

# **AUDIT REPORT**

**CITY OF HETTINGER  
Hettinger, North Dakota**

**For the Years Ended December 31, 2016 and 2015**

**RATH & MEHRER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF HETTINGER  
Hettinger, North Dakota

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For the Years Ended December 31, 2016 and 2015

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CITY OF HETTINGER  
Hettinger, North Dakota

CITY OFFICIALS

Richard Wyman	Mayor
Curt Drolc	Council Member
Kim Markegard	Council Member
Suzanne Reuther	Council Member
Darin Seamands	Council Member
Patricia Carroll	Auditor

# Rath & Mehner, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Hettinger  
Hettinger, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of and for the years ended December 31, 2016 and 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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of December 31, 2016 and 2015, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2017 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 5, 2017

CITY OF HETTINGER

Management's Discussion and Analysis

December 31, 2016 and 2015

The Management's Discussion and Analysis (MD&A) of the City of Hettinger's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2016 and 2015. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2016 are as follows:

- \* Total net position of the city decreased \$297,528 as a result of the current year's operations. Net position of the governmental activities decreased \$322,616 and net position of the business-type activities increased \$25,088.
- \* Governmental net position totaled \$2,455,314 and business-type net position totaled \$407,649.
- \* Total revenues from all sources were \$832,190 for governmental activities and \$368,254 for business-type activities.
- \* Total expenses were \$1,154,806 for governmental activities and \$343,166 for business-type activities.
- \* The city's general fund had \$309,531 in total revenues and \$364,333 in total expenditures. There was a total of \$19,951 received from other financing sources. Overall, the general fund balance decreased by \$34,851 for the year ended December 31, 2016.

Key financial highlights for the year ended December 31, 2015 are as follows:

- \* Total net position of the city increased \$107,283 as a result of the current year's operations. Net position of the governmental activities increased \$76,446 and net position of the business-type activities increased \$30,837.
- \* Governmental net position totaled \$2,777,929 and business-type net position totaled \$382,561.
- \* Total revenues from all sources were \$1,512,519 for governmental activities and \$358,542 for business-type activities.
- \* Total expenses were \$1,436,074 for governmental activities and \$327,704 for business-type activities.
- \* The city's general fund had \$305,687 in total revenues and \$339,600 in total expenditures. Overall, the general fund balance decreased by \$33,913 for the year ended December 31, 2015.

## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- \* Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- \* Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

## REPORTING ON THE CITY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2016 and 2015?"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works and urban and economic development. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and sanitation.

#### **REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

##### Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, highway tax fund, sales tax fund, capital projects #1 fund and special street improvements fund are considered "major governmental funds". The city's water fund and sewer fund are considered "major enterprise funds".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" or "Other Enterprise Fund".

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Table I provides a summary of the city's net position as of December 31, 2016 and 2015. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position decreased by \$297,528 and increased by \$107,283 for the years ended December 31, 2016 and 2015, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2016, the city's net position of \$2,862,963 is segregated into three separate categories. Net investment in capital assets represents 27% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 21% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 52% of the city's net position and is available to meet the city's ongoing obligations.



Table I

Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,763,312	318,951
Capital Assets (net of accumulated depreciation)	692,002	88,698
Total Assets	<u>2,455,314</u>	<u>407,649</u>
<u>Net Position</u>		
Net Investment in Capital Assets	692,002	88,698
Restricted	608,357	
Unrestricted	1,154,954	318,951
Total Net Position	<u>2,455,314</u> =====	<u>407,649</u> =====

As of December 31, 2015, the city's net position of \$3,160,490 is segregated into three separate categories. Net investment in capital assets represents 26% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 30% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 44% of the city's net position and is available to meet the city's ongoing obligations.

Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	2,037,348	294,257
Capital Assets (net of accumulated depreciation)	740,581	98,304
Total Assets	<u>2,777,929</u>	<u>392,561</u>
<u>Liabilities</u>		
Current Liabilities		10,000
<u>Net Position</u>		
Net Investment in Capital Assets	740,581	88,304
Restricted	934,974	
Unrestricted	1,102,374	294,257
Total Net Position	<u>2,777,929</u> =====	<u>382,561</u> =====

Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b><u>Assets</u></b>		
Current Assets	1,912,324	263,814
Capital Assets (net of accumulated depreciation)	789,160	107,910
<b>Total Assets</b>	<b>2,701,484</b>	<b>371,724</b>
<b><u>Liabilities</u></b>		
Current Liabilities		10,000
Long-Term Liabilities		10,000
<b>Total Liabilities</b>		<b>20,000</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	789,160	87,910
Restricted	819,783	
Unrestricted	1,092,540	263,814
<b>Total Net Position</b>	<b>2,701,484</b>	<b>351,724</b>
	=====	=====

Table II shows the changes in net position for the fiscal years ended December 31, 2016 and 2015. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II

Changes in Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<b><u>Program Revenues:</u></b>		
Charges for Services	148,199	365,946
Operating Grants and Contributions	129,370	
<b><u>General Revenues:</u></b>		
Property Taxes	76,277	
Other Taxes	330,096	
Intergovernmental - Unrestricted	81,294	
Interest Earnings and Other Revenue	66,953	2,307
<b>Total Revenues</b>	<b>832,190</b>	<b>368,254</b>
<b>Expenses</b>		
General Government	183,841	
Public Safety	120,000	
Streets and Public Works	724,119	
Culture and Recreation	92,692	
Urban and Economic Development	5,718	
Other	28,435	
Water		318,168
Sewer		23,270
Sanitation		1,727
<b>Total Expenses</b>	<b>1,154,806</b>	<b>343,166</b>
<b>Net Change in Position</b>	<b>(322,616)</b>	<b>25,088</b>
	=====	=====

Property taxes constituted 6%, other taxes 27%, unrestricted intergovernmental 7%, grants and contributions 11%, and charges for services made up 43% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 12%, public safety 8%, streets and public works 48%, and enterprise 23% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	166,309	356,345
Operating Grants and Contributions	739,054	
<u>General Revenues:</u>		
Property Taxes	74,669	
Other Taxes	362,575	
Intergovernmental - Unrestricted	114,548	
Interest Earnings and Other Revenue	55,366	2,196
<b>Total Revenues</b>	<u>1,512,519</u>	<u>358,542</u>
<b>Expenses</b>		
General Government	155,063	
Public Safety	140,913	
Streets and Public Works	958,722	
Culture and Recreation	108,937	
Urban and Economic Development	19,221	
Other	53,217	
Water		304,422
Sewer		22,722
Sanitation		560
<b>Total Expenses</b>	<u>1,436,074</u>	<u>327,704</u>
<b>Net Change in Position</b>	<u>76,446</u> =====	<u>30,837</u> =====

Property taxes constituted 4%, other taxes 19%, unrestricted intergovernmental 6%, grants and contributions 39%, and charges for services made up 28% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 9%, public safety 8%, streets and public works 54%, and enterprise 19% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	158,078	302,450
Operating Grants and Contributions	158,061	
<u>General Revenues:</u>		
Property Taxes	86,358	
Other Taxes	331,038	
Intergovernmental - Unrestricted	100,825	
Interest Earnings and Other Revenue	64,537	1,263
<b>Total Revenues</b>	898,895	303,713
<b>Expenses</b>		
General Government	140,314	
Public Safety	120,443	
Streets and Public Works	383,084	
Culture and Recreation	55,102	
Urban and Economic Development	19,346	
Other	111,260	
Water		254,977
Sewer Sanitation		32,202
		1,200
<b>Total Expenses</b>	829,549	288,379
<b>Net Change in Position</b>	69,346	15,334

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2016

	<u>Total Cost Year Ended Dec. 31, 2016</u>	<u>Net Cost Year Ended Dec. 31, 2016</u>
General Government	183,841	149,378
Public Safety	120,000	119,625
Streets and Public Works	724,119	516,238
Culture and Recreation	92,692	67,841
Urban and Economic Development	5,718	5,718
Other	28,435	18,435
<b>Total Expenses</b>	1,154,806	877,237

Total and Net Cost of Services  
As of December 31, 2015

	<u>Total Cost</u> <u>Year Ended</u> <u>Dec. 31, 2015</u>	<u>Net Cost</u> <u>Year Ended</u> <u>Dec. 31, 2015</u>
General Government	155,063	101,201
Public Safety	140,913	140,213
Streets and Public Works	958,722	189,884
Culture and Recreation	108,937	41,974
Urban and Economic Development	19,221	19,221
Other	53,217	38,217
 Total Expenses	<u>1,436,074</u> =====	<u>530,711</u> =====

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$832,190 and expenditures of \$1,106,227 for the year ended December 31, 2016. For the year ended December 31, 2015, the city's governmental funds had total revenue of \$1,512,519 and expenditures of \$1,387,495. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$282,842. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$317,693.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2016 and 2015, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2016 was \$15,747 less than budgeted. Actual expenditures for the year ended December 31, 2016 were under budget by \$132,032. This variance was due to the city overestimating appropriations for various purposes.

Actual revenue for the year ended December 31, 2015 was \$11,626 more than budgeted. Actual expenditures for the year ended December 31, 2015 were under budget by \$129,390. This variance was due to the city overestimating appropriations for general government type purposes.

**CAPITAL ASSETS**

As of December 31, 2016 and 2015, the city had \$780,700 and \$838,885, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2016, 2015 and 2014.

Table IV

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	521,605	72,298
Machinery and Vehicles	165,397	11,400
 Total (net of depreciation)	<u>692,002</u> =====	<u>88,698</u> =====

This total represents a decrease of \$58,185 in capital assets from January 1, 2016.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	542,138	80,004
Machinery and Vehicles	193,443	13,300
Total (net of depreciation)	740,581	98,304

This total represents a decrease of \$58,185 in capital assets from January 1, 2015.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Land	5,000	5,000
Buildings and Infrastructure	562,671	87,710
Machinery and Vehicles	221,489	15,200
Total (net of depreciation)	789,160	107,910

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2016, the city had no outstanding debt. As of December 31, 2015, the city had \$10,000 in outstanding debt which was due within one year.

During fiscal years 2016 and 2015, the city issued no new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 5 to the audited financial statements which follow this analysis.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Patricia Carroll, City Auditor, Hettinger, ND.

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	1,763,311.66	318,950.96	2,082,262.62
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	521,605.00	72,298.00	593,903.00
Machinery and Vehicles	165,397.00	11,400.00	176,797.00
Total Capital Assets	692,002.00	88,698.00	780,700.00
Total Assets	2,455,313.66	407,648.96	2,862,962.62
<b>NET POSITION:</b>			
Net Investment in Capital Assets	692,002.00	88,698.00	780,700.00
Restricted for:			
Special Purposes	608,357.27		608,357.27
Unrestricted	1,154,954.39	318,950.96	1,473,905.35
Total Net Position	2,455,313.66	407,648.96	2,862,962.62

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	2,037,348.46	294,256.99	2,331,605.45
Capital Assets (net of accumulated depreciation):			
Land	5,000.00	5,000.00	10,000.00
Buildings and Infrastructure	542,138.00	80,004.00	622,142.00
Machinery and Vehicles	193,443.00	13,300.00	206,743.00
Total Capital Assets	740,581.00	98,304.00	838,885.00
Total Assets	2,777,929.46	392,560.99	3,170,490.45
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Revenue Bonds Payable		10,000.00	10,000.00
<b>NET POSITION:</b>			
Net Investment in Capital Assets	740,581.00	88,304.00	828,885.00
Restricted for:			
Special Purposes	934,974.32		934,974.32
Unrestricted	1,102,374.14	294,256.99	1,396,631.13
Total Net Position	2,777,929.46	382,560.99	3,160,490.45

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



CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b><u>Functions/Programs</u></b>					
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
General Government	183,841.11	34,462.77		(149,378.34)	(149,378.34)
Public Safety	120,000.00	375.00		(119,625.00)	(119,625.00)
Streets and Public Works	724,119.09	113,361.11	94,519.54	(516,238.44)	(516,238.44)
Culture and Recreation	92,692.13		24,850.83	(67,841.30)	(67,841.30)
Urban and Economic Development	5,718.40			(5,718.40)	(5,718.40)
Other	28,435.19		10,000.00	(18,435.19)	(18,435.19)
<b>Total Governmental Activities</b>	<b>1,154,805.92</b>	<b>148,198.88</b>	<b>129,370.37</b>	<b>(877,236.67)</b>	<b>(877,236.67)</b>
<b><u>Business-Type Activities:</u></b>					
Water	318,168.18	321,055.52		2,887.34	2,887.34
Sewer	23,270.35	44,890.70		21,620.35	21,620.35
Sanitation	1,727.10			(1,727.10)	(1,727.10)
<b>Total Business-Type Activities</b>	<b>343,165.63</b>	<b>365,946.22</b>		<b>22,780.59</b>	<b>22,780.59</b>
<b>Total Primary Government</b>	<b>1,497,971.55</b>	<b>514,145.10</b>	<b>129,370.37</b>	<b>(877,236.67)</b>	<b>22,780.59</b>
-----					
<b><u>General Revenues:</u></b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes				70,745.86	70,745.86
Property taxes; levied for special purposes				5,531.39	5,531.39
Sales taxes				297,887.17	297,887.17
Lodging taxes				24,166.96	24,166.96
Telecommunications taxes				1,931.83	1,931.83
Cigarette taxes				3,710.65	3,710.65
Homestead tax credit				1,844.95	1,844.95
Disabled veterans tax credit				554.91	554.91
Intergovernmental revenue not restricted to specific programs				81,293.68	81,293.68
Earnings on investments and other revenue				66,953.47	69,260.85
<b>Total General Revenues</b>				<b>554,620.87</b>	<b>2,307.38</b>
<b>Change in Net Position</b>				<b>(322,615.80)</b>	<b>25,087.97</b>
<b>Net Position - January 1</b>				<b>2,777,929.46</b>	<b>382,560.99</b>
<b>Net Position - December 31</b>				<b>2,455,313.66</b>	<b>407,648.96</b>
=====					

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2015

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b><u>Functions/Programs</u></b>					
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
General Government	155,063.23	53,862.27		(101,200.96)	(101,200.96)
Public Safety	140,913.49	700.00		(140,213.49)	(140,213.49)
Streets and Public Works	958,722.26	111,746.64	657,091.34	(189,884.28)	(189,884.28)
Culture and Recreation	108,936.80		66,962.35	(41,974.45)	(41,974.45)
Urban and Economic Development	19,220.68			(19,220.68)	(19,220.68)
Other	53,217.38		15,000.00	(38,217.38)	(38,217.38)
<b>Total Governmental Activities</b>	<b>1,436,073.84</b>	<b>166,308.91</b>	<b>739,053.69</b>	<b>(530,711.24)</b>	<b>(530,711.24)</b>
<b><u>Business-Type Activities:</u></b>					
Water	304,422.46	312,024.93			7,602.47
Sewer	22,721.85	44,320.35			21,598.50
Sanitation	560.00				(560.00)
<b>Total Business-Type Activities</b>	<b>327,704.31</b>	<b>356,345.28</b>			<b>28,640.97</b>
<b>Total Primary Government</b>	<b>1,763,778.15</b>	<b>522,654.19</b>	<b>739,053.69</b>	<b>(530,711.24)</b>	<b>28,640.97</b>
<b>-----</b>					
<b><u>General Revenues:</u></b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes			49,825.49		49,825.49
Property taxes; levied for special purposes			24,843.23		24,843.23
Sales taxes			341,174.06		341,174.06
Lodging taxes			13,058.91		13,058.91
Telecommunications taxes			1,931.83		1,931.83
Cigarette taxes			3,979.24		3,979.24
Homestead tax credit			1,797.98		1,797.98
Disabled veterans tax credit			632.58		632.58
Intergovernmental revenue not restricted to specific programs			114,547.86		114,547.86
Earnings on investments and other revenue			55,365.64	2,196.48	57,562.12
<b>Total General Revenues</b>			<b>607,156.82</b>	<b>2,196.48</b>	<b>609,353.30</b>
<b>Change in Net Position</b>			<b>76,445.58</b>	<b>30,837.45</b>	<b>107,283.03</b>
<b>Net Position - January 1</b>			<b>2,701,483.88</b>	<b>351,723.54</b>	<b>3,053,207.42</b>
<b>Net Position - December 31</b>			<b>2,777,929.46</b>	<b>382,560.99</b>	<b>3,160,490.45</b>
<b>=====</b>					

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

CITY OF HETTINGER  
Hettinger, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2016

	Major Funds						Total Governmental Funds
	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	
282,841.90	130,164.65	463,350.84	395,893.67	429,361.78	61,698.82	1,763,311.66	
	130,164.65	463,350.84					
			395,893.67	429,361.78	46,857.04		
282,841.90	130,164.65	463,350.84	395,893.67	429,361.78	61,698.82	1,763,311.66	

ASSETS:

Cash, Cash Equivalents and  
Investments

FUND BALANCES:

Restricted for:  
Streets and Public Works 130,164.65  
Urban and Economic Development 463,370.93  
Emergency Purposes 14,821.69  
Committed to:  
Capital Projects 442,750.71  
Special Street Improvements 429,361.78  
Unassigned 282,841.90

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

CITY OF HETTINGER  
Hettinger, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2015

	Major Funds						Total Governmental Funds
	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	
ASSETS:							
Cash, Cash Equivalents and Investments	317,692.68	130,367.83	775,899.15	330,319.68	429,361.78	53,707.34	2,037,348.46
=====							
FUND BALANCES:							
Restricted for:							
General Government						19,801.26	19,801.26
Streets and Public Works		130,367.83					130,367.83
Culture and Recreation						150.12	150.12
Urban and Economic Development			775,899.15			332.12	776,231.27
Emergency Purposes						8,423.84	8,423.84
Committed to:							
Capital Projects				330,319.68			355,319.68
Special Street Improvements					429,361.78		429,361.78
Unassigned	317,692.68						317,692.68
=====							
Total Fund Balances	317,692.68	130,367.83	775,899.15	330,319.68	429,361.78	53,707.34	2,037,348.46
=====							

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

CITY OF HETTINGER  
Hettinger, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds		1,763,311.66
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	1,555,638.00	
Less Accumulated Depreciation	(863,636.00)	
Net Capital Assets	<hr/>	692,002.00
Total Net Position of Governmental Activities		<hr/> <u>2,455,313.66</u> =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2015

Total Fund Balances for Governmental Funds		2,037,348.46
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	1,555,638.00	
Less Accumulated Depreciation	(815,057.00)	
Net Capital Assets	<hr/>	740,581.00
Total Net Position of Governmental Activities		<hr/> <u>2,777,929.46</u> =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2016

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	94,912.82		297,887.17			5,531.39	398,331.38
Licenses, Permits and Fees	34,462.77					939.83	34,462.77
Intergovernmental	113,247.02	94,519.54	10,000.00				218,706.39
Charges for Services	375.00			90,781.49		22,579.62	113,736.11
Miscellaneous	66,533.47	420.00					66,953.47
<b>Total Revenues</b>	<b>309,531.08</b>	<b>94,939.54</b>	<b>307,887.17</b>	<b>90,781.49</b>		<b>29,050.84</b>	<b>832,190.12</b>
<u>Expenditures:</u>							
Current:							
General Government	183,841.11						183,841.11
Public Safety	120,000.00						120,000.00
Streets and Public Works		95,142.72	567,000.29	25,207.50		722.58	688,073.09
Culture and Recreation	60,492.13		25,000.00				85,492.13
Urban and Economic Development						385.40	385.40
Other			28,435.19				28,435.19
<b>Total Expenditures</b>	<b>364,333.24</b>	<b>95,142.72</b>	<b>620,435.48</b>	<b>25,207.50</b>		<b>1,107.98</b>	<b>1,106,226.92</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(54,802.16)</b>	<b>(203.18)</b>	<b>(312,548.31)</b>	<b>65,573.99</b>		<b>27,942.86</b>	<b>(274,036.80)</b>





CITY OF HETTINGER  
 Hettinger, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Modified Cash Basis  
 Governmental Funds  
 For the Year Ended December 31, 2015

Major Funds

	General	Highway Tax	Sales Tax	Capital Projects #1	Special Street Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes	62,884.40		341,174.06			24,843.23	428,901.69
Licenses, Permits and Fees	53,862.27						53,862.27
Intergovernmental	155,253.04	106,239.33	565,788.45			34,662.36	861,943.18
Charges for Services	700.00			89,481.71		22,264.93	112,446.64
Miscellaneous	32,987.41	6,033.23				16,345.00	55,365.64
<b>Total Revenues</b>	<b>305,687.12</b>	<b>112,272.56</b>	<b>906,962.51</b>	<b>89,481.71</b>		<b>98,115.52</b>	<b>1,512,519.42</b>
<b>Expenditures:</b>							
Current:							
General Government	141,361.20					13,702.03	155,063.23
Public Safety	140,000.00					913.49	140,913.49
Streets and Public Works	1,101.21	67,985.94	785,589.11	68,000.00		56,599.15	922,676.26
Culture and Recreation	45,137.65					1,887.68	101,736.80
Urban and Economic Development	12,000.00						13,887.68
Other			53,217.38				53,217.38
<b>Total Expenditures</b>	<b>339,600.06</b>	<b>67,985.94</b>	<b>838,806.49</b>	<b>68,000.00</b>		<b>73,102.35</b>	<b>1,387,494.84</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(33,912.94)</b>	<b>44,286.62</b>	<b>68,156.02</b>	<b>21,481.71</b>		<b>25,013.17</b>	<b>125,024.58</b>

<u>Other Financing Sources (Uses):</u>					
Transfers In			6,231.69		30,379.96
Transfers Out	(6,231.69)	24,148.27	(24,148.27)		(30,379.96)
<hr/>					
Total Other Financing Sources (Uses)	(6,231.69)	24,148.27	(17,916.58)		
<hr/>					
Net Change in Fund Balances	(33,912.94)	44,286.62	61,924.33	21,481.71	24,148.27
					7,096.59
					125,024.58
<hr/>					
Fund Balance - January 1	351,605.62	86,081.21	713,974.82	308,837.97	405,213.51
					46,610.75
					1,912,323.88
<hr/>					
Fund Balance - December 31	317,692.68	130,367.83	775,899.15	330,319.68	429,361.78
					53,707.34
					2,037,348.46
<hr/>					

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

CITY OF HETTINGER  
 Hettinger, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
 For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds	(274,036.80)
--	--------------

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

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

	0.00	
Current Year Capital Outlay	(48,579.00)	(48,579.00)
Current Year Depreciation Expense	<u>                    </u>	<u>                    </u>
Change in Net Position of Governmental Activities		(322,615.80) =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	125,024.58
--	------------

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(48,579.00)	(48,579.00)
Change in Net Position of Governmental Activities		76,445.58 =====

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Other Enterprise Fund	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	198,618.28	120,332.68		318,950.96
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depr):				
Land	5,000.00			5,000.00
Buildings and Infrastructure	41,098.00	31,200.00		72,298.00
Vehicles and Machinery	6,000.00	5,400.00		11,400.00
Total Noncurrent Assets	52,098.00	36,600.00		88,698.00
 Total Assets	 250,716.28	 156,932.68	 -0-	 407,648.96
<b>NET POSITION</b>				
Net Investment in Capital Assets	52,098.00	36,600.00		88,698.00
Unrestricted	198,618.28	120,332.68		318,950.96
 Total Net Position	 250,716.28	 156,932.68	 -0-	 407,648.96

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2015

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Other Enterprise Fund	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	190,957.56	101,572.33	1,727.10	294,256.99
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depr):				
Land	5,000.00			5,000.00
Buildings and Infrastructure	42,564.00	37,440.00		80,004.00
Vehicles and Machinery	7,000.00	6,300.00		13,300.00
Total Noncurrent Assets	54,564.00	43,740.00		98,304.00
 Total Assets	 245,521.56	 145,312.33	 1,727.10	 392,560.99
=====				
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Revenue Bonds Payable		10,000.00		10,000.00
 <b>NET POSITION</b>				
Net Investment in Capital Assets	54,564.00	33,740.00		88,304.00
Unrestricted	190,957.56	101,572.33	1,727.10	294,256.99
 Total Net Position	 245,521.56	 135,312.33	 1,727.10	 382,560.99
=====				

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Other Enterprise Fund	
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water User Fees	316,094.15			316,094.15
Bulk Water Sales	2,582.00			2,582.00
Water Reconnect Fees	1,341.87			1,341.87
New Water Connection Fees	1,037.50			1,037.50
Sewer Charges		44,890.70		44,890.70
<b>Total Operating Revenues</b>	<b>321,055.52</b>	<b>44,890.70</b>		<b>365,946.22</b>
<u>Operating Expenses:</u>				
Administrative Fees	8,000.04			8,000.04
Utilities	4,229.83	944.73		5,174.56
Water	220,921.88			220,921.88
Meters	575.92			575.92
Telephone	456.43			456.43
Printing and Publishing	241.80			241.80
Postage	2,344.08			2,344.08
Travel, Dues and Memberships	1,110.10			1,110.10
Operations and Maintenance	73,771.20	14,910.62		88,681.82
Office Supplies and Equipment	3,951.98			3,951.98
City Clean-Up			1,727.10	1,727.10
Miscellaneous	98.92			98.92
Depreciation	2,466.00	7,140.00		9,606.00
<b>Total Operating Expenses</b>	<b>318,168.18</b>	<b>22,995.35</b>	<b>1,727.10</b>	<b>342,890.63</b>
<b>Operating Income (Loss)</b>	<b>2,887.34</b>	<b>21,895.35</b>	<b>(1,727.10)</b>	<b>23,055.59</b>
<u>Non-Operating Revenues (Expenses):</u>				
Miscellaneous Revenue	2,307.38			2,307.38
Debt Service - Interest		(250.00)		(250.00)
- Service Charges		(25.00)		(25.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>2,307.38</b>	<b>(275.00)</b>		<b>2,032.38</b>
<b>Change in Net Position</b>	<b>5,194.72</b>	<b>21,620.35</b>	<b>(1,727.10)</b>	<b>25,087.97</b>
<b>Net Position - January 1</b>	<b>245,521.56</b>	<b>135,312.33</b>	<b>1,727.10</b>	<b>382,560.99</b>
<b>Net Position - December 31</b>	<b>250,716.28</b>	<b>156,932.68</b>	<b>-0-</b>	<b>407,648.96</b>

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2015

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Other Enterprise Fund	
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water User Fees	299,720.30			299,720.30
Bulk Water Sales	9,791.00			9,791.00
Water Reconnect Fees	1,076.13			1,076.13
New Water Connection Fee	1,437.50			1,437.50
New Sewer Connection Fee		100.00		100.00
Sewer Charges		44,220.35		44,220.35
<b>Total Operating Revenues</b>	<b>312,024.93</b>	<b>44,320.35</b>		<b>356,345.28</b>
<u>Operating Expenses:</u>				
Administrative Fees	8,000.04			8,000.04
Utilities	4,113.61	1,028.92		5,142.53
Water	230,684.36			230,684.36
Meters	677.60			677.60
Telephone	469.90			469.90
Printing and Publishing	14.40			14.40
Postage	2,345.00			2,345.00
Travel, Dues and Memberships	708.60			708.60
Operations and Maintenance	50,636.74	13,977.93		64,614.67
Office Supplies and Equipment	4,251.40			4,251.40
City Clean-Up			560.00	560.00
Miscellaneous	54.81			54.81
Depreciation	2,466.00	7,140.00		9,606.00
<b>Total Operating Expenses</b>	<b>304,422.46</b>	<b>22,146.85</b>	<b>560.00</b>	<b>327,129.31</b>
<b>Operating Income (Loss)</b>	<b>7,602.47</b>	<b>22,173.50</b>	<b>(560.00)</b>	<b>29,215.97</b>
<u>Non-Operating Revenues (Expenses):</u>				
Miscellaneous Revenue	1,446.48	750.00		2,196.48
Debt Service - Interest		(500.00)		(500.00)
- Service Charges		(75.00)		(75.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,446.48</b>	<b>175.00</b>		<b>1,621.48</b>
<b>Change in Net Position</b>	<b>9,048.95</b>	<b>22,348.50</b>	<b>(560.00)</b>	<b>30,837.45</b>
<b>Net Position - January 1</b>	<b>236,472.61</b>	<b>112,963.83</b>	<b>2,287.10</b>	<b>351,723.54</b>
<b>Net Position - December 31</b>	<b>245,521.56</b>	<b>135,312.33</b>	<b>1,727.10</b>	<b>382,560.99</b>

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



CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2016

	Major Enterprise Funds		Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer		
<u>Cash flows from operating activities:</u>				
Receipts from customers	321,055.52	44,890.70		365,946.22
Payments to suppliers	(315,702.18)	(15,855.35)	(1,727.10)	(333,284.63)
Net cash provided (used) by operating activities	5,353.34	29,035.35	(1,727.10)	32,661.59
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts	2,307.38			2,307.38
<u>Cash flows from capital and related financing activities:</u>				
Principal payments		(10,000.00)		(10,000.00)
Interest payments		(250.00)		(250.00)
Service charges		(25.00)		(25.00)
Net cash provided (used) by capital and related financing activities		(10,275.00)		(10,275.00)
Net increase in cash and cash equivalents	7,660.72	18,760.35	(1,727.10)	24,693.97
Cash and cash equivalents, January 1	190,957.56	101,572.33	1,727.10	294,256.99
Cash and cash equivalents, December 31	198,618.28	120,332.68	-0-	318,950.96
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	2,887.34	21,895.35	(1,727.10)	23,055.59
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	2,466.00	7,140.00		9,606.00
Net cash provided (used) by operating activities	5,353.34	29,035.35	(1,727.10)	32,661.59
=====				

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

CITY OF HETTINGER  
Hettinger, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2015

	Major Enterprise Funds		Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer		
<u>Cash flows from operating activities:</u>				
Receipts from customers	312,024.93	44,320.35		356,345.28
Payments to suppliers	(301,956.46)	(15,006.85)	(560.00)	(317,523.31)
Net cash provided (used) by operating activities	10,068.47	29,313.50	(560.00)	38,821.97
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts	1,446.48	750.00		2,196.48
<u>Cash flows from capital and related financing activities:</u>				
Principal payments		(10,000.00)		(10,000.00)
Interest payments		(500.00)		(500.00)
Service charges		(75.00)		(75.00)
Net cash provided (used) by capital and related financing activities		(10,575.00)		(10,575.00)
Net increase in cash and cash equivalents	11,514.95	19,488.50	(560.00)	30,443.45
Cash and cash equivalents, January 1	179,442.61	82,083.83	2,287.10	263,813.54
Cash and cash equivalents, December 31	190,957.56	101,572.33	1,727.10	294,256.99
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	7,602.47	22,173.50	(560.00)	29,215.97
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	2,466.00	7,140.00		9,606.00
Net cash provided (used) by operating activities	10,068.47	29,313.50	(560.00)	38,821.97
=====				

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

CITY OF HETTINGER  
Hettinger, North Dakota

Notes to the Financial Statements  
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hettinger operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Hettinger as a reporting entity.

B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the city's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

*General Fund.* This is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Highway Tax.* This fund accounts for the state highway distribution tax used for street repairs and maintenance.

*Sales Tax.* This fund accounts for the city's sales tax collections which are used for urban and economic development.

*Capital Projects #1.* This fund accounts for charges on the city's monthly utility billings that have been committed to capital improvements.

*Special Street Improvements.* This fund accounts for the accumulation of resources to be used for a future city-wide chip seal project.

The city reports the following major enterprise funds:

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

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

#### C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting

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

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

If the city utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit stated at cost.

#### E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 years

#### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

#### G. Long-Term Obligations

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

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

#### H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### I. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2016 the city's carrying amount of deposits was \$2,082,263 and the bank balance was \$2,097,236. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,597,236 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2015 the city's carrying amount of deposits was \$2,331,605 and the bank balance was \$2,356,730. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$1,856,730 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

At December 31, 2016 the city held certificates of deposit in the amount of \$1,556,978, which are all considered deposits.

At December 31, 2015 the city held certificates of deposit in the amount of \$1,542,445, which are all considered deposits.

#### Concentration of Credit Risk

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



Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,140,000			1,140,000
Machinery and Vehicles	410,638			410,638
<b>Total</b>	<b>1,550,638</b>			<b>1,550,638</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	597,862	20,533		618,395
Machinery and Vehicles	217,195	28,046		245,241
<b>Total</b>	<b>815,057</b>	<b>48,579</b>		<b>863,636</b>
<b>Total capital assets being depreciated, net</b>	<b>735,581</b>	<b>(48,579)</b>		<b>687,002</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>740,581</b>	<b>(48,579)</b>	<b>-0-</b>	<b>692,002</b>

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,140,000			1,140,000
Machinery and Vehicles	410,638			410,638
<b>Total</b>	<b>1,550,638</b>			<b>1,550,638</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	577,329	20,533		597,862
Machinery and Vehicles	189,149	28,046		217,195
<b>Total</b>	<b>766,478</b>	<b>48,579</b>		<b>815,057</b>
<b>Total capital assets being depreciated, net</b>	<b>784,160</b>	<b>(48,579)</b>		<b>735,581</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>789,160</b>	<b>(48,579)</b>	<b>-0-</b>	<b>740,581</b>

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	346,000			346,000
Machinery and Vehicles	19,000			19,000
<b>Total</b>	<b>365,000</b>			<b>365,000</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	265,996	7,706		273,702
Machinery and Vehicles	5,700	1,900		7,600
<b>Total</b>	<b>271,696</b>	<b>9,606</b>		<b>281,302</b>
<b>Total capital assets being depreciated, net</b>	<b>93,304</b>	<b>(9,606)</b>		<b>83,698</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>98,304</b>	<b>(9,606)</b>	<b>-0-</b>	<b>88,698</b>

2015

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not   being depreciated:</i>				
Land	5,000			5,000
<i>Capital assets   being depreciated:</i>				
Buildings and Infrastructure	346,000			346,000
Machinery and Vehicles	19,000			19,000
<b>Total</b>	<b>365,000</b>			<b>365,000</b>
<i>Less accumulated   depreciation for:</i>				
Buildings and Infrastructure	258,290	7,706		265,996
Machinery and Vehicles	3,800	1,900		5,700
<b>Total</b>	<b>262,090</b>	<b>9,606</b>		<b>271,696</b>
<b>Total capital assets being depreciated, net</b>	<b>102,910</b>	<b>(9,606)</b>		<b>93,304</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>107,910</b>	<b>(9,606)</b>	-0-	<b>98,304</b>

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

	<u>2016</u>	<u>2015</u>
<b><u>Governmental Activities:</u></b>		
Streets and Public Works	36,046	36,046
Culture and Recreation	7,200	7,200
Urban and Economic Development	5,333	5,333
<b>Total</b>	<b>48,579</b>	<b>48,579</b>
<b><u>Business-type Activities:</u></b>		
Water	2,466	2,466
Sewer	7,140	9,140
<b>Total</b>	<b>9,606</b>	<b>9,606</b>

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2016 and 2015, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Business-type Activities (Proprietary Funds):

	<u>2016</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue Bonds	10,000	-0-	10,000	-0-	-0-
	=====	=====	=====	=====	=====
	<u>2015</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue Bonds	20,000	-0-	10,000	10,000	10,000
	=====	=====	=====	=====	=====

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2016</u>		
General	19,951.38	
Social Security		5,122.55
Advertising		8,564.71
Insurance Reserve		6,114.00
Shade Tree Project		150.12
To close funds.		
<u>December 31, 2015</u>		
Armory	6,231.69	
Sales Tax		6,231.69
To close fund.		
Special Street Improvements	24,148.27	
Capital Projects #2		24,148.27
To set aside funds for future improvements.		

Note 7 RISK MANAGEMENT

The City of Hettinger is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$397,425 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$845,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	96,678.12	96,678.12	94,912.82	(1,765.30)
Licenses, Permits and Fees	48,300.00	48,300.00	34,462.77	(13,837.23)
Intergovernmental	151,200.00	151,200.00	113,247.02	(37,952.98)
Charges for Services	600.00	600.00	375.00	(225.00)
Miscellaneous	28,500.00	28,500.00	66,533.47	38,033.47
<b>Total Revenues</b>	<b>325,278.12</b>	<b>325,278.12</b>	<b>309,531.08</b>	<b>(15,747.04)</b>
<u>Expenditures:</u>				
Current:				
General Government	241,140.00	241,140.00	183,841.11	57,298.89
Public Safety	122,000.00	122,000.00	120,000.00	2,000.00
Culture and Recreation	93,475.00	93,475.00	60,492.13	32,982.87
Urban and Economic Development	39,750.00	39,750.00		39,750.00
<b>Total Expenditures</b>	<b>496,365.00</b>	<b>496,365.00</b>	<b>364,333.24</b>	<b>132,031.76</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(171,086.88)</b>	<b>(171,086.88)</b>	<b>(54,802.16)</b>	<b>116,284.72</b>
<u>Other Financing Sources:</u>				
Transfers In			19,951.38	19,951.38
<b>Net Change in Fund Balances</b>	<b>(171,086.88)</b>	<b>(171,086.88)</b>	<b>(34,850.78)</b>	<b>136,236.10</b>
<b>Fund Balance - January 1</b>	<b>317,692.68</b>	<b>317,692.68</b>	<b>317,692.68</b>	
<b>Fund Balance - December 31</b>	<b>146,605.80</b>	<b>146,605.80</b>	<b>282,841.90</b>	<b>136,236.10</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	76,850.78	76,850.78	62,884.40	(13,966.38)
Licenses, Permits and Fees	47,600.00	47,600.00	53,862.27	6,262.27
Intergovernmental	141,110.00	141,110.00	155,253.04	14,143.04
Charges for Services	500.00	500.00	700.00	200.00
Miscellaneous	28,000.00	28,000.00	32,987.41	4,987.41
<b>Total Revenues</b>	<b>294,060.78</b>	<b>294,060.78</b>	<b>305,687.12</b>	<b>11,626.34</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	243,290.00	243,290.00	141,361.20	101,928.80
Public Safety	167,000.00	167,000.00	140,000.00	27,000.00
Streets and Public Works	10,700.00	10,700.00	1,101.21	9,598.79
Culture and Recreation	36,000.00	36,000.00	45,137.65	(9,137.65)
Urban and Economic Development	12,000.00	12,000.00	12,000.00	
<b>Total Expenditures</b>	<b>468,990.00</b>	<b>468,990.00</b>	<b>339,600.06</b>	<b>129,389.94</b>
<b>Net Change in Fund Balances</b>	<b>(174,929.22)</b>	<b>(174,929.22)</b>	<b>(33,912.94)</b>	<b>141,016.28</b>
<b>Fund Balance - January 1</b>	<b>351,605.62</b>	<b>351,605.62</b>	<b>351,605.62</b>	
<b>Fund Balance - December 31</b>	<b>176,676.40</b>	<b>176,676.40</b>	<b>317,692.68</b>	<b>141,016.28</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Tax Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	100,000.00	100,000.00	94,519.54	(5,480.46)
Miscellaneous	500.00	500.00	420.00	(80.00)
<b>Total Revenues</b>	<b>100,500.00</b>	<b>100,500.00</b>	<b>94,939.54</b>	<b>(5,560.46)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	122,000.00	122,000.00	95,142.72	26,857.28
<b>Net Change in Fund Balances</b>	<b>(21,500.00)</b>	<b>(21,500.00)</b>	<b>(203.18)</b>	<b>21,296.82</b>
<b>Fund Balance - January 1</b>	<b>130,367.83</b>	<b>130,367.83</b>	<b>130,367.83</b>	
<b>Fund Balance - December 31</b>	<b>108,867.83</b>	<b>108,867.83</b>	<b>130,164.65</b>	<b>21,296.82</b>



CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Tax Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	110,000.00	110,000.00	106,239.33	(3,760.67)
Miscellaneous			6,033.23	6,033.23
<b>Total Revenues</b>	<b>110,000.00</b>	<b>110,000.00</b>	<b>112,272.56</b>	<b>2,272.56</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	162,000.00	162,000.00	67,985.94	94,014.06
<b>Net Change in Fund Balances</b>	<b>(52,000.00)</b>	<b>(52,000.00)</b>	<b>44,286.62</b>	<b>96,286.62</b>
<b>Fund Balance - January 1</b>	<b>86,081.21</b>	<b>86,081.21</b>	<b>86,081.21</b>	
<b>Fund Balance - December 31</b>	<b>34,081.21</b>	<b>34,081.21</b>	<b>130,367.83</b>	<b>96,286.62</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	300,000.00	300,000.00	297,887.17	(2,112.83)
Intergovernmental			10,000.00	10,000.00
<b>Total Revenues</b>	<b>300,000.00</b>	<b>300,000.00</b>	<b>307,887.17</b>	<b>7,887.17</b>
<b>Expenditures:</b>				
Current:				
Streets and Public Works	296,500.00	530,435.48	567,000.29	(36,564.81)
Culture and Recreation	75,000.00	75,000.00	25,000.00	50,000.00
Other	15,000.00	15,000.00	28,435.19	(13,435.19)
<b>Total Expenditures</b>	<b>386,500.00</b>	<b>620,435.48</b>	<b>620,435.48</b>	
<b>Net Change in Fund Balances</b>	<b>(86,500.00)</b>	<b>(320,435.48)</b>	<b>(312,548.31)</b>	<b>7,887.17</b>
<b>Fund Balance - January 1</b>	<b>775,899.15</b>	<b>775,899.15</b>	<b>775,899.15</b>	
<b>Fund Balance - December 31</b>	<b>689,399.15</b>	<b>455,463.67</b>	<b>463,350.84</b>	<b>7,887.17</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	300,000.00	300,000.00	341,174.06	41,174.06
Intergovernmental			565,788.45	565,788.45
<b>Total Revenues</b>	<b>300,000.00</b>	<b>300,000.00</b>	<b>906,962.51</b>	<b>606,962.51</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	545,000.00	818,806.49	785,589.11	33,217.38
Other	20,000.00	20,000.00	53,217.38	(33,217.38)
<b>Total Expenditures</b>	<b>565,000.00</b>	<b>838,806.49</b>	<b>838,806.49</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(265,000.00)</b>	<b>(538,806.49)</b>	<b>68,156.02</b>	<b>606,962.51</b>
<u>Other Financing (Uses):</u>				
Transfers Out			(6,231.69)	(6,231.69)
<b>Net Change in Fund Balances</b>	<b>(265,000.00)</b>	<b>(538,806.49)</b>	<b>61,924.33</b>	<b>600,730.82</b>
<b>Fund Balance - January 1</b>	<b>713,974.82</b>	<b>713,974.82</b>	<b>713,974.82</b>	
<b>Fund Balance - December 31</b>	<b>448,974.82</b>	<b>175,168.33</b>	<b>775,899.15</b>	<b>600,730.82</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budgets for the years ending December 31, 2016 and 2015:

	<u>2016</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Sales Tax	386,500	233,935	620,435
Job Development	27,000	385	27,385
	<u>2015</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Appropriations</u>		
<u>Special Revenue Funds</u>			
Sales Tax	565,000	273,806	838,806
Fire Department		913	913
Armory	39,475	17,124	56,599

CITY OF HETTINGER  
Hettinger, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<b>Major Governmental Funds</b>						
General Fund	317,692.68	309,531.08	19,951.38		364,333.24	282,841.90
Highway Tax	130,367.83	94,939.54			95,142.72	130,164.65
Sales Tax	775,899.15	307,887.17			620,435.48	463,350.84
Capital Projects #1	330,319.68	90,781.49			25,207.50	395,893.67
Special Street Improvements	429,361.78					429,361.78
<b>Total Major Governmental Funds</b>	<b>1,983,641.12</b>	<b>803,139.28</b>	<b>19,951.38</b>		<b>1,105,118.94</b>	<b>1,701,612.84</b>
<b>Non-Major Governmental Funds</b>						
Social Security	5,122.55				5,122.55	
Advertising	8,564.71				8,564.71	
Emergency	8,423.84	6,397.85				14,821.69
Insurance Reserve	6,114.00				6,114.00	
Job Development	332.12	73.37			385.40	20.09
Shade Tree Project	150.12				150.12	
Capital Projects #2	25,000.00	22,579.62			722.58	46,857.04
<b>Total Non-Major Governmental Funds</b>	<b>53,707.34</b>	<b>29,050.84</b>		<b>19,951.38</b>	<b>1,107.98</b>	<b>61,698.82</b>
<b>Total Governmental Funds</b>	<b>2,037,348.46</b>	<b>832,190.12</b>	<b>19,951.38</b>	<b>19,951.38</b>	<b>1,106,226.92</b>	<b>1,763,311.66</b>
<b>Major Enterprise Funds</b>						
Water	190,957.56	323,362.90			315,702.18	198,618.28
Sewer	101,572.33	44,890.70			26,130.35	120,332.68
<b>Total Major Enterprise Funds</b>	<b>292,529.89</b>	<b>368,253.60</b>			<b>341,832.53</b>	<b>318,950.96</b>
<b>Non-Major Enterprise Fund</b>						
Sanitation	1,727.10				1,727.10	
<b>Total Enterprise Funds</b>	<b>294,256.99</b>	<b>368,253.60</b>			<b>343,559.63</b>	<b>318,950.96</b>
<b>Total All Funds</b>	<b>2,331,605.45</b>	<b>1,200,443.72</b>	<b>19,951.38</b>	<b>19,951.38</b>	<b>1,449,786.55</b>	<b>2,082,262.62</b>

CITY OF HETTINGER  
Hettinger, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<b><u>Major Governmental Funds</u></b>						
General Fund	351,605.62	305,687.12			339,600.06	317,692.68
Highway Tax	86,081.21	112,272.56			67,985.94	130,367.83
Sales Tax	713,974.82	906,962.51		6,231.69	838,806.49	775,899.15
Capital Projects #1	308,837.97	89,481.71			68,000.00	330,319.68
Special Street Improvements	405,213.51		24,148.27			429,361.78
<b>Total Major Governmental Funds</b>	<b>1,865,713.13</b>	<b>1,414,403.90</b>	<b>24,148.27</b>	<b>6,231.69</b>	<b>1,314,392.49</b>	<b>1,983,641.12</b>
<b><u>Non-Major Governmental Funds</u></b>						
Social Security	1,431.28	9,358.15			5,666.88	5,122.55
Advertising	6,544.82	2,019.89				8,564.71
Fire Department	913.49				913.49	
Armory		50,367.46	6,231.69		56,599.15	
Emergency	3,019.59	5,404.25				8,423.84
Insurance Reserve	7,642.67	6,506.48			8,035.15	6,114.00
Job Development	25.44	2,194.36			1,887.68	332.12
Shade Tree Project	150.12					150.12
Capital Projects #2	26,883.34	22,264.93		24,148.27		25,000.00
<b>Total Non-Major Governmental Funds</b>	<b>46,610.75</b>	<b>98,115.52</b>	<b>6,231.69</b>	<b>24,148.27</b>	<b>73,102.35</b>	<b>53,707.34</b>
<b>Total Governmental Funds</b>	<b>1,912,323.88</b>	<b>1,512,519.42</b>	<b>30,379.96</b>	<b>30,379.96</b>	<b>1,387,494.84</b>	<b>2,037,348.46</b>
<b><u>Major Enterprise Funds</u></b>						
Water	179,442.61	313,471.41			301,956.46	190,957.56
Sewer	82,083.83	45,070.35			25,581.85	101,572.33
<b>Total Major Enterprise Funds</b>	<b>261,526.44</b>	<b>358,541.76</b>			<b>327,538.31</b>	<b>292,529.89</b>
<b><u>Non-Major Enterprise Fund</u></b>						
Sanitation	2,287.10				560.00	1,727.10
<b>Total Enterprise Funds</b>	<b>263,813.54</b>	<b>358,541.76</b>			<b>328,098.31</b>	<b>294,256.99</b>
<b>Total All Funds</b>	<b>2,176,137.42</b>	<b>1,871,061.18</b>	<b>30,379.96</b>	<b>30,379.96</b>	<b>1,715,593.15</b>	<b>2,331,605.45</b>

# Rath & Mehrer, P.C.

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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Hettinger  
Hettinger, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hettinger, Hettinger, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated May 5, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

### Compliance and Other Matters

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

### City's Response to Findings

The city's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 5, 2017



CITY OF HETTINGER  
Hettinger, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2016 and 2015

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

\* Material weakness(es) identified?                   Yes              X   No

\* Significant deficiency(ies) identified?         X   Yes                   None Reported

Noncompliance Material to financial  
statements noted?                                           Yes              X   No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

*Effect:* There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

*Recommendation:* Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

## 2. Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2016 and 2015 are prepared by the city's external auditors.

*Criteria:* A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.