	\$ -	\$ 2,103,162
Equipment	533,060	15,306	-	548,366
Infrastructure	7,534,280	-	-	7,534,280
Total Capital Assets, being depreciated	10,170,502	15,306	-	10,185,808
Less Accumulated Depreciation for				
Buildings and Improvements	437,201	44,929	-	482,130
Equipment	339,344	37,677	-	377,021
Infrastructure	2,427,797	188,357	-	2,616,154
Total Accumulated Depreciation	3,204,342	270,963	-	3,475,305
Total Capital Assets Being Depreciated, net	6,966,160	(255,657)	-	6,710,503
Governmental Activities Capital Assets, net	\$ 6,966,160	\$ (255,657)	\$ -	\$ 6,710,503

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Business-type Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 39,227	\$ -	\$ 39,227
Total Capital Assets, not being depreciated	-	39,227	-	39,227
Capital Assets, being depreciated				
Buildings and Improvements	118,440	-	-	118,440
Equipment	218,045	-	-	218,045
Infrastructure	2,405,000	35,935	-	2,440,935
Total Capital Assets, being depreciated	2,741,485	35,935	-	2,777,420
Less Accumulated Depreciation for				
Buildings and Improvements	59,240	1,600	-	60,840
Equipment	136,646	12,946	-	149,592
Infrastructure	1,063,875	61,023	-	1,124,898
Total Accumulated Depreciation	1,259,761	75,569	-	1,335,330
Total Capital Assets Being Depreciated, net	1,481,724	(39,634)	-	1,442,090
Business-type Activities Capital Assets, net	\$ 1,481,724	\$ (407)	\$ -	\$ 1,481,317
	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Governmental Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 2,103,162	\$ -	\$ -	\$ 2,103,162
Equipment	467,210	75,850	(10,000)	533,060
Infrastructure	7,316,385	217,895	-	7,534,280
Total Capital Assets, being depreciated	9,886,757	293,745	(10,000)	10,170,502
Less Accumulated Depreciation for				
Buildings and Improvements	392,272	44,929	-	437,201
Equipment	303,498	40,846	(5,000)	339,344
Infrastructure	2,239,440	188,357	-	2,427,797
Total Accumulated Depreciation	2,935,210	274,132	(5,000)	3,204,342
Total Capital Assets Being Depreciated, net	6,951,547	19,613	(5,000)	6,966,160
Governmental Activities Capital Assets, net	\$ 6,951,547	\$ 19,613	\$ (5,000)	\$ 6,966,160

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
Business-type Activities				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 118,440	\$ -	\$ -	\$ 118,440
Equipment	218,045	-	-	218,045
Infrastructure	2,405,000	-	-	2,405,000
Total Capital Assets, being depreciated	2,741,485	-	-	2,741,485
Less Accumulated Depreciation for				
Buildings and Improvements	57,640	1,600	-	59,240
Equipment	122,893	13,753	-	136,646
Infrastructure	1,003,750	60,125	-	1,063,875
Total Accumulated Depreciation	1,184,283	75,478	-	1,259,761
Total Capital Assets Being Depreciated, net	1,557,202	(75,478)	-	1,481,724
Business-type Activities Capital Assets, net	<u>\$ 1,557,202</u>	<u>\$ (75,478)</u>	<u>\$ -</u>	<u>\$ 1,481,724</u>

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

	2021	2020
Governmental Activities		
General Government	\$ 44,929	\$ 44,929
Public Works/Infrastructure	226,034	229,203
Total Depreciation Expense - Governmental Activities	<u>\$ 270,963</u>	<u>\$ 274,132</u>
Business-type Activities		
Water	\$ 75,569	\$ 75,478
Total Depreciation Expense - Business-type Activities	<u>\$ 75,569</u>	<u>\$ 75,478</u>

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

The following fund transfers were made during the year ended December 31, 2021:

2021		
	Operating Transfer In	Operating Transfer Out
General Fund	\$ 73,346	\$ 174,252
Infrastructure Reserve	100,000	-
City Sales Tax CC	-	135,697
Community Center Operations	135,697	56,071
Nonmajor Governmental Funds	109,371	52,394
Proprietary Funds	28,641	28,641
Total	<u>\$ 447,055</u>	<u>\$ 447,055</u>
2020		
	Operating Transfer In	Operating Transfer Out
General Fund	\$ 100,322	\$ 186,983
Infrastructure Reserve	100,000	-
City Sales Tax CC	-	116,711
Community Center Operations	116,711	44,249
2007 Ethanol Plant Reserves	154,217	-
Nonmajor Governmental Funds	82,600	51,690
Proprietary Funds	37,395	191,612
Total	<u>\$ 591,245</u>	<u>\$ 591,245</u>

Transfers are made for funding various projects and operational expenses. Amounts reported as due to and due from other funds will be repaid as funds become available.

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 6 – LONG-TERM LIABILITIES

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term liabilities of the City:

	Long-term Liabilities at January 1, 2021	Increases	Decreases	Long-term Liabilities at December 31, 2021	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,374,366	\$ 93,360	\$ (164,188)	\$ 1,303,538	\$ 84,715
Total - Governmental-type Activities	<u>\$ 1,374,366</u>	<u>\$ 93,360</u>	<u>\$ (164,188)</u>	<u>\$ 1,303,538</u>	<u>\$ 84,715</u>
Business-type Activities					
Bonds Payable	\$ 1,988,383	\$ -	\$ (108,193)	\$ 1,880,190	\$ 82,188
Total - Business-type Activities	<u>\$ 1,988,383</u>	<u>\$ -</u>	<u>\$ (108,193)</u>	<u>\$ 1,880,190</u>	<u>\$ 82,188</u>
	Long-term Liabilities at January 1, 2020	Increases	Decreases	Long-term Liabilities at December 31, 2020	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,533,040	\$ -	\$ (158,674)	\$ 1,374,366	\$ 162,462
Total - Governmental-type Activities	<u>\$ 1,533,040</u>	<u>\$ -</u>	<u>\$ (158,674)</u>	<u>\$ 1,374,366</u>	<u>\$ 162,462</u>
Business-type Activities					
Bonds Payable	\$ 2,090,795	\$ -	\$ (102,412)	\$ 1,988,383	\$ 108,162
Total - Business-type Activities	<u>\$ 2,090,795</u>	<u>\$ -</u>	<u>\$ (102,412)</u>	<u>\$ 1,988,383</u>	<u>\$ 108,162</u>

Long-term debt of the governmental activities at December 31, 2021 consists of the following issues:

	Interest Rates	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental Activities				
2010 Improvement Bond	0.50%	2030	585,000	\$ 270,000
2008 Improvement Bond	2.50%	2028	100,000	42,000
2008 Improvement Bond	2.50%	2028	95,000	39,000
2017 Infrastructure Bond	2.00%	2041	1,300,000	842,578
2022 Infrastructure Bond	1.50%	2032	97,933	66,498
2022 Infrastructure Bond	1.50%	2032	42,000	26,862
2003 Municipal Bond	2.50%	2023	133,790	16,600
Total				<u>\$ 1,303,538</u>
Business				
2002 Water Revenue Bonds	3.00%	2042	600,000	\$ 410,432
2012 Water Revenue Bonds	2.00-3.75%	2038	1,930,000	1,425,000
2006 Water Revenue Bonds	3.00%	2038	130,000	44,758
Total				<u>\$ 1,880,190</u>

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

The future expected requirements for long-term debt, including interest, as of December 31, 2021 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 84,715	\$ 26,922	\$ 82,188	\$ 61,463
2023	99,563	25,604	82,768	58,998
2024	90,958	24,242	87,844	56,448
2025	92,700	23,073	88,437	53,805
2026	94,458	21,891	94,025	51,076
2027 - 2031	419,200	91,696	499,032	204,720
2032 - 2036	240,562	67,931	585,964	128,122
2037 - 2041	227,955	41,049	333,500	24,453
2042 - 2046	-	-	26,432	1,812
Total	\$ 1,350,111	\$ 322,408	\$ 1,880,190	\$ 640,897

Subsequent to year end, the City finalized the 2022 infrastructure bonds. The future expected requirements has been updated to reflect the total debt payments.

NOTE 7 – RISK MANAGEMENT

The City of Hankinson 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 of Hankinson pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability coverage.

The City also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,127,882 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker's compensation with the North Dakota 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 – LEGAL COMPLIANCE - BUDGETS

The City's general fund expenditures exceeded budgeted amounts for the year ended December 31, 2020. Expenditures in excess of budgeted amounts incurred in general government.

NOTE 9 – PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021 and 2020, if the City were to report on the full accrual basis, a liability of \$246,431 and \$605,515 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30 2021 and 2020, the City's proportion was .023643 and .019247 percent. The City's pension contributions for the years ended December 31, 2021 and 2020 was \$15,480 and \$15,117.

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFIT PLAN

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2021 and 2020, if the City were to report on the full accrual basis, a liability of \$13,658 and \$15,667 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30 2021 and 2020, the City's proportion was .024557 and .018625 percent. The City's OPEB contributions for the years ended December 31, 2021 and 2020 was \$2,732 and \$2,420.

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

CITY OF HANKINSON, NORTH DAKOTA
Notes to Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 11 – FUND BALANCE

The following is a summary of fund balances as of December 31, 2021 and 2020:

Fund Balance	2021	2020
Restricted for		
Sales Tax	\$ 153,198	\$ 117,841
Debt Service	731,389	830,397
Capital Projects	93,340	-
General Government	80,154	26,699
Assigned for		
Public Works	280,325	189,881
Other	48,362	26,147
Unassigned	167,328	74,022
Total Fund Balance	\$ 1,554,096	\$ 1,264,987

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 30, 2023, the date on which the financial statements were available to be issued.

CITY OF HANKINSON, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 346,644	\$ 345,709	\$ (935)
Licenses, Permits, and Fees	9,675	32,170	22,495
Intergovernmental	53,000	80,471	27,471
Fines and Forfeitures	1,000	580	(420)
Interest Income	20,000	8,647	(11,353)
Miscellaneous Income	5,050	39,718	34,668
Total Revenues	435,369	507,295	71,926
EXPENDITURES			
Current			
General Government	189,612	193,726	(4,114)
Public Safety	35,000	35,003	(3)
Public Works/Infrastructure	184,500	156,631	27,869
Facilities Acquisition and Construction	500	-	500
Total Expenditures	409,612	385,360	24,252
Excess of Revenues over over Expenditures	25,757	121,935	96,178
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	50,200	73,346	23,146
Operating Transfer Out	(74,457)	(174,252)	(99,795)
Total Other Financing Sources (Uses)	(24,257)	(100,906)	(76,649)
NET CHANGE IN FUND BALANCE	1,500	21,029	19,529
FUND BALANCE, BEGINNING OF YEAR		543,619	
FUND BALANCE, END OF YEAR		\$ 564,648	

CITY OF HANKINSON, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 318,146	\$ 330,341	\$ 12,195
Licenses, Permits, and Fees	12,955	13,902	947
Intergovernmental	75,000	67,690	(7,310)
Fines and Forfeitures	850	750	(100)
Interest Income	15,000	20,784	5,784
Miscellaneous Income	6,000	4,738	(1,262)
Total Revenues	427,951	438,205	10,254
EXPENDITURES			
Current			
General Government	187,350	246,037	(58,687)
Public Safety	37,000	34,931	2,069
Public Works/Infrastructure	175,000	165,711	9,289
Facilities Acquisition and Construction	3,000	-	3,000
Total Expenditures	402,350	446,679	(44,329)
Excess (Deficiency) of Revenues over Expenditures	25,601	(8,474)	(34,075)
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	-	100,322	100,322
Operating Transfer Out	(75,551)	(186,983)	(111,432)
Total Other Financing Sources (Uses)	(75,551)	(86,661)	(11,110)
NET CHANGE IN FUND BALANCE	(49,950)	(95,135)	(45,185)
FUND BALANCE, BEGINNING OF YEAR		638,754	
FUND BALANCE, END OF YEAR		\$ 543,619	



**INDEPENDENT AUDITOR'S 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**

City Council
City of Hankinson
Hankinson, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Hankinson, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the City of Hankinson's basic financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hankinson's internal control over financial reporting (internal control) as a basis for designing the auditing 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 City of Hankinson'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hankinson's financial statements are free from 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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as item 2021-003.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hankinson's response to the findings identified in our audit and described in the accompany schedule of current year findings. The City of Hankinson's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 report 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.



Nadine Julson, LLC
Wahpeton, North Dakota
June 30, 2023

CITY OF HANKINSON, NORTH DAKOTA

SCHEDULE OF CURRENT YEAR FINDINGS

Years ended December 31, 2021 and 2020

2021-001 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on the modified cash basis.

Condition

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect or Potential Effect

Inadequate controls over financial reporting of the City results in more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the City be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the City should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2021-002 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the City.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

CITY OF HANKINSON, NORTH DAKOTA
Schedule of Findings and Questioned Costs – Continued

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the City. The City will segregate functions where feasible.

2021-003 PLEDGE

Criteria

The City had a balance of \$1,424,355 on deposit at one financial institution as of December 31, 2020 that was covered by \$250,000 of FDIC coverage with the remaining balance of \$1,174,355 collateralized with securities held by the pledging financial institution's agent in the City's name.

Effect

The City was under collateralized by \$31,725 and was not in compliance with North Dakota Century Code 21-04-09.

Recommendation

We recommend the City review all bank statements and pledged securities to ensure all deposits are adequately covered by FDIC and pledged securities.

Views of Responsible Officials

By January 5th of the next year, additional securities were pledged to meet the requirements of North Dakota Century Code 21-04-09.

CITY OF HANKINSON, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended December 31, 2021 and 2020

Prior Financial Statement Findings

2019-001

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the City to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2019-002

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-002.