

CITY OF HANKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

CITY OF HANKINSON, NORTH DAKOTA

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CITY OF HANKINSON, NORTH DAKOTA

OFFICIAL DIRECTORY
December 31, 2023

Jordan Krump	President
Joline O'Hara	Vice President
Jeremy Steffens	Council Member
Michelle Roeder	Council Member
Joel Bladow	Council Member
Jeremy Heins	Council Member
Adam Ward	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, 2023 and 2022, 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, 2023 and 2022, 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City 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 January 17, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hankinson's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
January 17, 2025

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hankinson Housing Authority	Hankinson Library
ASSETS					
Cash and Cash Equivalents	\$ 2,085,272	\$ 1,015,227	\$ 3,100,499	\$ 89,736	\$ 45,052
Capital Assets					
Non-depreciable					
Construction in Progress	7,427	78,454	85,881	-	-
Depreciable, net of accumulated depreciation					
Buildings and Improvements	1,569,852	54,400	1,624,252	527,299	-
Equipment	106,991	45,877	152,868	-	-
Infrastructure	4,868,826	1,193,991	6,062,817	-	-
Total Capital Assets	<u>6,553,096</u>	<u>1,372,722</u>	<u>7,925,818</u>	<u>527,299</u>	<u>-</u>
Total Assets	<u>8,638,368</u>	<u>2,387,949</u>	<u>11,026,317</u>	<u>617,035</u>	<u>45,052</u>
LIABILITIES					
Current Debt - due within one year					
Bonds Payable	90,956	85,000	175,956	19,419	-
Noncurrent Debt - due in more than one year					
Bonds Payable	<u>1,098,762</u>	<u>1,591,144</u>	<u>2,689,906</u>	<u>525,090</u>	<u>-</u>
Total Liabilities	<u>1,189,718</u>	<u>1,676,144</u>	<u>2,865,862</u>	<u>544,509</u>	<u>-</u>
NET POSITION					
Net Investment in Capital Assets (Deficit)	5,363,378	(303,422)	5,059,956	(17,210)	-
Restricted	1,294,508	-	1,294,508	89,736	45,052
Unrestricted	<u>790,764</u>	<u>1,015,227</u>	<u>1,805,991</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 7,448,650</u>	<u>\$ 711,805</u>	<u>\$ 8,160,455</u>	<u>\$ 72,526</u>	<u>\$ 45,052</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Hankinson Housing Authority	Hankinson Library
ASSETS					
Cash and Cash Equivalents	\$ 1,598,728	\$ 1,001,689	\$ 2,600,417	\$ 32,105	\$ 42,142
Capital Assets					
Non-depreciable					
Construction in Progress	135,580	65,411	200,991	-	-
Depreciable, net of accumulated depreciation					
Buildings and Improvements	1,576,103	56,000	1,632,103	844,763	-
Equipment	139,168	57,165	196,333	-	-
Infrastructure	4,924,770	1,255,014	6,179,784	-	-
Total Capital Assets	<u>6,775,621</u>	<u>1,433,590</u>	<u>8,209,211</u>	<u>844,763</u>	<u>-</u>
Total Assets	8,374,349	2,435,279	10,809,628	876,868	42,142
LIABILITIES					
Current Debt - due within one year					
Bonds Payable	99,561	82,768	182,329	33,801	-
Noncurrent Debt - due in more than one year					
Bonds Payable	<u>1,178,021</u>	<u>1,713,887</u>	<u>2,891,908</u>	<u>816,365</u>	<u>-</u>
Total Liabilities	1,277,582	1,796,655	3,074,237	850,166	-
NET POSITION					
Net Investment in Capital Assets (Deficit)	5,498,039	(363,065)	5,134,974	(5,403)	-
Restricted	975,803	-	975,803	32,105	42,142
Unrestricted	<u>622,925</u>	<u>1,001,689</u>	<u>1,624,614</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 7,096,767</u>	<u>\$ 638,624</u>	<u>\$ 7,735,391</u>	<u>\$ 26,702</u>	<u>\$ 42,142</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	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	\$ 612,795	\$ 26,955	\$ 179,941	\$ (405,899)	\$ -	\$ (405,899)	\$ -	\$ -
Public Safety	39,824	-	49,605	9,781	-	9,781	-	-
Public Works/Infrastructure	429,949	17,748	10,078	(402,123)	-	(402,123)	-	-
Economic Development	91,309	-	-	(91,309)	-	(91,309)	-	-
Interest and Other Charges	28,774	-	-	(28,774)	-	(28,774)	-	-
Total Governmental Activities	1,202,651	44,703	239,624	(918,324)	-	(918,324)	-	-
Business-type Activities								
Water	451,262	611,986	-	-	160,724	160,724	-	-
Sewer	43,545	61,043	-	-	17,498	17,498	-	-
Garbage	81,398	80,819	-	-	(579)	(579)	-	-
Total Business-type Activities	576,205	753,848	-	-	177,643	177,643	-	-
Total Primary Government	\$ 1,778,856	\$ 798,551	\$ 239,624	(918,324)	177,643	(740,681)		
Component Units								
Hankinson Housing Authority	\$ 7,207	\$ 12,158	\$ 49,166	-	-	-	54,117	-
Hankinson Library	20,371	608	12,005				-	(7,758)
Total Component Units	\$ 27,578	\$ 12,766	\$ 61,171	-	-	-	54,117	(7,758)
General Revenues								
Taxes								
Taxes Levied for General Purposes				547,845	-	547,845	-	-
Taxes Levied for Debt Service				190,905	-	190,905	-	-
Sales Taxes				282,156	-	282,156	-	10,536
State Aid Distribution				93,449	-	93,449	-	-
Interest and Investment Earnings				37,467	581	38,048	136	38
Gain (Loss) on Sale of Assets				-	-	-	(8,429)	-
Transfers				106,460	(106,460)	-	-	-
Miscellaneous				11,925	1,417	13,342	-	94
Total General Revenues				1,270,207	(104,462)	1,165,745	(8,293)	10,668
Change in Net Position				351,883	73,181	425,064	45,824	2,910
Net Position, Beginning of Year				7,096,767	638,624	7,735,391	26,702	42,142
Net Position, End of Year				\$ 7,448,650	\$ 711,805	\$ 8,160,455	\$ 72,526	\$ 45,052

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2022

Program Revenues				Net (Expense) Revenue and Changes in Net Position					
				Primary Government			Component Units		
				Governmental Activities	Business-type Activities	Total	Hankinson Housing Authority	Hankinson Library	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions						
Governmental Activities									
General Government	\$ 528,428	\$ 28,609	\$ 64,582	\$ (435,237)	\$ -	\$ (435,237)	\$ -	\$ -	
Public Safety	43,103	-	47,800	4,697	-	4,697	-	-	
Public Works/Infrastructure	441,623	21,674	12,647	(407,302)	-	(407,302)	-	-	
Economic Development	89,128	-	-	(89,128)	-	(89,128)	-	-	
Interest and Other Charges	27,787	-	-	(27,787)	-	(27,787)	-	-	
Total Governmental Activities	1,130,069	50,283	125,029	(954,757)	-	(954,757)	-	-	
Business-type Activities									
Water	446,241	627,794	-	-	181,553	181,553	-	-	
Sewer	24,935	60,784	-	-	35,849	35,849	-	-	
Garbage	82,274	87,097	-	-	4,823	4,823	-	-	
Total Business-type Activities	553,450	775,675	-	-	222,225	222,225	-	-	
Total Primary Government	\$ 1,683,519	\$ 825,958	\$ 125,029	(954,757)	222,225	(732,532)			
Component Units									
Hankinson Housing Authority	\$ 78,396	\$ 33,958	\$ 46,188	-	-	-	1,750	-	
Hankinson Library	14,541	998	8,065	-	-	-	-	(5,478)	
Total Component Units	\$ 92,937	\$ 34,956	\$ 54,253	-	-	-	1,750	(5,478)	
General Revenues									
Taxes									
Taxes Levied for General Purposes				502,639	-	502,639	-	-	
Taxes Levied for Debt Service				111,783	-	111,783	-	-	
Sales Taxes				266,416	-	266,416	-	9,897	
State Aid Distribution				80,373	-	80,373	-	-	
Interest and Investment Earnings				10,541	524	11,065	38	18	
Transfers				93,034	(93,034)	-	-	-	
Miscellaneous				25,677	1,812	27,489	300	-	
Total General Revenues				1,090,463	(90,698)	999,765	338	9,915	
Change in Net Position				135,706	13,527	267,233	2,088	4,437	
Net Position, Beginning of Year				6,961,061	507,097	7,468,158	24,614	37,705	
Net Position, End of Year				\$ 7,096,767	\$ 638,624	\$ 7,735,391	\$ 26,702	\$ 42,142	

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2023**

	Major Fund				Other Governmental Funds	Total Governmental Funds
	General	Prairie Dog	Sales Tax	Ethanol Plant		
ASSETS						
Cash and Cash Equivalents	\$ 781,612	\$ 179,560	\$ 28,465	\$ 860,100	\$ 235,535	\$ 2,085,272
Total Assets	781,612	179,560	28,465	860,100	235,535	2,085,272
FUND BALANCE (DEFICIT)						
Restricted	-	179,560	28,465	860,100	226,383	1,294,508
Assigned	-	-	-	-	51,834	51,834
Unassigned (Deficit)	781,612	-	-	-	(42,682)	738,930
Total Fund Balance (Deficit)	\$ 781,612	\$ 179,560	\$ 28,465	\$ 860,100	\$ 235,535	\$ 2,085,272

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2022

	Major Fund			Other	Total
	General	Sales Tax	Ethanol Plant	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 660,442	\$ 14,417	\$ 760,100	\$ 163,769	\$ 1,598,728
Total Assets	660,442	14,417	760,100	163,769	1,598,728
FUND BALANCE (DEFICIT)					
Restricted	-	14,417	760,100	201,286	975,803
Assigned	-	-	-	60,203	60,203
Unassigned	660,442	-	-	(97,720)	562,722
Total Fund Balance (Deficit)	\$ 660,442	\$ 14,417	\$ 760,100	\$ 163,769	\$ 1,598,728

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, 2023 and 2022

Total Fund Balance - Governmental Funds December 31, 2023		\$	2,085,272
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	10,574,886		
Less Accumulated Depreciation	(4,021,790)		
Net Capital Assets			6,553,096
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			(1,189,718)
Net Position of Governmental Activities December 31, 2023		\$	<u>7,448,650</u>
Total Fund Balance - Governmental Funds December 31, 2022		\$	1,598,728
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	10,521,389		
Less Accumulated Depreciation	(3,745,768)		
Net Capital Assets			6,775,621
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			(1,277,582)
Net Position of Governmental Activities December 31, 2022		\$	<u>7,096,767</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, 2023

	Major Fund				Other	Total
	General	Prairie Dog	Sales Tax	Ethanol Plant	Governmental Funds	Governmental Funds
REVENUES						
Taxes	\$ 402,105	\$ -	\$ 140,474	\$ -	\$ 288,031	\$ 830,610
Special Assessments	-	-	-	-	190,296	190,296
Licenses, Permits, and Fees	26,221	-	-	-	18,482	44,703
Intergovernmental	93,449	179,560	-	-	59,683	332,692
Fines and Forfeitures	450	-	-	-	-	450
Interest Income	31,410	-	-	-	6,057	37,467
Miscellaneous Income	11,425	-	-	-	431	11,856
Total Revenues	565,060	179,560	140,474	-	562,980	1,448,074
EXPENDITURES						
Current						
General Government	260,996	-	126,426	-	178,408	565,830
Public Safety	39,824	-	-	-	-	39,824
Public Works/Infrastructure	188,799	-	-	-	12,093	200,892
Economic Development	-	-	-	-	91,309	91,309
Debt Service						
Principal	-	-	-	-	87,864	87,864
Interest and Other Charges	-	-	-	-	28,774	28,774
Facilities Acquisition and Construction	11,800	-	-	-	41,697	53,497
Total Expenditures	501,419	-	126,426	-	440,145	1,067,990
Excess of Revenues over Expenditures	63,641	179,560	14,048	-	122,835	380,084
OTHER FINANCING SOURCES (USES)						
Operating Transfer In	202,853	-	-	100,000	211,542	514,395
Operating Transfer Out	(145,324)	-	-	-	(262,611)	(407,935)
Total Other Financing Sources (Uses)	57,529	-	-	100,000	(51,069)	106,460
NET CHANGE IN FUND BALANCE	121,170	179,560	14,048	100,000	71,766	486,544
FUND BALANCE, BEGINNING OF YEAR	660,442	-	14,417	760,100	163,769	1,598,728
FUND BALANCE, END OF YEAR	<u>\$ 781,612</u>	<u>\$ 179,560</u>	<u>\$ 28,465</u>	<u>\$ 860,100</u>	<u>\$ 235,535</u>	<u>\$ 2,085,272</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, 2022

	Major Fund			Other	Total
	General	Sales Tax	Ethanol Plant	Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 365,932	\$ 131,965	\$ -	\$ 271,397	\$ 769,294
Special Assessments	-	-	-	111,544	111,544
Licenses, Permits, and Fees	22,773	-	-	27,510	50,283
Intergovernmental	70,405	-	-	130,897	201,302
Fines and Forfeitures	265	-	-	-	265
Interest Income	8,178	-	-	2,363	10,541
Miscellaneous Income	25,412	-	-	4,100	29,512
Total Revenues	492,965	131,965	-	547,811	1,172,741
EXPENDITURES					
Current					
General Government	231,806	118,770	-	132,924	483,500
Public Safety	43,103	-	-	-	43,103
Public Works/Infrastructure	219,297	-	-	16,193	235,490
Economic Development	-	-	-	89,128	89,128
Debt Service					
Principal	-	-	-	72,529	72,529
Interest and Other Charges	-	-	-	27,787	27,787
Facilities Acquisition and Construction	-	-	-	316,180	316,180
Total Expenditures	494,206	118,770	-	654,741	1,267,717
Excess (Deficiency) of Revenues Over Expenditures	(1,241)	13,195	-	(106,930)	(94,976)
OTHER FINANCING SOURCES (USES)					
Proceeds from Long-Term Debt	-	-	-	46,573	46,573
Operating Transfer In	298,191	-	100,000	279,505	677,696
Operating Transfer Out	(201,156)	-	-	(383,505)	(584,661)
Total Other Financing Sources (Uses)	97,035	-	100,000	(57,427)	139,608
NET CHANGE IN FUND BALANCE	95,794	13,195	100,000	(164,357)	44,632
FUND BALANCE, BEGINNING OF YEAR	564,648	1,222	660,100	328,126	1,554,096
FUND BALANCE, END OF YEAR	\$ 660,442	\$ 14,417	\$ 760,100	\$ 163,769	\$ 1,598,728

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, 2023 and 2022

Net Change in Fund Balance - Total Governmental Funds December 31, 2023	\$	486,544
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.		(222,525)
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.		87,864
Change in Net Position of Governmental Activities December 31, 2023	\$	<u>351,883</u>
Net Change in Fund Balance - Total Governmental Funds December 31, 2022	\$	44,632
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.		65,118
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		(46,573)
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.		72,529
Change in Net Position of Governmental Activities December 31, 2022	\$	<u>135,706</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2023

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 826,171	\$ 174,616	\$ 14,440	\$ 1,015,227
Total Current Assets	826,171	174,616	14,440	1,015,227
Capital Assets				
Non-Depreciable				
Construction in Progress	78,454	-	-	78,454
Depreciable, net of accumulated depreciation				
Buildings and Improvements	54,400	-	-	54,400
Equipment	45,877	-	-	45,877
Infrastructure	1,193,991	-	-	1,193,991
Total Capital Assets	1,372,722	-	-	1,372,722
Total Assets	2,198,893	174,616	14,440	2,387,949
LIABILITIES				
Current Liabilities				
Bonds Payable	85,000	-	-	85,000
Total Current Liabilities	85,000	-	-	85,000
Long-term Liabilities				
Bonds Payable	1,591,144	-	-	1,591,144
Total Long-term Liabilities	1,591,144	-	-	1,591,144
Total Liabilities	1,676,144	-	-	1,676,144
NET POSITION				
Net Investment in Capital Assets (Deficit)	(303,422)	-	-	(303,422)
Unrestricted	826,171	174,616	14,440	1,015,227
Total Net Position	\$ 522,749	\$ 174,616	\$ 14,440	\$ 711,805

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2022

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 829,762	\$ 156,968	\$ 14,959	\$ 1,001,689
Total Current Assets	829,762	156,968	14,959	1,001,689
Capital Assets				
Non-Depreciable				
Construction in Progress	65,411	-	-	65,411
Depreciable, net of accumulated depreciation				
Buildings and Improvements	56,000	-	-	56,000
Equipment	57,165	-	-	57,165
Infrastructure	1,255,014	-	-	1,255,014
Total Capital Assets	1,433,590	-	-	1,433,590
Total Assets	2,263,352	156,968	14,959	2,435,279
LIABILITIES				
Current Liabilities				
Bonds Payable	82,768	-	-	82,768
Total Current Liabilities	82,768	-	-	82,768
Long-term Liabilities				
Bonds Payable	1,713,887	-	-	1,713,887
Total Long-term Liabilities	1,713,887	-	-	1,713,887
Total Liabilities	1,796,655	-	-	1,796,655
NET POSITION				
Net Investment in Capital Assets (Deficit)	(363,065)	-	-	(363,065)
Unrestricted	829,762	156,968	14,959	1,001,689
Total Net Position	\$ 466,697	\$ 156,968	\$ 14,959	\$ 638,624

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, 2023**

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for Services	\$ 611,986	\$ 61,043	\$ 80,819	\$ 753,848
Other Income	1,207	150	60	1,417
Total Operating Revenues	613,193	61,193	80,879	755,265
OPERATING EXPENSES				
Salaries	81,886	17,139	-	99,025
Employee Benefits	21,377	4,158	-	25,535
Professional Fees	1,112	-	-	1,112
Contract Services	91,788	-	74,257	166,045
Utilities	69,026	3,886	-	72,912
Supplies	12,777	7,467	7,141	27,385
Repairs and Maintenance	33,464	6,566	-	40,030
Depreciation	73,911	-	-	73,911
Miscellaneous	8,926	4,329	-	13,255
Total Operating Expenses	394,267	43,545	81,398	519,210
OPERATING INCOME (LOSS)	218,926	17,648	(519)	236,055
NONOPERATING REVENUES (EXPENSES)				
Interest and Fiscal Fees	(56,995)	-	-	(56,995)
Interest Income	581	-	-	581
Transfers In	27,414	19,022	-	46,436
Transfers Out	(133,874)	(19,022)	-	(152,896)
Total Nonoperating Revenues (Expenses)	(162,874)	-	-	(162,874)
CHANGE IN NET POSITION	56,052	17,648	(519)	73,181
NET POSITION, BEGINNING OF YEAR	466,697	156,968	14,959	638,624
NET POSITION, END OF YEAR	\$ 522,749	\$ 174,616	\$ 14,440	\$ 711,805

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, 2022**

	Business-type Activities - Proprietary Funds			Total
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for Services	\$ 627,794	\$ 60,784	\$ 87,097	\$ 775,675
Other Income	1,812	-	-	1,812
Total Operating Revenues	629,606	60,784	87,097	777,487
OPERATING EXPENSES				
Salaries	74,275	12,182	-	86,457
Employee Benefits	16,281	3,024	-	19,305
Professional Fees	2,140	(7,529)	-	(5,389)
Contract Services	85,603	-	78,157	163,760
Utilities	75,362	3,980	-	79,342
Supplies	16,574	8,562	4,117	29,253
Repairs and Maintenance	34,275	1,814	-	36,089
Depreciation	73,911	-	-	73,911
Miscellaneous	7,652	2,902	-	10,554
Total Operating Expenses	386,073	24,935	82,274	493,282
OPERATING INCOME	243,533	35,849	4,823	284,205
NONOPERATING REVENUES (EXPENSES)				
Interest and Fiscal Fees	(60,168)	-	-	(60,168)
Interest Income	524	-	-	524
Transfers In	33,608	35,848	-	69,456
Transfers Out	(126,642)	(35,848)	-	(162,490)
Total Nonoperating Revenues (Expenses)	(152,678)	-	-	(152,678)
CHANGE IN NET POSITION	90,855	35,849	4,823	131,527
NET POSITION, BEGINNING OF YEAR	375,842	121,119	10,136	507,097
NET POSITION, END OF YEAR	\$ 466,697	\$ 156,968	\$ 14,959	\$ 638,624

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2023

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 613,193	\$ 61,193	\$ 80,879	\$ 755,265
Payments to Suppliers	(238,470)	(26,406)	(81,398)	(346,274)
Payments to Employees	(81,886)	(17,139)	-	(99,025)
Net Cash Provided by (Used By) Operating Activities	292,837	17,648	(519)	309,966
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	27,414	19,022	-	46,436
Transfers to Other Funds	(133,874)	(19,022)	-	(152,896)
Net Cash Provided by (Used By) Noncapital Financing Activities	(106,460)	-	-	(106,460)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Fees	(56,995)	-	-	(56,995)
Principal Paid on Capital Debt	(120,511)	-	-	(120,511)
Acquisition of Capital Assets	(13,043)	-	-	(13,043)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(190,549)	-	-	(190,549)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	581	-	-	581
Net Cash Provided by (Used By) Investing Activities	581	-	-	581
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,591)	17,648	(519)	13,538
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	829,762	156,968	14,959	1,001,689
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 826,171</u>	<u>\$ 174,616</u>	<u>\$ 14,440</u>	<u>\$ 1,015,227</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:				
Operating Income (Loss)	\$ 218,926	\$ 17,648	\$ (519)	\$ 236,055
Depreciation Expense	73,911	-	-	73,911
Net Cash Provided by (Used By) Operating Activities	<u>\$ 292,837</u>	<u>\$ 17,648</u>	<u>\$ (519)</u>	<u>\$ 309,966</u>

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2022

	Business-type Activities - Proprietary Funds			
	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 629,606	\$ 60,784	\$ 87,097	\$ 777,487
Payments to Suppliers	(237,887)	(12,753)	(82,274)	(332,914)
Payments to Employees	(74,275)	(12,182)	-	(86,457)
Net Cash Provided by Operating Activities	317,444	35,849	4,823	358,116
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers from Other Funds	33,608	35,848	-	69,456
Transfers to Other Funds	(126,642)	(35,848)	-	(162,490)
Net Cash Provided by (Used By) Noncapital Financing Activities	(93,034)	-	-	(93,034)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Fees	(60,168)	-	-	(60,168)
Principal Paid on Capital Debt	(83,535)	-	-	(83,535)
Acquisition of Capital Assets	(26,184)	-	-	(26,184)
Net Cash Provided by (Used By) Capital and Related Financing Activities	(169,887)	-	-	(169,887)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	524	-	-	524
Net Cash Provided by (Used By) Investing Activities	524	-	-	524
NET CHANGE IN CASH AND CASH EQUIVALENTS	55,047	35,849	4,823	95,719
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	774,715	121,119	10,136	905,970
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 829,762	\$ 156,968	\$ 14,959	\$ 1,001,689
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating Income	\$ 243,533	\$ 35,849	\$ 4,823	\$ 284,205
Depreciation Expense	73,911	-	-	73,911
Net Cash Provided by Operating Activities	\$ 317,444	\$ 35,849	\$ 4,823	\$ 358,116

See Notes to Financial Statements

CITY OF HANKINSON, NORTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

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.
- Prairie Dog – This fund is used for the collection of resources for infrastructure projects.
- City Sales Tax – This fund is used for the collection of sales tax.
- 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.

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

Assets	Years
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 School Board. 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 board and the business manager.
- **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, 2023 and 2022, the City's carrying amount of deposits were \$3,100,499 and \$2,600,417 and the bank balances were \$3,266,217 and \$2,720,669. 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.

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.

As of December 31, 2023 and 2022, the City held \$844,734 and \$228,945 in certificates of deposit.

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

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 are 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, 2023 and 2022:

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 135,580	\$ 7,427	\$ (135,580)	\$ 7,427
Total Capital Assets, not being depreciated	135,580	7,427	(135,580)	7,427
Capital Assets, being depreciated				
Buildings and Improvements	2,103,162	40,714	-	2,143,876
Equipment	548,366	-	-	548,366
Infrastructure	7,734,281	140,936	-	7,875,217
Total Capital Assets, being depreciated	10,385,809	181,650	-	10,567,459
Less Accumulated Depreciation for				
Buildings and Improvements	527,059	46,965	-	574,024
Equipment	409,198	32,177	-	441,375
Infrastructure	2,809,511	196,880	-	3,006,391
Total Accumulated Depreciation	3,745,768	276,022	-	4,021,790
Total Capital Assets Being Depreciated, net	6,640,041	(94,372)	-	6,545,669
Governmental Activities Capital Assets, net	\$ 6,775,621	\$ (86,945)	\$ (135,580)	\$ 6,553,096

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

	Balance January 1, 2023	Additions	Retirements	Balance December 31, 2023
Business-type Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 65,411	\$ 13,043	\$ -	\$ 78,454
Total Capital Assets, not being depreciated	65,411	13,043	-	78,454
Capital Assets, being depreciated				
Buildings and Improvements	118,440	-	-	118,440
Equipment	218,045	-	-	218,045
Infrastructure	2,440,935	-	-	2,440,935
Total Capital Assets, being depreciated	2,777,420	-	-	2,777,420
Less Accumulated Depreciation for				
Buildings and Improvements	62,440	1,600	-	64,040
Equipment	160,880	11,288	-	172,168
Infrastructure	1,185,921	61,023	-	1,246,944
Total Accumulated Depreciation	1,409,241	73,911	-	1,483,152
Total Capital Assets Being Depreciated, net	1,368,179	(73,911)	-	1,294,268
Business-type Activities Capital Assets, net	\$ 1,433,590	\$ (60,868)	\$ -	\$ 1,372,722
	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022
Governmental Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ -	\$ 135,580	\$ -	\$ 135,580
Total Capital Assets, not being depreciated	-	135,580	-	135,580
Capital Assets, being depreciated				
Buildings and Improvements	2,103,162	-	-	2,103,162
Equipment	548,366	-	-	548,366
Infrastructure	7,534,280	200,001	-	7,734,281
Total Capital Assets, being depreciated	10,185,808	200,001	-	10,385,809
Less Accumulated Depreciation for				
Buildings and Improvements	482,130	44,929	-	527,059
Equipment	377,021	32,177	-	409,198
Infrastructure	2,616,154	193,357	-	2,809,511
Total Accumulated Depreciation	3,475,305	270,463	-	3,745,768
Total Capital Assets Being Depreciated, net	6,710,503	(70,462)	-	6,640,041
Governmental Activities Capital Assets, net	\$ 6,710,503	\$ 65,118	\$ -	\$ 6,775,621

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

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022
Business-type Activities				
Capital Assets, not being depreciated				
Construction in Progress	\$ 39,227	\$ 26,184	\$ -	\$ 65,411
Total Capital Assets, not being depreciated	39,227	26,184	-	65,411
Capital Assets, being depreciated				
Buildings and Improvements	118,440	-	-	118,440
Equipment	218,045	-	-	218,045
Infrastructure	2,440,935	-	-	2,440,935
Total Capital Assets, being depreciated	2,777,420	-	-	2,777,420
Less Accumulated Depreciation for				
Buildings and Improvements	60,840	1,600	-	62,440
Equipment	149,592	11,288	-	160,880
Infrastructure	1,124,898	61,023	-	1,185,921
Total Accumulated Depreciation	1,335,330	73,911	-	1,409,241
Total Capital Assets Being Depreciated, net	1,442,090	(73,911)	-	1,368,179
Business-type Activities Capital Assets, net	<u>\$ 1,481,317</u>	<u>\$ (47,727)</u>	<u>\$ -</u>	<u>\$ 1,433,590</u>

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

	2023	2022
Governmental Activities		
General Government	\$ 46,965	\$ 44,929
Public Works/Infrastructure	229,057	225,534
Total Depreciation Expense - Governmental Activities	<u>\$ 276,022</u>	<u>\$ 270,463</u>
Business-type Activities		
Water	\$ 73,911	\$ 73,911
Total Depreciation Expense - Business-type Activities	<u>\$ 73,911</u>	<u>\$ 73,911</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, 2023 and 2022:

2023		
	Operating Transfer In	Operating Transfer Out
General Fund	\$ 202,853	\$ 145,324
2007 Ethanol Plant Reserves	100,000	-
Nonmajor Governmental Funds	211,542	262,611
Proprietary Funds	46,436	152,896
Total	<u>\$ 560,831</u>	<u>\$ 560,831</u>

2022		
	Operating Transfer In	Operating Transfer Out
General Fund	\$ 298,191	\$ 201,156
Ethanol Plant Reserves	100,000	-
Nonmajor Governmental Funds	279,505	383,505
Proprietary Funds	69,455	162,490
Total	<u>\$ 747,151</u>	<u>\$ 747,151</u>

Transfers are made for funding various projects and operational expenses.

NOTE 6 – LONG-TERM LIABILITIES

During the years ended December 31, 2023 and 2022, the following changes occurred in long-term liabilities of the City:

	Long-term Liabilites at January 1, 2023	Increases	Decreases	Long-term Liabilites at December 31, 2023	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,277,582	\$ -	\$ (87,864)	\$ 1,189,718	\$ 90,956
Total - Governmental-type Activities	<u>\$ 1,277,582</u>	<u>\$ -</u>	<u>\$ (87,864)</u>	<u>\$ 1,189,718</u>	<u>\$ 90,956</u>
Business-type Activities					
Bonds Payable	\$ 1,796,655	\$ -	\$ (120,511)	\$ 1,676,144	\$ 85,000
Total - Business-type Activities	<u>\$ 1,796,655</u>	<u>\$ -</u>	<u>\$ (120,511)</u>	<u>\$ 1,676,144</u>	<u>\$ 85,000</u>

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

	Long-term Liabilities at January 1, 2022	Increases	Decreases	Long-term Liabilities at December 31, 2022	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,303,538	\$ 46,573	\$ (72,529)	\$ 1,277,582	\$ 99,561
Total - Governmental-type Activities	<u>\$ 1,303,538</u>	<u>\$ 46,573</u>	<u>\$ (72,529)</u>	<u>\$ 1,277,582</u>	<u>\$ 99,561</u>
Business-type Activities					
Bonds Payable	\$ 1,880,190	\$ -	\$ (83,535)	\$ 1,796,655	\$ 82,768
Total - Business-type Activities	<u>\$ 1,880,190</u>	<u>\$ -</u>	<u>\$ (83,535)</u>	<u>\$ 1,796,655</u>	<u>\$ 82,768</u>

Long-term debt of the governmental activities at December 31, 2023 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	\$ 210,000
2008 Improvement Bond	2.50%	2028	100,000	31,000
2008 Improvement Bond	2.50%	2028	95,000	29,000
2017 Infrastructure Bond	2.00%	2041	1,300,000	793,718
2022 Infrastructure Bond	1.50%	2032	97,933	88,000
2022 Infrastructure Bond	1.50%	2032	42,000	38,000
Total				<u>\$ 1,189,718</u>
Business-type Activities				
2002 Water Revenue Bonds	3.00%	2042	600,000	\$ 381,144
2012 Water Revenue Bonds	2.00-3.75%	2038	1,930,000	1,295,000
Total				<u>\$ 1,676,144</u>

The future expected requirements for long-term debt, including interest, as of December 31, 2023 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 90,956	\$ 26,132	\$ 85,000	\$ 53,666
2025	91,700	24,768	85,500	51,116
2026	93,458	23,391	91,000	48,475
2027	95,231	21,959	91,500	45,698
2028	96,019	20,509	92,000	42,861
2029 - 2033	330,492	83,659	518,000	163,647
2034 - 2038	234,720	58,772	613,500	76,281
2039 - 2042	157,142	20,352	99,644	8,620
Total	<u>\$ 1,189,718</u>	<u>\$ 279,542</u>	<u>\$ 1,676,144</u>	<u>\$ 490,364</u>

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 \$1,167,077 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 8 – LEGAL COMPLIANCE - BUDGETS

The City's general fund expenditures exceeded budgeted amounts for the year ended December 31, 2022. Expenditures in excess of budgeted amounts were offset by additional revenues and transfers in.

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

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, 2023 and 2022, if the City were to report on the full accrual basis, a liability of \$353,757 and \$523,855 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30 2023 and 2022, 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 2023 and 2022, the City's proportion was .018346 and .018189 percent. The City's pension contributions for the years ended December 31, 2023 and 2022 were \$15,770 and \$15,444.

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
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 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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, 2023 and 2022, if the City were to report on the full accrual basis, a liability of \$22,313 and \$24,549 for its proportionate share of the net OPEB liability would have been reported. The net OPEB liability was measured as of June 30 2023 and 2022, 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, 2023 and 2022, the City's proportion was .022319 and .020452 percent. The City's OPEB contributions for the years ended December 31, 2023 and 2022 were \$2,483 and \$2,473.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 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

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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

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.

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

NOTE 11 – FUND BALANCE

The following is a summary of fund balance as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fund Balance		
Restricted for		
Sales Tax	\$ 260,328	\$ 202,715
Debt Service	654,620	485,203
Public Works	36,303	35,182
Capital Projects	-	23,377
General Government	343,257	229,326
Assigned for		
Public Works	19,697	30,125
General Government	32,137	30,078
Unassigned	<u>738,930</u>	<u>562,722</u>
Total Fund Balance	<u><u>\$ 2,085,272</u></u>	<u><u>\$ 1,598,728</u></u>

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 17, 2025, 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, 2023

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 411,034	\$ 402,105	\$ (8,929)
Licenses, Permits, and Fees	14,375	26,221	11,846
Intergovernmental	75,000	93,449	18,449
Fines and Forfeitures	375	450	75
Interest Income	10,000	31,410	21,410
Miscellaneous Income	16,575	11,425	(5,150)
Total Revenues	527,359	565,060	37,701
EXPENDITURES			
Current			
General Government	249,050	260,996	(11,946)
Public Safety	42,000	39,824	2,176
Public Works/Infrastructure	224,000	188,799	35,201
Facilities Acquisition and Construction	-	11,800	(11,800)
Total Expenditures	515,050	501,419	13,631
Excess of Revenues over over Expenditures	12,309	63,641	51,332
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	64,700	202,853	138,153
Operating Transfer Out	(77,009)	(145,324)	(68,315)
Total Other Financing Sources (Uses)	(12,309)	57,529	69,838
NET CHANGE IN FUND BALANCE	-	121,170	121,170
FUND BALANCE, BEGINNING OF YEAR		660,442	
FUND BALANCE, END OF YEAR		\$ 781,612	

CITY OF HANKINSON, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 371,553	\$ 365,932	\$ (5,621)
Licenses, Permits, and Fees	13,100	22,773	9,673
Intergovernmental	60,000	70,405	10,405
Fines and Forfeitures	275	265	(10)
Interest Income	17,500	8,178	(9,322)
Miscellaneous Income	8,550	25,412	16,862
Total Revenues	470,978	492,965	21,987
EXPENDITURES			
Current			
General Government	215,440	231,806	(16,366)
Public Safety	40,000	43,103	(3,103)
Public Works/Infrastructure	190,000	219,297	(29,297)
Total Expenditures	445,440	494,206	(48,766)
Excess (Deficiency) of Revenues over Expenditures	25,538	(1,241)	(26,779)
OTHER FINANCING SOURCES (USES)			
Operating Transfer In	64,700	298,191	233,491
Operating Transfer Out	(90,238)	(201,156)	(110,918)
Total Other Financing Sources (Uses)	(25,538)	97,035	122,573
NET CHANGE IN FUND BALANCE	-	95,794	95,794
FUND BALANCE, BEGINNING OF YEAR		564,648	
FUND BALANCE, END OF YEAR		\$ 660,442	



**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, 2023 and 2022, 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 January 17, 2025.

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 2023-001 and 2023-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards 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
January 17, 2025

CITY OF HANKINSON, NORTH DAKOTA

SCHEDULE OF CURRENT YEAR FINDINGS

Years ended December 31, 2023 and 2022

2023-001 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.

2023-002 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 Current Year Findings – 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.

CITY OF HANKINSON, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended December 31, 2023 and 2022

Prior Financial Statement Findings

2021-001

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 2023-001.

2021-002

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 2023-002.