

AUDIT REPORT

CITY OF STANTON
Stanton, North Dakota

For the Years Ended December 31, 2017 and 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF STANTON
Stanton, North Dakota

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CITY OF STANTON
Stanton, North Dakota

CITY OFFICIALS

Ron Boyko	Mayor
Marvin Ballensky	Council Member
Tom Sayler	Council Member
Ryan Vigesaa	Council Member
Sarah Miller	City Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Stanton
Stanton, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Stanton, Stanton, North Dakota, as of and for the years ended December 31, 2017 and 2016, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Stanton, North Dakota, as of December 31, 2017 and 2016, 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 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 August 10, 2018 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

August 10, 2018

CITY OF STANTON

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the City of Stanton's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2017 and 2016. 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 years are required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Total net position of the city decreased \$82,223 as a result of the current year's operations. Net position of the governmental activities increased \$28,961 and net position of the business-type activities decreased \$111,184.
- * Governmental net position totaled \$588,089 and business-type net position totaled \$830,701.
- * Total revenues from all sources were \$241,463 for governmental activities and \$766,840 for business-type activities.
- * Total expenses were \$254,001 for governmental activities and \$836,525 for business-type activities.
- * The city's general fund had \$207,871 in total revenues and \$136,605 in total expenditures. There was a total of \$130,139 paid from other financing uses. Overall, the general fund balance decreased by \$58,873 for the year ended December 31, 2017.

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

- * Total net position of the city decreased \$117,898 as a result of the current year's operations. Net position of the governmental activities decreased \$8,383 and net position of the business-type activities decreased \$109,515.
- * Governmental net position totaled \$559,127 and business-type net position totaled \$941,885.
- * Total revenues from all sources were \$264,415 for governmental activities and \$660,889 for business-type activities.
- * Total expenses were \$272,798 for governmental activities and \$770,404 for business-type activities.
- * The city's general fund had \$223,792 in total revenues and \$117,200 in total expenditures. Overall, the general fund balance increased by \$106,592 for the year ended December 31, 2016.

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, 2017 and 2016?"

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 culture and recreation. Business-type activities are where the city's enterprise services are reported including, but not limited to water, sewer, garbage and electric services.

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 and highway fund are considered "major governmental funds". The city's water fund, sewer fund, garbage fund and electric 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".

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2017 and 2016. 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 \$82,223 and \$117,898 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2017, the city's net position of \$1,418,790 is segregated into three separate categories. Net investment in capital assets represents 48% 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 2% 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 50% of the city's net position and is available to meet the city's ongoing obligations.

Table I
Net Position
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	333,912	403,373
Capital Assets (net of accumulated depreciation)	257,653	427,328
Total Assets	591,565	830,701
<u>Liabilities</u>		
Long-Term Liabilities	3,476	
<u>Net Position</u>		
Net Investment in Capital Assets	257,653	427,328
Restricted	21,126	
Unrestricted	309,309	403,373
Total Net Position	588,089	830,701
	=====	=====

As of December 31, 2016, the city's net position of \$1,501,012 is segregated into three separate categories. Net investment in capital assets represents 49% 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 1% 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 50% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	292,753	486,416
Capital Assets (net of accumulated depreciation)	272,025	455,469
Total Assets	564,778	941,885
<u>Liabilities</u>		
Long-Term Liabilities	5,651	
<u>Net Position</u>		
Net Investment in Capital Assets	272,025	455,469
Restricted	17,708	
Unrestricted	269,394	486,416
Total Net Position	559,127	941,885
	=====	=====

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	287,082	567,791
Capital Assets (net of accumulated depreciation)	286,396	483,610
Total Assets	<u>573,478</u>	<u>1,051,401</u>
<u>Liabilities</u>		
Long-Term Liabilities	<u>5,968</u>	
<u>Net Position</u>		
Net Investment in Capital Assets	286,396	483,610
Restricted	16,812	
Unrestricted	264,302	567,791
Total Net Position	<u>567,510</u> =====	<u>1,051,401</u> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. 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, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Revenues</u>		
<u>Program Revenues:</u>		
Charges for Services	5,980	764,553
Operating Grants and Contributions	33,543	
<u>General Revenues:</u>		
Property Taxes	52,639	
Other Taxes	113,843	
Intergovernmental - Unrestricted	22,557	
Interest Earnings and Other Revenue	12,901	2,287
Total Revenues	<u>241,463</u>	<u>766,840</u>
<u>Expenses</u>		
General Government	136,175	
Public Safety	11,827	
Streets and Public Works	89,503	
Urban and Economic Development	2,214	
Culture and Recreation	13,430	
Other	852	
Water		153,577
Sewer		65,918
Garbage		86,899
Electric		530,132
Total Expenses	<u>254,001</u>	<u>836,525</u>
Net Change in Position Before Transfers	<u>(12,538)</u>	<u>(69,685)</u>
Transfers	<u>41,499</u>	<u>(41,499)</u>
Net Change in Position	<u>28,962</u> =====	<u>(111,184)</u> =====

Property taxes constituted 5%, unrestricted intergovernmental 2%, operating grants and contributions 3%, and charges for services made up 76% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 12%, public safety 1%, streets and public works 8%, and enterprise 77% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	6,996	640,791
Operating Grants and Contributions	29,730	5,290
<u>General Revenues:</u>		
Property Taxes	68,200	
Other Taxes	108,945	
Intergovernmental - Unrestricted	25,323	
Interest Earnings and Other Revenue	25,220	14,808
Total Revenues	<u>264,415</u>	<u>660,889</u>
Expenses		
General Government	114,937	
Public Safety	11,827	
Streets and Public Works	127,085	
Urban and Economic Development	5,749	
Culture and Recreation	10,420	
Other	2,780	
Water		137,817
Sewer		151,049
Garbage		70,063
Electric		411,476
Total Expenses	<u>272,798</u>	<u>770,404</u>
Net Change in Position	<u>(8,383)</u> =====	<u>(109,515)</u> =====

Property taxes constituted 7%, unrestricted intergovernmental 3%, operating grants and contributions 4%, and charges for services made up 70% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 11%, public safety 1%, streets and public works 12%, and enterprise 74% 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>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	6,972	640,038
Operating Grants and Contributions	32,609	
<u>General Revenues:</u>		
Property Taxes	57,786	
Other Taxes	121,878	
Intergovernmental - Unrestricted	202,303	
Interest Earnings and Other Revenue	14,769	22,807
Total Revenues	<u>436,318</u>	<u>662,845</u>
Expenses		
General Government	136,810	
Public Safety	11,827	
Streets and Public Works	102,509	
Urban and Economic Development	2,838	
Culture and Recreation	11,749	
Other	1,865	
Water		303,298
Sewer		66,999
Garbage		65,035
Electric		368,256
Total Expenses	<u>267,597</u>	<u>803,589</u>
Net Change in Position Before Transfers	<u>168,721</u>	<u>(140,744)</u>
Transfers	<u>(164,842)</u>	<u>164,842</u>
Net Change in Position	<u>3,879</u> =====	<u>24,098</u> =====

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, 2017

	Total Cost Year Ended <u>Dec. 31, 2017</u>	Net Cost Year Ended <u>Dec. 31, 2017</u>
General Government	136,175	130,560
Public Safety	11,827	11,462
Streets and Public Works	89,503	63,643
Urban and Economic Development	2,214	2,214
Culture and Recreation	13,430	5,747
Other	852	852
Total Expenses	<u>254,001</u> =====	<u>214,477</u> =====

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

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	114,937	109,547
Public Safety	11,827	10,221
Streets and Public Works	127,085	105,221
Urban and Economic Development	5,749	5,749
Culture and Recreation	10,420	2,554
Other	2,780	2,780
 Total Expenses	 <u>272,798</u> =====	 <u>236,071</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 \$241,463 and expenditures of \$241,804 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$264,415 and expenditures of \$258,744. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$327,134 and total unassigned fund balance for all the city's governmental funds was \$303,260. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$386,007 and total unassigned fund balance for all the city's governmental funds was \$265,520.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2017 and 2016, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2017 was \$7,365 more than budgeted. Actual expenditures for the year ended December 31, 2017 were under budget by \$65,838. This variance was mainly due to the city overestimating appropriations for general government purposes.

Actual revenue for the year ended December 31, 2016 was \$33,167 less than budgeted. This variance was due to the city overestimating revenues from various intergovernmental sources. Actual expenditures for the year ended December 31, 2016 were under budget by \$72,683. This variance was mainly due to the city overestimating appropriations for general government purposes.

CAPITAL ASSETS

As of December 31, 2017 and 2016, the city had \$684,981 and \$727,494, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2017, 2016 and 2015.

Table IV

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	199,173	427,328
Machinery and Vehicles	58,480	
Total (net of depreciation)	<u>257,653</u>	<u>427,328</u>
	=====	=====

This total represents a decrease of \$42,513 in capital assets from January 1, 2017.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	208,227	455,469
Machinery and Vehicles	63,798	
Total (net of depreciation)	<u>272,025</u>	<u>455,469</u>
	=====	=====

This total represents a decrease of \$42,512 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>
Buildings and Infrastructure	217,280	483,610
Machinery and Vehicles	69,116	
Total (net of depreciation)	<u>286,396</u>	<u>483,610</u>
	=====	=====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2017, the city had \$3,476 in outstanding debt. As of December 31, 2016, the city had \$5,651 in outstanding debt. During fiscal years 2017 and 2016, the city did not issue any new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 6 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 Sarah Miller, City Auditor, Stanton, ND.

CITY OF STANTON
Stanton, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stanton Job Dev. Authority
ASSETS:				
Cash, Cash Equivalents and Investments	333,911.53	403,373.27	737,284.80	31,919.11
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	199,173.00	427,328.00	626,501.00	
Machinery and Vehicles	58,480.00		58,480.00	
Total Capital Assets	257,653.00	427,328.00	684,981.00	
Total Assets	591,564.53	830,701.27	1,422,265.80	31,919.11
LIABILITIES:				
Long-Term Liabilities:				
Due After One Year:				
Compensated Absences Payable	3,475.96		3,475.96	
NET POSITION:				
Net Investment in Capital Assets	257,653.00	427,328.00	684,981.00	
Restricted for:				
Special Purposes	21,126.32		21,126.32	
Unrestricted	309,309.25	403,373.27	712,682.52	31,919.11
Total Net Position	588,088.57	830,701.27	1,418,789.84	31,919.11

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

CITY OF STANTON
Stanton, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Stanton Job Dev. Authority
ASSETS:				
Cash, Cash Equivalents and Investments	292,753.15	486,416.48	779,169.63	30,136.82
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	208,227.00	455,469.00	663,696.00	
Machinery and Vehicles	63,798.00		63,798.00	
Total Capital Assets	272,025.00	455,469.00	727,494.00	
Total Assets	564,778.15	941,885.48	1,506,663.63	30,136.82
LIABILITIES:				
Long-Term Liabilities:				
Due After One Year:				
Compensated Absences Payable	5,651.22		5,651.22	
NET POSITION:				
Net Investment in Capital Assets	272,025.00	455,469.00	727,494.00	
Restricted for:				
Special Purposes	17,707.56		17,707.56	
Unrestricted	269,394.37	486,416.48	755,810.85	30,136.82
Total Net Position	559,126.93	941,885.48	1,501,012.41	30,136.82

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

CITY OF STANTON
Stanton, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position

	Program Revenues				Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Stanton Job Dev. Authority
<u>Functions/Programs</u>							
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	136,174.97	5,615.31		(130,559.66)		(130,559.66)	
Public Safety	11,826.60	365.00		(11,461.60)		(11,461.60)	
Streets and Public Works	89,503.19		25,860.10	(63,643.09)		(63,643.09)	
Urban and Econ. Development	2,214.27			(2,214.27)		(2,214.27)	
Culture and Recreation	13,429.83		7,683.00	(5,746.83)		(5,746.83)	
Other	852.01			(852.01)		(852.01)	
Total Governmental Activities	254,000.87	5,980.31	33,543.10	(214,477.46)		(214,477.46)	
<u>Business-Type Activities:</u>							
Water	153,576.72	135,688.82			(17,887.90)	(17,887.90)	
Sewer	65,917.73	66,045.71			127.98	127.98	
Garbage	86,898.86	87,317.23			418.37	418.37	
Electric	530,132.16	475,501.29			(54,630.87)	(54,630.87)	
Total Business-Type Activities	836,525.47	764,553.05			(71,972.42)	(71,972.42)	
Total Primary Government	1,090,526.34	770,533.36	33,543.10	(214,477.46)	(71,972.42)	(286,449.88)	
Component Unit:							
Stanton Job Dev. Authority	-0-						-0-

General Revenues:

Taxes:				
Property taxes; levied for general purposes	48,850.49		48,850.49	1,693.06
Property taxes; levied for special purposes	3,788.37		3,788.37	
Cigarette taxes	1,052.98		1,052.98	
Coal severance taxes	78,689.50		78,689.50	
Coal conversion taxes	34,100.47		34,100.47	
Intergovernmental revenue not restricted to specific programs	22,556.75		22,556.75	
Earnings on investments and other revenue	12,901.32	2,287.43	15,188.75	89.23
Transfers	41,499.22	(41,499.22)		
Total General Revenues and Transfers	243,439.10	(39,211.79)	204,227.31	1,782.29
Change in Net Position	28,961.64	(111,184.21)	(82,222.57)	1,782.29
Net Position - January 1	559,126.93	941,885.48	1,501,012.41	30,136.82
Net Position - December 31	588,088.57	830,701.27	1,418,789.84	31,919.11

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

CITY OF STANTON
Stanton, 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		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<u>Functions/Programs</u>							
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	114,937.45	5,390.29		(109,547.16)		(109,547.16)	Stanton Job Dev. Authority
Public Safety	11,826.60	1,606.00		(10,220.60)		(10,220.60)	
Streets and Public Works	127,084.81		21,864.18	(105,220.63)		(105,220.63)	
Urban and Econ. Development	5,748.94			(5,748.94)		(5,748.94)	
Culture and Recreation	10,419.74		7,866.00	(2,553.74)		(2,553.74)	
Other	2,780.31			(2,780.31)		(2,780.31)	
Total Governmental Activities	272,797.85	6,996.29	29,730.18	(236,071.38)		(236,071.38)	
<u>Business-Type Activities:</u>							
Water	137,816.50	116,136.64			(21,679.86)	(21,679.86)	
Sewer	151,048.69	54,844.55			(96,204.14)	(96,204.14)	
Garbage	70,062.95	66,187.84			(3,875.11)	(3,875.11)	
Electric	411,476.31	403,622.06	5,290.00		(2,564.25)	(2,564.25)	
Total Business-Type Activities	770,404.45	640,791.09	5,290.00		(124,323.36)	(124,323.36)	
Total Primary Government	1,043,202.30	647,787.38	35,020.18	(236,071.38)	(124,323.36)	(360,394.74)	
Component Unit:							
Stanton Job Dev. Authority	-0-						-0-

General Revenues:

Taxes:

Property taxes; levied for general purposes	55,771.15	55,771.15	1,974.74
Property taxes; levied for special purposes	12,428.89	12,428.89	
Cigarette taxes	1,107.75	1,107.75	
Coal severance taxes	73,018.99	73,018.99	
Coal conversion taxes	34,818.51	34,818.51	
Intergovernmental revenue not restricted to specific programs	25,322.69	25,322.69	
Earnings on investments and other revenue	25,220.49	14,807.92	5,103.13
Total General Revenues	227,688.47	14,807.92	7,077.87
Change in Net Position	(8,382.91)	(109,515.44)	7,077.87
Net Position - January 1	567,509.84	1,051,400.92	23,058.95
Net Position - December 31	559,126.93	941,885.48	30,136.82

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

CITY OF STANTON
Stanton, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2017

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Highway		
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	303,259.57		30,651.96	333,911.53
Interfund Receivables	23,874.35			23,874.35
Total Assets	327,133.92	-0-	30,651.96	357,785.88
=====				
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Interfund Payables		9,794.07	14,080.28	23,874.35
<u>FUND BALANCES:</u>				
Restricted for:				
Culture and Recreation			15,754.37	15,754.37
Cemetery			5,371.95	5,371.95
Assigned to:				
Harmon Avenue Restoration			9,525.64	9,525.64
Unassigned	327,133.92	(9,794.07)	(14,080.28)	303,259.57
Total Fund Balances	327,133.92	(9,794.07)	16,571.68	333,911.53
=====				
Total Liabilities and Fund Balances	327,133.92	-0-	30,651.96	357,785.88
=====				

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

CITY OF STANTON
Stanton, North Dakota

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

	Major Funds			
	General	Highway	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash, Cash Equivalents and Investments	265,519.95		27,233.20	292,753.15
Interfund Receivables	120,486.79			120,486.79
<hr/>				
Total Assets	386,006.74	-0-	27,233.20	413,239.94
<hr/>				
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Interfund Payables		118,183.32	2,303.47	120,486.79
<hr/>				
<u>Fund Balances:</u>				
Restricted for:				
Culture and Recreation			13,127.71	13,127.71
Cemetery			4,579.85	4,579.85
Assigned to:				
Harmon Avenue Restoration			9,525.64	9,525.64
Unassigned	386,006.74	(118,183.32)	(2,303.47)	265,519.95
<hr/>				
Total Fund Balances	386,006.74	(118,183.32)	24,929.73	292,753.15
<hr/>				
Total Liabilities and Fund Balances	386,006.74	-0-	27,233.20	413,239.94
<hr/>				

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

CITY OF STANTON
Stanton, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds	333,911.53
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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	885,145.00	
Less Accumulated Depreciation	(627,492.00)	
	<hr/>	
Net Capital Assets		257,653.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:

Compensated Absences Payable	(3,475.96)
------------------------------	------------

Total Net Position of Governmental Activities	588,088.57
	=====

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

CITY OF STANTON
Stanton, 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 292,753.15

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	885,145.00	
Less Accumulated Depreciation	(613,120.00)	
	<hr/>	
Net Capital Assets		272,025.00

Long-term liabilities applicable to the city's governmental activities
are not due and payable in the current period and accordingly are not
reported as fund liabilities. Long-term liabilities -both current and
long-term- are reported in the statement of net position. Balances at
December 31, 2016 are:

Compensated Absences Payable	(5,651.22)
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Total Net Position of Governmental Activities	<hr/>	559,126.93
	<hr/>	

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

CITY OF STANTON
Stanton, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	Major Funds		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
Revenues:				
Taxes	48,850.49		3,788.37	52,638.86
Licenses, Permits and Fees	5,615.31			5,615.31
Intergovernmental	142,909.84	22,849.96	4,183.00	169,942.80
Fines and Forfeits	365.00			365.00
Miscellaneous	10,129.97	256.08	2,515.27	12,901.32
Total Revenues	207,870.61	23,106.04	10,486.64	241,463.29
Expenditures:				
Current:				
General Government	115,038.41		14,391.82	129,430.23
Public Safety	11,826.60			11,826.60
Streets and Public Works		84,051.19		84,051.19
Urban and Economic Development	2,214.27			2,214.27
Culture and Recreation	7,525.50		5,904.33	13,429.83
Other			852.01	852.01
Total Expenditures	136,604.78	84,051.19	21,148.16	241,804.13
Excess (Deficiency) of Revenues Over Expenditures	71,265.83	(60,945.15)	(10,661.52)	(340.84)
Other Financing Sources (Uses):				
Transfers In		169,334.40	2,303.47	171,637.87
Transfers Out	(130,138.65)			(130,138.65)
Total Other Financing Sources (Uses)	(130,138.65)	169,334.40	2,303.47	41,499.22
Net Change in Fund Balances	(58,872.82)	108,389.25	(8,358.05)	41,158.38
Fund Balance - January 1	386,006.74	(118,183.32)	24,929.73	292,753.15
Fund Balance - December 31	327,133.92	(9,794.07)	16,571.68	333,911.53
	=====			

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

CITY OF STANTON
Stanton, 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		Other	Total
	General	Highway	Governmental Funds	Governmental Funds
Revenues:				
Taxes	55,771.15		12,428.89	68,200.04
Licenses, Permits and Fees	5,390.29			5,390.29
Intergovernmental	137,767.94	21,864.18	4,366.00	163,998.12
Fines and Forfeits	1,606.00			1,606.00
Miscellaneous	23,257.07	255.49	1,707.93	25,220.49
Total Revenues	223,792.45	22,119.67	18,502.82	264,414.94
Expenditures:				
Current:				
General Government	93,157.85		13,176.86	106,334.71
Public Safety	11,826.60			11,826.60
Streets and Public Works		121,633.81		121,633.81
Urban and Economic Development	5,748.94			5,748.94
Culture and Recreation	6,466.60		3,953.14	10,419.74
Other			2,780.31	2,780.31
Total Expenditures	117,199.99	121,633.81	19,910.31	258,744.11
Net Change in Fund Balances	106,592.46	(99,514.14)	(1,407.49)	5,670.83
Fund Balance - January 1	279,414.28	(18,669.18)	26,337.22	287,082.32
Fund Balance - December 31	386,006.74	(118,183.32)	24,929.73	292,753.15

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

CITY OF STANTON
Stanton, 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, 2017

Net Change in Fund Balances - Total Governmental Funds 41,158.38

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	(14,372.00)	(14,372.00)

Some expenses reported in the statement of activities do not require the
use of current financial resources and are not reported as expenditures
in governmental funds.

Net Decrease in Compensated Absences	2,175.26
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Change in Net Position of Governmental Activities	28,961.64
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, 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 5,670.83

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	(14,371.00)	(14,371.00)

Some expenses reported in the statement of activities do not require the
use of current financial resources and are not reported as expenditures
in governmental funds.

Net Decrease in Compensated Absences	317.26
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Change in Net Position of Governmental Activities	(8,382.91)
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The accompanying notes are an integral part of these financial statements.

CITY OF STANTON
Stanton, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>ASSETS</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	8,048.43	127.98	25,646.69	369,550.17	403,373.27
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	109,333.00			317,995.00	427,328.00
Total Assets	117,381.43	127.98	25,646.69	687,545.17	830,701.27
<u>NET POSITION</u>					
Net Investment in Capital Assets	109,333.00			317,995.00	427,328.00
Unrestricted	8,048.43	127.98	25,646.69	369,550.17	403,373.27
Total Net Position	117,381.43	127.98	25,646.69	687,545.17	830,701.27

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

CITY OF STANTON
Stanton, North Dakota

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

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>ASSETS</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	3,862.13		3,599.95	478,954.40	486,416.48
Interfund Receivable			21,548.05		21,548.05
Total Current Assets	3,862.13		25,148.00	478,954.40	507,964.53
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	114,350.00			341,119.00	455,469.00
Total Assets	118,212.13	-0-	25,148.00	820,073.40	963,433.53
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Interfund Payable		21,548.05			21,548.05
<u>NET POSITION</u>					
Net Investment in Capital Assets	114,350.00			341,119.00	455,469.00
Unrestricted	3,862.13	(21,548.05)	25,148.00	478,954.40	486,416.48
Total Net Position	118,212.13	(21,548.05)	25,148.00	820,073.40	941,885.48

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

CITY OF STANTON
Stanton, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds

For the Year Ended December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	135,688.82				135,688.82
Garbage Collections			87,317.23		87,317.23
Electricity Charges				475,501.29	475,501.29
Sewer Charges		66,045.71			66,045.71
Total Operating Revenues	135,688.82	66,045.71	87,317.23	475,501.29	764,553.05
<u>Operating Expenses:</u>					
Salaries and Benefits	45,102.14	44,170.44	9,211.02	48,884.31	147,367.91
Retirement	1,743.20	1,697.15	132.58	2,074.31	5,647.24
Insurance	12,075.77	7,617.81	3,808.94	16,664.16	40,166.68
Operations and Maintenance	36,039.71	12,432.33	73,746.32	137,710.34	259,928.70
Purchase of Water	53,598.90				53,598.90
Power Cost				299,125.04	299,125.04
Refunds				2,550.00	2,550.00
Depreciation	5,017.00			23,124.00	28,141.00
Total Operating Expenses	153,576.72	65,917.73	86,898.86	530,132.16	836,525.47
Operating Income (Loss)	(17,887.90)	127.98	418.37	(54,630.87)	(71,972.42)
<u>Non-Operating Revenues:</u>					
Interest Income	104.47		80.32	1,726.14	1,910.93
Miscellaneous Revenues				376.50	376.50
Total Non-Operating Revenues	104.47		80.32	2,102.64	2,287.43
Income (Loss) Before Transfers	(17,783.43)	127.98	498.69	(52,528.23)	(69,684.99)
Transfers In	16,952.73	21,548.05			38,500.78
Transfers Out				(80,000.00)	(80,000.00)
Change in Net Position	(830.70)	21,676.03	498.69	(132,528.23)	(111,184.21)
Net Position - January 1	118,212.13	(21,548.05)	25,148.00	820,073.40	941,885.48
Net Position - December 31	117,381.43	127.98	25,646.69	687,545.17	830,701.27

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

CITY OF STANTON
Stanton, 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	Garbage	Electric	
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	116,136.64				116,136.64
Garbage Collections			66,187.84		66,187.84
Electricity Charges				403,622.06	403,622.06
Sewer Charges		54,844.55			54,844.55
Total Operating Revenues	116,136.64	54,844.55	66,187.84	403,622.06	640,791.09
<u>Operating Expenses:</u>					
Salaries and Benefits	39,420.35	41,702.35	12,235.59	36,044.58	129,402.87
Retirement	1,342.02	1,350.43	235.56	1,212.57	4,140.58
Insurance	11,030.55	7,023.09	3,498.11	14,533.66	36,085.41
Operations and Maintenance	20,493.34	100,972.82	54,093.69	88,606.56	264,166.41
Water Purchase	60,513.24				60,513.24
Power Cost				246,979.94	246,979.94
Refunds				975.00	975.00
Depreciation	5,017.00			23,124.00	28,141.00
Total Operating Expenses	137,816.50	151,048.69	70,062.95	411,476.31	770,404.45
Operating Income (Loss)	(21,679.86)	(96,204.14)	(3,875.11)	(7,854.25)	(129,613.36)
<u>Non-Operating Revenues:</u>					
Interest Income	104.08		80.13	1,661.46	1,845.67
Homeland Security Grant				5,290.00	5,290.00
Miscellaneous Receipts				12,962.25	12,962.25
Total Non-Operating Revenues	104.08		80.13	19,913.71	20,097.92
Income (Loss) Before Transfers	(21,575.78)	(96,204.14)	(3,794.98)	12,059.46	(109,515.44)
Transfers In		80,000.00			80,000.00
Transfers Out				(80,000.00)	(80,000.00)
Change in Net Position	(21,575.78)	(16,204.14)	(3,794.98)	(67,940.54)	(109,515.44)
Net Position - January 1	139,787.91	(5,343.91)	28,942.98	888,013.94	1,051,400.92
Net Position - December 31	118,212.13	(21,548.05)	25,148.00	820,073.40	941,885.48

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

CITY OF STANTON
Stanton, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>Cash flows from operating activities:</u>					
Receipts from customers	135,688.82	66,045.71	87,317.23	475,501.29	764,553.05
Payments to suppliers	(103,457.58)	(21,747.29)	(77,687.84)	(458,123.85)	(661,016.56)
Payments to employees	(45,102.14)	(44,170.44)	(9,211.02)	(48,884.31)	(147,367.91)
Net cash provided (used) by operating activities	(12,870.90)	127.98	418.37	(31,506.87)	(43,831.42)
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts				376.50	376.50
Transfers in	16,952.73	21,548.05			38,500.78
Transfers out				(80,000.00)	(80,000.00)
Interfund loan transaction		(21,548.05)	21,548.05		
Net cash provided (used) by noncapital financing activities	16,952.73		21,548.05	(79,623.50)	(41,122.72)
<u>Cash flows from investing activities:</u>					
Interest income	104.47		80.32	1,726.14	1,910.93
Net increase in cash and cash equivalents	4,186.30	127.98	22,046.74	(109,404.23)	(83,043.21)
Cash and cash equivalents, January 1	3,862.13	-0-	3,599.95	478,954.40	486,416.48
Cash and cash equivalents, December 31	8,048.43	127.98	25,646.69	369,550.17	403,373.27
=====					
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	(17,887.90)	127.98	418.37	(54,630.87)	(71,972.42)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	5,017.00			23,124.00	28,141.00
Net cash provided (used) by operating activities	(12,870.90)	127.98	418.37	(31,506.87)	(43,831.42)
=====					

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

CITY OF STANTON
Stanton, North Dakota

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

	Major Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Garbage	Electric	
<u>Cash flows from operating activities:</u>					
Receipts from customers	116,136.64	54,844.55	66,187.84	403,622.06	640,791.09
Payments to suppliers	(93,379.15)	(109,346.34)	(57,827.36)	(352,307.73)	(612,860.58)
Payments to employees	(39,420.35)	(41,702.35)	(12,235.59)	(36,044.58)	(129,402.87)
Net cash provided (used) by operating activities	(16,662.86)	(96,204.14)	(3,875.11)	15,269.75	(101,472.36)
<u>Cash flows from noncapital financing activities:</u>					
Homeland security grant				5,290.00	5,290.00
Miscellaneous receipts				12,962.25	12,962.25
Transfers in		80,000.00			80,000.00
Transfers out				(80,000.00)	(80,000.00)
Interfund loan transaction	5,343.91	16,204.14	(21,548.05)		
Net cash provided (used) by noncapital financing activities	5,343.91	96,204.14	(21,548.05)	(61,747.75)	18,252.25
<u>Cash flows from investing activities:</u>					
Interest income	104.08		80.13	1,661.46	1,845.67
Net increase in cash and cash equivalents	(11,214.87)		(25,343.03)	(44,816.54)	(81,374.44)
Cash and cash equivalents, January 1	15,077.00	-0-	28,942.98	523,770.94	567,790.92
Cash and cash equivalents, December 31	3,862.13	-0-	3,599.95	478,954.40	486,416.48
=====					
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>					
Operating (loss)	(21,679.86)	(96,204.14)	(3,875.11)	(7,854.25)	(129,613.36)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	5,017.00			23,124.00	28,141.00
Net cash provided (used) by operating activities	(16,662.86)	(96,204.14)	(3,875.11)	15,269.75	(101,472.36)
=====					

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

CITY OF STANTON
Stanton, North Dakota

Notes to the Financial Statements
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stanton 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, the component unit discussed below is included within the city's reporting entity because of the significance of its operational or financial relationship with the city.

Discretely Presented Component Unit: The component unit's column in the basic financial statements include the financial data of the city's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

Stanton Job Development Authority: The city's governing body has the authority to disapprove, amend, or approve the job development authority budget. The job development authority has the authority to issue its own debt.

The financial statements of the discretely presented component unit are presented in the basic financial statements.

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 Stanton and its component unit. 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. This fund accounts for the state highway distribution tax and a special levy to be used for street repairs and maintenance.

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 sewage collection system.

Garbage. This fund accounts for the activities of the city's garbage collection system.

Electric. This fund accounts for the activities of the city's electrical services.

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 to 20 years

F. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave will be granted to all full-time employees upon termination of employment with the city. The employees may carry forward unused vacation leave not to exceed 160 hours at the employees current pay rate.

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. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

J. 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, 2017 the city's carrying amount of deposits was \$737,285 and the bank balance was \$757,596. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$507,596 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the city's carrying amount of deposits was \$779,170 and the bank balance was \$834,915. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$584,915 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, 2017 the city held certificates of deposit in the amount of \$436,513, which are all considered deposits.

At December 31, 2016 the city held certificates of deposit in the amount of \$625,950, 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 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2017 and 2016 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2017</u>		
General	23,874.35	
Highway		9,794.07
Social Security		14,080.28
<u>December 31, 2016</u>		
General	120,486.79	
Highway		118,183.32
Social Security		2,303.47
Garbage	21,548.05	
Sewer		21,548.05

Note 5 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	679,000			679,000
Machinery and Vehicles	206,145			206,145
Total	<u>885,145</u>			<u>885,145</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	470,773	9,054		479,827
Machinery and Vehicles	142,347	5,318		147,665
Total	<u>613,120</u>	<u>14,372</u>		<u>627,492</u>
Governmental Activities				
Capital Assets, Net	<u>272,025</u>	<u>(14,372)</u>	<u>-0-</u>	<u>257,653</u>

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	679,000			679,000
Machinery and Vehicles	206,145			206,145
Total	<u>885,145</u>			<u>885,145</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	461,720	9,053		470,773
Machinery and Vehicles	137,029	5,318		142,347
Total	<u>598,749</u>	<u>14,371</u>		<u>613,120</u>
Governmental Activities				
Capital Assets, Net	<u>286,396</u>	<u>(14,371)</u>	<u>-0-</u>	<u>272,025</u>

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	1,202,496			1,202,496
Less accumulated depreciation for:				
Buildings and Infrastructure	747,027	28,141		775,168
Business-Type Activities Capital Assets, Net	455,469	(28,141)	-0-	427,328
	=====	=====	=====	=====

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-Type Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	1,202,496			1,202,496
Less accumulated depreciation for:				
Buildings and Infrastructure	718,886	28,141		747,027
Business-Type Activities Capital Assets, Net	483,610	(28,141)	-0-	455,469
	=====	=====	=====	=====

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

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
General Government	8,920	8,920
Streets and Public Works	5,452	5,451
Total	14,372	14,371
	=====	=====
<u>Business-Type Activities:</u>		
Water	5,017	5,017
Electric	23,124	23,124
Total	28,141	28,141
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2017</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences *	5,651	-0-	2,175	3,476	-0-
	=====	=====	=====	=====	=====

	<u>2016</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences *	5,968	-0-	317	5,651	-0-
	=====	=====	=====	=====	=====

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2017</u>		
Highway	169,334.40	
Social Security	2,303.47	
Water	16,952.73	
Sewer	21,548.05	
General		130,138.65
Electric		80,000.00

To subsidize expenditures/eliminate deficit fund balances.

December 31, 2016

Sewer	80,000.00	
Electric		80,000.00

To subsidize expenditures.

Note 8 DEFICIT FUND BALANCES

The following funds had deficit balances for the years ending December 31:

	<u>2017</u>	<u>2016</u>
<u>Special Revenue Fund</u>		
Highway	(9,794.07)	(118,183.32)
Social Security	(14,080.28)	(2,303.47)
<u>Enterprise Fund</u>		
Sewer		(21,548.05)

The city plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$844,585 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 \$353,000 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; and purchases commercial insurance for employee health and accident insurance.

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

Note 10 PENSION PLAN

The city has a simple IRA plan for qualified employees. The city matches employee contributions up to 3%. The city's contributions in 2017 and 2016 were \$4,647.45 and \$3,425.31, respectively. The city is only responsible for current contributions.

CITY OF STANTON
Stanton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	36,501.00	36,501.00	48,850.49	12,349.49
Licenses, Permits and Fees	5,105.00	5,105.00	5,615.31	510.31
Intergovernmental	137,900.00	137,900.00	142,909.84	5,009.84
Fines and Forfeits	1,000.00	1,000.00	365.00	(635.00)
Miscellaneous	20,000.00	20,000.00	10,129.97	(9,870.03)
Total Revenues	200,506.00	200,506.00	207,870.61	7,364.61
Expenditures:				
Current:				
General Government	168,173.00	168,173.00	115,038.41	53,134.59
Public Safety	18,155.00	18,155.00	11,826.60	6,328.40
Urban and Economic Development	5,775.00	5,775.00	2,214.27	3,560.73
Culture and Recreation	5,800.00	5,800.00	7,525.50	(1,725.50)
Other	4,540.00	4,540.00		4,540.00
Total Expenditures	202,443.00	202,443.00	136,604.78	65,838.22
Excess (Deficiency) of Revenues Over Expenditures	(1,937.00)	(1,937.00)	71,265.83	73,202.83
Other Financing (Uses):				
Transfers Out	(70,000.00)	(70,000.00)	(130,138.65)	(60,138.65)
Net Change in Fund Balances	(71,937.00)	(71,937.00)	(58,872.82)	13,064.18
Fund Balance - January 1	386,006.74	386,006.74	386,006.74	
Fund Balance - December 31	314,069.74	314,069.74	327,133.92	13,064.18

CITY OF STANTON
Stanton, 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	34,664.00	34,664.00	55,771.15	21,107.15
Licenses, Permits and Fees	3,620.00	3,620.00	5,390.29	1,770.29
Intergovernmental	172,495.00	172,495.00	137,767.94	(34,727.06)
Fines and Forfeits	500.00	500.00	1,606.00	1,106.00
Miscellaneous	45,680.00	45,680.00	23,257.07	(22,422.93)
Total Revenues	256,959.00	256,959.00	223,792.45	(33,166.55)
<u>Expenditures:</u>				
Current:				
General Government	161,890.00	161,890.00	93,157.85	68,732.15
Public Safety	16,460.00	16,460.00	11,826.60	4,633.40
Urban and Economic Development	2,163.00	2,163.00	5,748.94	(3,585.94)
Culture and Recreation	5,045.00	5,045.00	6,466.60	(1,421.60)
Other	4,325.00	4,325.00		4,325.00
Total Expenditures	189,883.00	189,883.00	117,199.99	72,683.01
Excess (Deficiency) of Revenues Over Expenditures	67,076.00	67,076.00	106,592.46	39,516.46
<u>Other Financing (Uses):</u>				
Transfers Out	(60,000.00)	(60,000.00)		60,000.00
Net Change in Fund Balances	7,076.00	7,076.00	106,592.46	99,516.46
Fund Balance - January 1	279,414.28	279,414.28	279,414.28	
Fund Balance - December 31	286,490.28	286,490.28	386,006.74	99,516.46
	=====	=====	=====	=====

CITY OF STANTON
Stanton, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	18,655.00	18,655.00	22,849.96	4,194.96
Miscellaneous	950.00	950.00	256.08	(693.92)
Total Revenues	19,605.00	19,605.00	23,106.04	3,501.04
<u>Expenditures:</u>				
Current:				
Streets and Public Works	89,670.00	89,670.00	84,051.19	5,618.81
Excess (Deficiency) of Revenues Over Expenditures	(70,065.00)	(70,065.00)	(60,945.15)	9,119.85
<u>Other Financing Sources:</u>				
Transfers In	70,065.00	70,065.00	169,334.40	99,269.40
Net Change in Fund Balances			108,389.25	108,389.25
Fund Balance - January 1	(118,183.32)	(118,183.32)	(118,183.32)	
Fund Balance - December 31	(118,183.32)	(118,183.32)	(9,794.07)	108,389.25

CITY OF STANTON
Stanton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	25,310.00	25,310.00	21,864.18	(3,445.82)
Miscellaneous	650.00	650.00	255.49	(394.51)
Total Revenues	25,960.00	25,960.00	22,119.67	(3,840.33)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	86,600.00	86,600.00	121,633.81	(35,033.81)
Excess (Deficiency) of Revenues Over Expenditures	(60,640.00)	(60,640.00)	(99,514.14)	(38,874.14)
<u>Other Financing Sources:</u>				
Transfers In	40,230.00	40,230.00		(40,230.00)
Net Change in Fund Balances	(20,410.00)	(20,410.00)	(99,514.14)	(79,104.14)
Fund Balance - January 1	(18,669.18)	(18,669.18)	(18,669.18)	
Fund Balance - December 31	(39,079.18)	(39,079.18)	(118,183.32)	(79,104.14)

CITY OF STANTON
Stanton, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2017 and 2016

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

The governing board did not amend the budgets during the years ended December 31, 2017 and 2016.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>Special Revenue Funds</u>		
Highway		35,033.81
Cemetery		785.31
Library	3,019.33	1,068.14

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF STANTON
Stanton, North Dakota

Schedule of Fund Activity Arising from Cash Transactions
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Major Governmental Funds:</u>						
General Fund	386,006.74	207,870.61		130,138.65	136,604.78	327,133.92
Highway	(118,183.32)	23,106.04	169,334.40		84,051.19	(9,794.07)
Total Major Governmental Funds	267,823.42	230,976.65	169,334.40	130,138.65	220,655.97	317,339.85
<u>Non-Major Governmental Funds:</u>						
Social Security	(2,303.47)	311.54	2,303.47		14,391.82	(14,080.28)
Cemetery	4,579.85	1,644.11			852.01	5,371.95
Library	13,127.71	8,530.99			5,904.33	15,754.37
Harmon Avenue Restoration	9,525.64					9,525.64
Total Non-Major Governmental Funds	24,929.73	10,486.64	2,303.47		21,148.16	16,571.68
Total Governmental Funds	292,753.15	241,463.29	171,637.87	130,138.65	241,804.13	333,911.53
<u>Major Enterprise Funds:</u>						
Water	3,862.13	135,793.29	16,952.73		148,559.72	8,048.43
Sewer	(21,548.05)	66,045.71	21,548.05		65,917.73	127.98
Garbage	25,148.00	87,397.55			86,898.86	25,646.69
Electric	478,954.40	477,603.93		80,000.00	507,008.16	369,550.17
Total Enterprise Funds	486,416.48	766,840.48	38,500.78	80,000.00	808,384.47	403,373.27
Total Primary Government	779,169.63	1,008,303.77	210,138.65	210,138.65	1,050,188.60	737,284.80
<u>Discretely Presented Component Unit:</u>						
Stanton Job Dev. Authority	30,136.82	1,782.29				31,919.11
Total Reporting Entity	809,306.45	1,010,086.06	210,138.65	210,138.65	1,050,188.60	769,203.91

CITY OF STANTON
Stanton, 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
<u>Major Governmental Funds:</u>						
General Fund	279,414.28	223,792.45			117,199.99	386,006.74
Highway	(18,669.18)	22,119.67			121,633.81	(118,183.32)
Total Major Governmental Funds	260,745.10	245,912.12			238,833.80	267,823.42
<u>Non-Major Governmental Funds:</u>						
Social Security	2,197.00	8,676.39			13,176.86	(2,303.47)
Cemetery	5,708.10	1,652.06			2,780.31	4,579.85
Library	8,906.48	8,174.37			3,953.14	13,127.71
Harmon Avenue Restoration	9,525.64					9,525.64
Total Non-Major Governmental Funds	26,337.22	18,502.82			19,910.31	24,929.73
Total Governmental Funds	287,082.32	264,414.94			258,744.11	292,753.15
<u>Major Enterprise Funds:</u>						
Water	20,420.91	116,240.72			132,799.50	3,862.13
Sewer	(5,343.91)	54,844.55	80,000.00		151,048.69	(21,548.05)
Garbage	28,942.98	66,267.97			70,062.95	25,148.00
Electric	523,770.94	423,535.77		80,000.00	388,352.31	478,954.40
Total Enterprise Funds	567,790.92	660,889.01	80,000.00	80,000.00	742,263.45	486,416.48
Total Primary Government	854,873.24	925,303.95	80,000.00	80,000.00	1,001,007.56	779,169.63
<u>Discretely Presented Component Unit:</u>						
Stanton Job Dev. Authority	23,058.95	7,077.87				30,136.82
Total Reporting Entity	877,932.19	932,381.82	80,000.00	80,000.00	1,001,007.56	809,306.45

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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 Stanton
Stanton, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Stanton, Stanton, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 10, 2018.

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 audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 10, 2018

CITY OF STANTON
Stanton, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

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
Discretely Presented Component Unit	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, 2017 and 2016 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.