

CITY OF HANKINSON
HANKINSON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

City of Hankinson
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CITY OF HANKINSON
LIST OF OFFICIALS
DECEMBER 31, 2015

CITY COUNCIL

Office

Loren Hovel	Mayor
Terry Puetz	
Dwight Boucher	
Arnie Lovdokken	
Mary Bommersbach	
Kenneth Veit	
Alan Weiser	

EMPLOYEES	
Gary Nelson	City Auditor

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

City Council
City of Hankinson
Hankinson, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Hankinson as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hankinson as of December 31, 2015, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I 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 U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My 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 Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis 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 my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated November 14, 2016, on my considerations of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



West Fargo, North Dakota
November 14, 2016

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

CITY OF HANKINSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets:				
Cash, cash equivalents and investments	893,196.98	840,294.83	1,733,491.81	49,999.86
Non-current assets:				
Capital assets (net of accumulated depreciation)	6,009,392.16	3,070,490.00	9,079,882.16	340,000.00
Total Assets	6,902,589.14	3,910,784.83	10,813,373.97	389,999.86
LIABILITIES				
Current liabilities				
Accounts Payable			-	
Non-current liabilities:				
Due within one year:			-	
Bonds payable	330,000.00	69,996.00	399,996.00	
Notes payable	124,000.00	26,900.00	150,900.00	
Due after one year:			-	
Bonds payable	740,000.00	2,281,683.00	3,021,683.00	373,941.55
Notes payable	1,013,000.00	165,000.00	1,178,000.00	
Total liabilities	2,207,000.00	2,543,579.00	4,750,579.00	373,941.55
NET POSITION				
Net Investment in capital assets	3,802,392.16	526,911.00	4,329,303.16	(33,941.55)
Restricted for:			-	
Capital projects			-	
Debt service	667,694.12		667,694.12	
Unrestricted	225,502.86	840,294.83	1,065,797.69	49,999.86
Total net position	4,695,589.14	1,367,205.83	6,062,794.97	16,058.31

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

CITY OF HANKINSON
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues Charges for Services	Operating grants and Contributions	Revenue & Changes in Net Position Governmental Activities	Component Units
Governmental activities:					
General government	165,338.77			(165,338.77)	41,220.80
Public safety	34,919.50			(34,919.50)	-
Highways and streets	149,769.58		54,825.71	(94,943.87)	-
Economic development	139,323.96			(139,323.96)	-
Capital outlays	214,157.16			(214,157.16)	-
Interest expense	80,105.50	348,000.00		267,894.50	17,968.92
Depreciation- Unallocated	-			-	10,625.00
Total Governmental Activities	783,614.47	348,000.00	54,825.71	(380,788.76)	69,814.72
Business-type activities					
Water	162,821.79	176,729.31		13,907.52	
Sewer	35,404.24	60,912.86		25,508.62	
Garbage	75,579.65	76,983.90		1,404.25	
Water user fee	73,564.45	175,534.12		101,969.67	
Water tower	5,626.03	12,143.95		6,517.92	
Lagoon	1,032.00	8,374.37		7,342.37	
Capital outlay	119,214.00			(119,214.00)	
Ethanol plant	204,285.00	103,645.41		(100,639.59)	
Total Business-type activities	677,527.16	614,323.92	-	(63,203.24)	
Total	1,461,141.63	962,323.92	54,825.71	(443,992.00)	
Net expense		Governmental (380,788.76)	Business-type (63,203.24)	Total (443,992.00)	
General Revenues					
Taxes:					
Property taxes		207,753.84		207,753.84	
Sales taxes		168,823.18		168,823.18	
Special assessments		189,551.23		189,551.23	
Intergovernmental		101,010.99		101,010.99	
Interest income		9,490.67		9,490.67	
Licenses and permits		7,390.00		7,390.00	
Other revenue		150,517.96	3,180.22	153,698.18	63,339.99
Total General Revenues		834,537.87	3,180.22	837,718.09	63,339.99
Transfers in (out)		200,000.00	(200,000.00)	-	-
Change in Net Position		653,749.11	(260,023.02)	393,726.09	(6,474.73)
Net Position- January 1		4,041,840.03	1,627,228.85	5,669,068.88	22,533.04
Net Position- December 31		4,695,589.14	1,367,205.83	6,062,794.97	16,058.31

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

CITY OF HANKINSON
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2015

	GENERAL	2007-1	COMMUNITY CENTER	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	413,177.79	311,452.36	-	168,566.83	893,196.98
Due from other funds				407,420.27	
Total Assets	413,177.79	311,452.36	-	575,987.10	893,196.98
LIABILITIES					
Due to other funds			407,420.27		407,420.27
Total liabilities	-	-	407,420.27	-	407,420.27
NET POSITION					
Reserved for Capital Projects				-	-
Reserved for Debt Service		311,452.36		356,241.76	667,694.12
Restricted for other purposes			24,579.73	222,321.31	246,901.04
Unassigned	413,177.79		(432,000.00)	(2,575.97)	(21,398.18)
Total net position	413,177.79	311,452.36	(407,420.27)	575,987.10	893,196.98

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

CITY OF HANKINSON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2015

Total Fund Balances for Governmental Funds	893,196.98
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Total net position reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	7,200,038.46	
Less accumulated depreciation	1,190,646.30	
Net capital assets		6,009,392.16

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets. Balances at year end are:

Bonds payable	(1,070,000.00)
SRF Notes payable	(1,137,000.00)
Notes payable	-

Total Net Position of Governmental Activities	4,695,589.14
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The accompanying notes are an integral part of these financial statements.

CITY OF HANKINSON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	GENERAL	2007-1	COMMUNITY CENTER	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	163,301.53			44,452.31	207,753.84
Sales taxes			5,921.58	162,901.60	168,823.18
Special Assessments		14,659.85		174,891.38	189,551.23
Intergovernmental	90,119.60			65,717.10	155,836.70
Interest	9,490.67			-	9,490.67
Charges for services		435,000.00		15,574.61	450,574.61
Other	27,784.01		25,633.34	1,916.00	55,333.35
Total Revenues	290,695.81	449,659.85	31,554.92	465,453.00	1,237,363.58
Current:					
General government	105,450.87			59,887.90	165,338.77
Public safety	34,919.50			-	34,919.50
Highways and streets	118,793.86			30,975.72	149,769.58
Economic development			78,337.06	60,986.90	139,323.96
Capital outlays				7,907.45	7,907.45
Debt Service					
Principal		302,000.00		151,492.00	453,492.00
Interest expense		43,711.50		35,902.00	79,613.50
Total Expenditures	259,164.23	345,711.50	78,337.06	347,151.97	1,030,364.76
Excess revenues (expenditures)	31,531.58	103,948.35	(46,782.14)	118,301.03	206,998.82
Other Financing Sources (Uses):					
Transfers in	171,860.22		80,771.00	209,142.63	461,773.85
Transfers out	(106,590.10)	-	-	(155,183.75)	(261,773.85)
Bond proceeds	-	-	-	-	-
Total other financing sources and u	65,270.12	-	80,771.00	53,958.88	200,000.00
Net change in fund balances	96,801.70	103,948.35	33,988.86	172,259.91	406,998.82
Fund balance- January 1	316,376.09	207,504.01	(441,409.13)	403,727.19	486,198.16
Fund balance- December 31	413,177.79	311,452.36	(407,420.27)	575,987.10	893,196.98

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

CITY OF HANKINSON
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances- Total Governmental Funds 406,998.82

The change in net position reported for governmental activities in the statement of activities is different because:

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

Current year capital outlay	-	
Current year depreciation expense	206,249.71	(206,249.71)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 453,000.00
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Change in Net Position of Governmental Activities 653,749.11

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

CITY OF HANKINSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	836,987.06	3,307.77	840,294.83
Non-current assets:			
Capital assets (net of accumulated depreciation)	3,070,490.00		3,070,490.00
Total Assets	3,907,477.06	3,307.77	3,910,784.83
LIABILITIES			
Current liabilities:			
Accounts Payable			-
Non-current liabilities:			
Due within one year:			
Bonds payable	69,996.00		69,996.00
Notes payable	26,900.00		26,900.00
Due after one year:			
Bonds payable	2,281,683.00		2,281,683.00
Notes payable	165,000.00		165,000.00
Total liabilities	2,543,579.00	-	2,543,579.00
NET POSITION			
Net investment in capital assets	526,911.00	-	526,911.00
Restricted for:			
Capital projects	-		-
Debt service	-		-
Unrestricted	836,987.06	3,307.77	840,294.83
Total net position	1,363,898.06	3,307.77	1,367,205.83

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

CITY OF HANKINSON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	537,340.02	76,983.90	614,323.92
OPERATING EXPENSES			
Salaries	121,080.77	2,142.08	123,222.85
Employee benefits	30,794.02	695.22	31,489.24
Professional fees	-	-	-
Insurance	-	-	-
Contract services	81,996.21	72,742.35	154,738.56
Electricity	58,857.35		58,857.35
Supplies	21,877.86		21,877.86
Repairs and maintenance	67,441.77		67,441.77
Office expense	10,663.34	-	10,663.34
Depreciation	119,214.00		119,214.00
Miscellaneous	9,799.71	-	9,799.71
Total operating expenses	521,725.03	75,579.65	597,304.68
Operating income (loss)	15,614.99	1,404.25	17,019.24
NON-OPERATING REVENUE (EXPENSE)			
Property taxes	-		-
Interest income	-		-
Grant income	-		-
Interest expense	(80,222.48)		(80,222.48)
Capital outlay	-		-
Other	3,180.22		3,180.22
Total non-operating rev (exp)	(77,042.26)	-	(77,042.26)
Income (loss) before transfers	(61,427.27)	1,404.25	(60,023.02)
Transfers in	75,295.36		75,295.36
Transfers out	(275,295.36)	-	(275,295.36)
Change in net position	(261,427.27)	1,404.25	(260,023.02)
Net Position- January 1	1,625,325.33	1,903.52	1,627,228.85
Net Position- December 31	1,363,898.06	3,307.77	1,367,205.83

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

CITY OF HANKINSON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	537,340.02	76,983.90	614,323.92
Payments to suppliers	(281,430.26)	(73,437.57)	(354,867.83)
Payments to employees	(121,080.77)	(2,142.08)	(123,222.85)
Other receipts	3,180.22	-	3,180.22
Net cash provided by (used in) operating activities	138,009.21	1,404.25	139,413.46
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	75,295.36	-	75,295.36
Transfers from other funds	(275,295.36)	-	(275,295.36)
Net cash provided by (used in) noncapital financing activities	(200,000.00)	-	(200,000.00)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Principal paid on capital debt	(96,308.00)	-	(96,308.00)
Interest paid on capital debt	(80,222.48)	-	(80,222.48)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financing activities	(176,530.48)	-	(176,530.48)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(238,521.27)	1,404.25	(237,117.02)
Balance- beginning of year	1,075,508.33	1,903.52	1,077,411.85
Balance- end of year	836,987.06	3,307.77	840,294.83
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	15,614.99	1,404.25	17,019.24
Adjustments to reconcile operating income to net cash provided by operating activities:	-	-	-
Depreciation expense	119,214.00	-	119,214.00
Change in assets and liabilities:	-	-	-
Refundable deposits	-	-	-
Miscellaneous receipts (expense)	3,180.22	-	3,180.22
Net cash provided by operating activities	138,009.21	1,404.25	139,413.46

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

CITY OF HANKINSON
 COMBINING STATEMENT OF NET ASSETS- COMPONENT UNITS
 DECEMBER 31, 2015

	LIBRARY	HOUSING AUTHORITY	TOTAL
ASSETS			
Cash and investments	11,104.97	38,894.89	49,999.86
Accounts receivable			-
Taxes receivable			-
Intergovernmental receivable			-
Contract for deed			-
Capital assets (net of accumulated depreciation)		340,000.00	340,000.00
Total Assets	11,104.97	378,894.89	389,999.86
LIABILITIES			
Accounts Payable			-
Salaries and benefits payable			-
Deferred revenue			-
Long-term liabilities:			
Due within one year:			
Bonds payable			-
Notes payable			-
Due after one year:			
Bonds payable		373,941.55	373,941.55
Notes payable			-
Total liabilities	-	373,941.55	373,941.55
NET ASSETS			
Invested in capital assets, net of related debt		(33,941.55)	(33,941.55)
Restricted for:			
Capital projects			-
Debt service			-
Unrestricted	11,104.97	38,894.89	49,999.86
Total net assets	11,104.97	4,953.34	16,058.31

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

CITY OF HANKINSON
 COMBINING STATEMENT OF ACTIVITIES- COMPONENT UNITS
 YEAR ENDED DECEMBER 31, 2015

	LIBRARY	HOUSING AUTHORITY	TOTAL
Expenditures			
General government	36,427.21	4,793.59	41,220.80
Public safety			-
Highways and streets			-
Economic development			-
Other capital outlays			-
Interest expense		17,968.92	17,968.92
Depreciation- Unallocated		10,625.00	10,625.00
Total Expenditures	36,427.21	33,387.51	69,814.72
Revenue			
Property taxes			-
Intergovernmental			-
Charges for services		35,020.09	35,020.09
Miscellaneous	24,833.28	3,448.64	28,281.92
Interest income	-	37.98	37.98
Total Revenues	24,833.28	38,506.71	63,339.99
Change in Net Assets	(11,593.93)	5,119.20	(6,474.73)
Net Assets- January 1	22,698.90	(165.86)	22,533.04
Net Assets- December 31	11,104.97	4,953.34	16,058.31

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

CITY OF HANKINSON
HANKINSON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hankinson (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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 City's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on these criteria, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF HANKINSON

Notes to Financial Statements- Continued

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

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following fund types:

General Fund. The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Storm drain 2007-1. The storm drain fund is used to account for the bond proceeds and related construction cost for the project.

Community Center- The Community Center fund is used to account for the donations and other revenue and related construction cost for the community center.

The City reports the following major enterprise funds:

Water and sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

CITY OF HANKINSON
Notes to Financial Statements- Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

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

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

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

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

CITY OF HANKINSON
Notes to Financial Statements- Continued

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. All government-wide financial statements would be presented on the accrual basis of accounting.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

Based upon available financial information and requests by the city council, the auditor prepares the City budget. The budget is prepared for the general, special revenue, and debt service funds on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

City taxes must be levied by the governing board on or before October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

CITY OF HANKINSON
Notes to Financial Statements- Continued

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2003. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

CITY OF HANKINSON
Notes to Financial Statements- Continued

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF HANKINSON
Notes to Financial Statements- Continued

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has not set a General Fund minimum fund balance target.

I. 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.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF HANKINSON
Notes to Financial Statements- Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2015 as follows:

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution 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 deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any City, 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, 2015, the City's carrying amount of deposits was \$1,733,492. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,483,492 was collateralized with securities held by the pledging financial institution's agent in the government's name.

CITY OF HANKINSON
Notes to Financial Statements- Continued

Credit Risk

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

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

CITY OF HANKINSON
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

	Balance Jan 1	Increases	Decreases	Balance December 31
Government activities				
Capital assets, being depreciated				
Infrastructure	4,863,347			4,863,347
Bldgs and Improvements	1,988,449			1,988,449
Vehicles & Equipment	348,242			348,242
Total	7,200,038			7,200,038
Less accumulated depreciation for:				
Infrastructure	535,450	145,739		681,189
Buildings & Improve	201,453	45,149		246,602
Vehicles & Equip	247,493	15,362		262,855
Total Accumulated Dep	984,396	206,250		1,190,646
Total Cap Assets Being Depreciated, Net	6,215,642			6,009,392
Total net	6,215,642			6,009,392
Business-type activities:				
Capital assets, being depreciated				
Bldgs and Improvements	80,000			80,000
Vehicles & Equipment	217,300			217,300
Infrastructure	4,366,181			4,366,181
Total	4,638,881			4,663,481
Less accumulated depreciation for:				
Buildings & Improve	80,000			80,000
Vehicles & Equipment	178,225	10,050		188,275
Infrastructure	1,215,552	109,164		1,324,716
Total	1,473,777	119,214		1,592,991
Total Cap Assets Being Depreciated, Net	3,189,704			3,070,490
Total net	3,189,704			3,070,490

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

Governmental Activities:	
General government	10,364
Economic development	35,655
Public works	14,492
Infrastructure	145,739
Total	206,250

Business-type Activities:	
Water and sewer	119,214

CITY OF HANKINSON
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term debt:

	Payable 2014	Increases	Decreases	Payable 2015	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	1,400,000		330,000	1,070,000	330,000
SRF Notes	1,260,000		123,000	1,137,000	124,000
Lease payable					
TOTAL	2,660,000		453,000	2,207,000	
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	2,421,087		69,408	2,351,679	69,996
SRF Notes	218,800		26,900	191,900	26,900
TOTAL	2,639,887		96,308	2,543,579	

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding imp bonds- 1998	05/01/2017	3.85-4.45%	30,000
Refunding imp bonds- 2001	05/01/2017	3.85-4.45%	10,000
Refunding imp bonds- 2015	05/01/2017	4.6-5.4%	1,030,000
Total			1,070,000
BUSINESS-TYPE ACTIVITIES			
Wastewater expansion	11/01/2015	2.5%	1,775,000
Refunding imp bonds- 2004	05/01/2017	3.85-4.45%	87,679
Refunding imp bonds- 2004	05/01/2017	3.85-4.45%	489,000
Total			2,351,679

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Special Assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay debt service requirements. Whenever all special assessments appropriated and collected for a special assessment district are insufficient to pay principal and interest then due on special assessment improvement bonds issued against such improvement district, the city is required to levy a deficiency levy upon all taxable property in the City.

CITY OF HANKINSON
Notes to Financial Statements- Continued

SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Water treatment bonds-1998	03/01/2017	2.5%	23,000
Water treatment bonds-2000	03/01/2017	2.5%	25,000
Water treatment bonds-2001	03/01/2017	2.5%	510,000
Water treatment bonds-2005	03/01/2017	2.5%	72,000
Water treatment bonds-2005	03/01/2017	2.5%	67,000
Water treatment bonds-2005	03/01/2017	2.5%	440,000
Total			1,137,000
BUSINESS-TYPE ACTIVITIES			
Water Treatment-1998	09/01/2015	2.5%	61,900
Water treatment bonds-1995	03/01/2017	2.5%	130,000
Total			191,900

The annual long-term debt service requirements for bonds payable, as of December 31, 2015, are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending December 31	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
2016	330,000	35,350	124,000	19,600
2017	320,000	23,052	126,000	17,000
2018	320,000	10,656	136,000	14,350
2019	20,000	3,960	136,000	11,550
2020	20,000	3,080	135,000	8,750
2021-2025	60,000	3,960	294,000	16,800
2026-2030			186,000	4,050
TOTAL	1,070,000	80,058	1,137,000	92,100
2016	69,996	72,787	27,100	4,797
2017	70,586	71,238	27,300	4,120
2018	70,678	69,671	27,500	3,438
2019	76,273	67,751	27,600	2,750
2020	76,872	65,461	32,800	2,060
2021-2025	427,438	290,194	49,600	1,865
2026-2030	491,374	220,731		
2031-2035	578,778	135,638		
2036-2040	437,184	36,673		
2041-2043	52,500	2,400		
TOTAL	2,351,679	1,032,544	191,900	19,030

CITY OF HANKINSON
Notes to Financial Statements- Continued

NOTE 7. RESERVED OR DESIGNATED FUND EQUITY

Fund equity in the various funds has been reserved or designated for the following purposes:

Reserved:

Governmental-	
General	206,791
Capital	206,387
	<hr/>
Total	413,178
Enterprise funds-	
Water Fund	
Debt	120,000
Water reserve	169,545
Equipment	
E & E	4,950
Sewer Fund	
Debt service	
Sewer reserve	65,277
	<hr/>
Total	359,772
Designated:	
Designated for debt service	667,694

NOTE 8. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2015:

Comm center 432,000 Will be eliminated with grants/taxes.
Sewer 2007-1 2,576 Will be eliminated with grants/transfers.

NOTE 9: TRANSFERS

The City transfers operating revenues between funds. A schedule of the transfers is on page 35.

CITY OF HANKINSON
Notes to Financial Statements- Continued

NOTE 10: PENSION PLANS
NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The City participates in the North Dakota Public Employees Retirement System (NDPERS) - 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.

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits 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 seven 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; and one member elected by the retired public employees.

B. PENSION BENEFITS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 of (65). The annual 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. The plan permits early retirement at ages 55-64 with three or more years of service.

CITY OF HANKINSON
Notes to Financial Statements- Continued

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.

C. 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, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

D. 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.

CITY OF HANKINSON

Notes to Financial Statements- Continued

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 25 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

E. MEMBER AND EMPLOYER CONTRIBUTIONS

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

F. PENSION EXPENSE RELATED TO PENSIONS

\$150,211 reported as expense related to pensions resulting from Employer contributions for the year ended June 30, 2015.

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, 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 with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

CITY OF HANKINSON

Notes to Financial Statements- Continued

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

CITY OF HANKINSON

Notes to Financial Statements- Continued

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 11: RISK MANAGEMENT

The City 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF HANKINSON
SCHEDULE OF ACTIVITY
DECEMBER 31, 2015

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN(OUT)	ENDING BALANCE
	-----	-----	-----	-----	-----
100 GENERAL	0.00	290,695.81	259,164.23	(31,531.58)	0.00
101 CAPITAL EXP RESERVE	106,094.76	-		100,695.90	206,790.66
102 GENERAL RESERVES	210,281.33		-	(3,894.20)	206,387.13
201 HIGHWAY DISTRIBUTION	30,975.72	54,825.71	30,975.72	(54,825.71)	-
202 SOCIAL SECURITY	-				-
203 CITY SHARE SPECIALS	4,508.10	4,620.00	7,907.45		1,220.65
205 FORESTRY	2,383.81				2,383.81
206 EMERGENCY	-	7,700.00	-	(7,700.00)	-
209 CITY WEEDS & MISC SPEC	10,289.73	15,574.61	9,253.94		16,610.40
213 BUILDING	64,306.07	26,180.00	35,749.96		54,736.11
214 SHARE COUNTY ROADS	-	3,191.39	-	(3,191.39)	-
215 CITY SALES TAX	26,327.03	80,771.65	50,221.39		56,877.29
216 CITY LODGING TAX	1,168.95	1,358.95	600.00		1,927.90
217 CITY SALES TAX- EQ RES	8,177.76		8,177.76		(0.00)
220 COMMUNITY CENTER	(456,000.00)	5,921.58	5,921.58	24,000.00	(432,000.00)
225 CITY SALES TAX- COMM C	-	80,771.00	-	(80,771.00)	-
300 INVESTMENT	68,344.89	-		3,248.43	71,593.32
303 CDC SPECIALS 1998	37,347.85	9,538.50	12,899.00		33,987.35
311 SEWER WATER 2007-1	6,320.63	13,838.40	22,735.00		(2,575.97)
312 SPECIALS 2007-I PHASE III	207,504.01	449,659.85	345,711.50		311,452.36
313 ETHANOL PLANT RES	-	-		200,000.00	200,000.00
316 FRANCIS DRIVE	-	5,447.22	-	(5,447.22)	-
317 STORM DRAIN 2009-1	33,149.34	34,298.25	29,650.00		37,797.59
501 WATER	-	193,551.71	177,210.67	(16,341.04)	-
502 SEWER	(0.00)	75,628.99	49,793.12	(25,835.87)	(0.00)
503 GARBAGE	1,903.52	76,983.90	75,579.65		3,307.77
504 WATER REV/USER FEE	28,643.85	175,534.12	169,872.45		34,305.52
505 WATER TOWER DEBT	24,926.50	12,143.95	5,626.03	(550.00)	30,894.42
507 LIFT STATION 1999	18,630.04	3,456.95	5,827.50		16,259.49
509 SPECIALS 2000/2001 B	78,743.74	108,312.06	116,282.50		70,773.30
513 WATER FUND RESERVE	124,799.04			44,745.49	169,544.53
514 SEWER FUND RESERVE	35,276.90			29,999.87	65,276.77
515 WATER FUND DEBT SVC	120,000.00				120,000.00
516 WATER TOWER E&E	4,400.00			550.00	4,950.00
520 WATER EQUIPMENT RES	28,404.45		-	(28,404.45)	-
525 SEWER EQUIPMENT RES	4,164.00		-	(4,164.00)	-
530 HRE ETHANOL PLANT	691,696.88	104,064.86	204,285.00	(200,000.00)	391,476.74
535 COMMUNITY CENTER OP	-	25,633.34	72,415.48	46,782.14	-
536 COMMUNITY CENTER RES	14,590.87	-		9,988.86	24,579.73
540 WELCOME SIGN	1,634.47	1,435.00	1,987.75		1,081.72
550 150TH CELEBRATION	8,859.21	481.00	26.07	4,000.00	13,314.14
604 LAGOON 2002-1	13,196.71	8,374.37	1,032.00		20,539.08
611 HOUSING AUTHORITY	3,248.43		-	(3,248.43)	(0.00)
704 LIBRARY	(688.58)	13,652.31	14,857.93	1,894.20	-
	-----	-----	-----	-----	-----
	1,563,610.01	1,883,645.48	1,713,763.68	(0.00)	1,733,491.81

CITY OF HANKINSON

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2015

City of Hankinson
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Harold J. Rotunda

Certified Public Accountant

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

City Council
City of Hankinson
Hankinson, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hankinson as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Hankinson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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 a 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2015-1).

Compliance and Other Matters

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

City's Response to Findings

City of Hankinson's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Hankinson's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harold Rotunda, CPA
November 14, 2016

CITY OF HANKINSON
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities		Unmodified	
Major Funds		Unmodified	
Aggregate Remaining Fund Information		Unmodified	

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiencies identified not Considered to be material weaknesses?	_____ <u>X</u> _____	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	_____ <u>X</u> _____	No

Section II- Financial Statement Findings

Finding No. 2015-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

CITY OF HANKINSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Recommendation

While I recognize that the City office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the City.

Client Response

At the present time, the City has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.