

CITY OF OAKES
OAKES, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

CITY OF OAKES
Table of Contents

	Page
City Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	3-10
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet- Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Assets- Proprietary Funds	17
Statement of activities- Proprietary Funds	18
Statement of Cash Flows	19
Notes to Combined Financial Statement	20-34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule- General Fund	35
SUPPLEMENTARY FINANCIAL INFORMATION	
Changes in Fund Balance	36-37
Schedule of transfers	38
Schedule of budget amendments	39

CITY OF OAKES
LIST OF OFFICIALS
DECEMBER 31, 2012

CITY COUNCIL

Office

Monty Zimmer
Larry Engel
Jeff Forward
Dennis Brandriet
Doug Sitzler
Greg Strutz
Nick Harris

Mayor

EMPLOYEES:

Gary Neuharth
April Haring
Marke Roberts
Pat Nelson

City Attorney
City Auditor
Chief of Police
Public Works Director

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Oakes
Oakes, North Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakes as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the City prepares its financial statements on the modified cash basis which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position- modified cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Oakes, as of December 31, 2012, and the respective changes in financial position- modified cash basis and cash flows, where applicable, thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

The managements discussion and analysis and budgetary comparison information on pages 3-10 and 35 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The information in these schedules has been subjected to the procedures applied in the audit of the financial statements and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

West Fargo, North Dakota
April 28, 2013

CITY OF OAKES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

My discussion and analysis of the City of Oakes's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2012 within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS

The City's total revenues exceeded total expenses, on the modified cash basis of accounting, by \$1,013,636 for the year, resulting in an increase in total net assets of 10 percent over the previous year. Most of the increase is attributed to the City's operation of its governmental activities.

The City's General Fund ended the year with a fund balance of \$104,706, which represents 21 percent of revenue of the Fund.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City of Oakes government-wide (or "as a whole") and present a longer-term view of the City's finances.

Fund Financial Statements: Fund financial statements (starting on page 37) focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the city's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains

for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the City operates like businesses, such as the water, sewer, and sanitation services.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule (starting on page 35) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 36) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues, and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

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. Therefore, when reviewing the financial information and discussion within this

annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the City as a Whole

The City's Reporting Entity Presentation

This annual report includes all activities for which the City of Oakes City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within separate legal entities that make up the primary government.

The primary government includes the following legal entities:

* The City of Oakes

The Government-Wide Statement of Net Assets and the Statement of Activities

My financial analysis of the City as a whole begins on page 11. The government-wide financial statements are presented on pages 14. One of the most important questions asked about the City's finances is, "Is the City as whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the City's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City sales tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, general administration, and streets. Property taxes, special assessments, sales taxes, fines, and state and federal grants finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City water, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

The Fund Financial Statements

My analysis of the City's major funds begins on page 37. The fund financial statements begin on page 38 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds-governmental and proprietary use different accounting approaches.

Governmental funds-Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisitions of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. I describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The City considers the General Fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

Proprietary funds-When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statements are essentially the same as the business-

type activities I report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The City only has nine enterprise funds.

The City currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets-Modified Cash Basis

The City's combined net assets, resulting from modified cash basis transactions, increased from \$10,617,842 to \$11,631,477 between fiscal years 2012 and 2011. Looking at the net assets and net expenses of governmental and business-type activities separately, governmental activities had a larger increase than business-type activities.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current	1,214,939	1,650,477	2,146,459	1,054,811	3,361,398	2,705,288
Capital assets	15,806,434	17,339,269	7,057,234	8,334,396	22,863,668	25,673,665
Total assets	<u>17,021,373</u>	<u>18,989,746</u>	<u>9,203,693</u>	<u>9,389,207</u>	<u>26,225,066</u>	<u>28,378,953</u>
Long-term debt	7,464,774	8,872,548	8,142,450	7,874,928	15,607,224	16,747,476
Other liabilities						
Total	<u>7,464,774</u>	<u>8,872,548</u>	<u>8,142,450</u>	<u>7,874,928</u>	<u>15,607,224</u>	<u>16,747,476</u>
Invested in capital, net	8,341,660	8,466,721	(1,085,216)	459,468	7,256,444	8,926,189
Restricted	580,965	1,058,628	1,661,690	676,286	2,242,655	1,734,914
Unrestricted	633,974	591,849	484,769	378,525	1,118,743	970,374
Total	<u>9,556,599</u>	<u>10,117,198</u>	<u>1,061,243</u>	<u>1,514,279</u>	<u>10,617,842</u>	<u>11,631,477</u>

Net assets of the City's governmental activities increased 7 percent to \$10,058,972. However, \$9,467,123 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets showed \$591,849 at the end of this year.

Changes from 2011 to 2012 reflect a favorable increase of percent in total activities and an increase of 7 percent for governmental activities and 1 percent for business-type activities.

Changes in Net Assets-Modified Cash Basis

For the year ended December 31, 2012 , net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Program revenues						
Charges for services			993,059	1,032,975	993,059	1,032,975
Operating grants						
General revenue						
Property taxes	543,764	629,933			543,764	629,933
Sales taxes	418,136	452,741			418,136	452,741
Special assessments	207,587	245,873			207,587	245,873
State aid	2,648,573	605,992		408,316	2,648,573	1,014,308
Interest & other	443,811	378,477	19,388	110,250	463,199	478,727
Total revenues	4,261,871	2,313,016	1,012,447	1,541,541	5,274,318	3,854,557
General government	319,869	318,470			319,869	318,470
Public safety	492,739	468,124			492,739	468,124
Highways	143,537	145,799			143,537	145,799
Economic development	149,045	124,406			149,045	124,406
Capital outlay	413,406	2,750	28,026	101,958	441,432	104,708
Debt service	301,402	237,047	40,041	279,486	341,443	516,533
Depreciation	144,900	197,000	333,982	343,567	478,882	540,567
Water			267,020	306,284	267,020	306,284
Sewer			94,428	95,778	94,428	95,778
Sanitation			200,563	220,252	200,563	220,252
Other						
Total expense	1,964,898	1,493,596	964,060	1,347,325	2,928,958	2,840,921
Excess before transfer	2,296,973	819,420	48,387	194,216	2,345,360	1,013,636
Transfers	2,819,466	(258,821)	2,819,466	258,821		
Increase (decrease) in net assets	5,116,439	560,599	(2,771,079)	453,037	2,345,360	1,013,636

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2012 , total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,551,822. Of these total expenses, taxpayers and other general revenues funded \$1,551,822, while those directly benefitting from the program funded \$0 from grants and other contributions and \$0 from charges for services.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions, there are certain activities that need to be examined more closely. While the water, sanitation and sewer service activities reported net revenues of \$231,172, \$133,504 and \$34,137, respectively.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

* On the modified cash basis of accounting, the General Fund reported revenues of \$491,975 and expenditures of \$443,928, and net transfers of \$ 5,866, resulting in a net increase in fund balance of \$53,912.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the original budget. For the year ended December 31, 2012 , General Fund expenditures were \$34,653 above final appropriations, while actual resources available for appropriation were \$48,098 above the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-Modified Cash Basis

At December 31, 2012 , the City had \$25,663,666 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. This represents a net increase of just over \$2,799,998, or 12 percent, over last year.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land	2,285,702	2,284,202	39,895	39,895	2,325,597	2,324,097
Construction	11,989,252	13,491,127	1,646,884	3,200,536	13,636,136	16,691,663
Infrastructure	1,153,165	1,074,310	1,725,052	1,593,944	2,878,217	2,668,254
Buildings	263,805	246,684	3,539,802	3,371,527	3,803,607	3,618,211
Equipment	114,510	242,947	105,601	128,494	220,111	371,441
Total	15,806,434	17,339,270	7,057,234	8,334,396	22,863,668	25,673,666

Long-Term Debt-Modified Cash Basis

At December 31, 2012 , the City had \$16,747,476 in long-term debt arising from modified cash basis transactions compared to \$15,607,224 at December 31, 2011. At December 31, 2012 , \$8,872,548, of the debt is related to governmental activities and \$7,874,928 related to business-type activities. This represents a net increase of 7 percent.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Capital leases			54,152		54,152	
Bonds payable	6,106,774	7,602,548	7,293,854	7,161,595	13,400,628	14,764,143
SRF notes	1,358,000	1,270,000	670,000	620,000	2,028,000	1,890,000
Notes payable			124,444	93,333	124,444	93,333
Total	7,464,774	8,872,548	8,142,450	7,874,928	15,607,224	16,747,476

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2012 , the City's budget is fairly consistent with this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Auditor April Haring.

CITY OF OAKES
STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	1,650,477.11	1,054,811.26	2,705,288.37	
Accounts receivable			-	
Taxes receivable			-	
Intergovernmental receivable			-	
Contract for deed			-	
Capital assets (net of accumulated depreciation)	17,339,268.71	8,334,396.05	25,673,664.76	
Total Assets	18,989,745.82	9,389,207.31	28,378,953.13	-
LIABILITIES				
Accounts Payable			-	
Salaries and benefits payable			-	
Deferred revenue			-	
Long-term liabilities:			-	
Due within one year:			-	
Bonds payable	324,906.00	100,000.00	424,906.00	
Notes payable	88,000.00	50,000.00	138,000.00	
Due after one year:			-	
Bonds payable	7,277,642.00	7,061,594.86	14,339,236.86	
Notes payable	1,182,000.00	663,332.80	1,845,332.80	
Total liabilities	8,872,548.00	7,874,927.66	16,747,475.66	-
NET ASSETS				
Invested in capital assets, net of related debt	8,466,720.71	459,468.39	8,926,189.10	
Restricted for:			-	
Capital projects	422,377.12	4,369.38	426,746.50	
Debt service	636,251.45	671,916.41	1,308,167.86	
Unrestricted	591,848.54	378,525.47	970,374.01	
Total net assets	10,117,197.82	1,514,279.65	11,631,477.47	-

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

CITY OF OAKES
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012

		Program Revenues		Revenue & Changes in Net Assets	Component
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities	Units
Governmental activities:					
General government	318,469.76			(318,469.76)	
Public safety	468,123.73			(468,123.73)	
Highways and streets	145,798.91			(145,798.91)	
Economic development	124,406.73			(124,406.73)	
Other capital outlays	2,750.00			(2,750.00)	
Interest expense	237,047.47			(237,047.47)	
Depreciation- Unallocated	197,000.00			(197,000.00)	
Total Governmental Activities	1,493,596.60	-	-	(1,493,596.60)	-
Business-type activities					
Water	306,283.92	537,456.31		231,172.39	
Sewer	95,777.90	229,282.27		133,504.37	
Garbage	220,251.96	254,389.00		34,137.04	
Debt	279,486.25	11,847.52		(267,638.73)	
Capital outlay	101,957.81			(101,957.81)	
				-	
				-	
				-	
Depreciation	343,567.00			(343,567.00)	
Total Business-type activities	1,347,324.84	1,032,975.10	-	(314,349.74)	-
Total	2,840,921.44	1,032,975.10	-	(1,807,946.34)	-
Net expense		Governmental (1,493,596.60)	Business-type (314,349.74)	Total (1,807,946.34)	-
General Revenues					
Taxes:					
Property taxes		629,932.73		629,932.73	
Sales taxes		452,741.34		452,741.34	
Special assessments		245,873.35		245,873.35	
Licenses and permits		15,636.92		15,636.92	
Intergovernmental		605,991.87	480,316.22	1,086,308.09	
Interest income		3,160.78	10,836.75	13,997.53	
Other revenue		359,679.33	17,412.74	377,092.07	
Total General Revenues		2,313,016.32	508,565.71	2,821,582.03	-
Transfers in (out)		(258,820.76)	258,820.76	-	
Change in Net Assets		560,598.96	453,036.73	1,013,635.69	-
Net Assets- January 1		9,556,598.86	1,061,242.92	10,617,841.78	-
Net Assets- December 31		10,117,197.82	1,514,279.65	11,631,477.47	-

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

CITY OF OAKES
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2012

	GENERAL	CONSTRUCTION 2009-2	CONSTRUCTION 2012-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	104,705.70	349,805.01	451,112.04	744,854.36	1,650,477.11
Accounts receivable					-
Taxes receivable					-
Special assessment receivable					-
Intergovernmental receivable					-
Total Assets	104,705.70	349,805.01	451,112.04	744,854.36	1,650,477.11
LIABILITIES					
Accounts Payable					-
Salaries and benefits payable					-
Deferred revenue	-			-	-
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for Capital Projects		-	451,112.04	(28,734.92)	422,377.12
Restricted for Debt Service		349,805.01		286,446.44	636,251.45
Unassigned	104,705.70			487,142.84	591,848.54
Total fund balance	104,705.70	349,805.01	451,112.04	744,854.36	1,650,477.11

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

CITY OF OAKES
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
 DECEMBER 31, 2012

Total Fund Balances for Governmental Funds 1,650,477.11

Total net assets reported for governmental activities in the statement of net assets is different because:

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

Cost of capital assets	19,477,499.71	
Less accumulated depreciation	2,138,231.00	
Net capital assets		17,339,268.71

Property taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.

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

Bonds payable	(4,949,000.00)
SRF Notes payable	(1,270,000.00)
Notes payable	(2,653,548.00)

Total Net Assets of Governmental Activities 10,117,197.82

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

CITY OF OAKES
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2012

	GENERAL	CONSTRUCTION 2009-2	CONSTRUCTION 2012-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	195,547.11	3,739.57		430,646.05	629,932.73
Sales taxes				452,741.34	452,741.34
Special Assessments		235,590.51		10,282.84	245,873.35
Intergovernmental	188,937.28	-		417,054.59	605,991.87
Interest	29.94	-	1,735.56	1,395.28	3,160.78
Charges for services	9,968.69			189,056.70	199,025.39
Other	97,491.59			78,799.27	176,290.86
Total Revenues	491,974.61	239,330.08	1,735.56	1,579,976.07	2,313,016.32
Current:					
General government	182,930.95			186,697.81	369,628.76
Public safety	260,996.71			257,928.02	518,924.73
Highways and streets				271,798.91	271,798.91
Economic development				124,406.73	124,406.73
Other capital outlays		-	1,307,001.79	197,623.33	1,504,625.12
Debt Service					
Principal		58,226.00		308,000.00	366,226.00
Interest expense		86,601.41		132,824.33	219,425.74
Total Expenditures	443,927.66	144,827.41	1,307,001.79	1,479,279.13	3,375,035.99
Excess revenues (expenditures)	48,046.95	94,502.67	(1,305,266.23)	100,696.94	(1,062,019.67)
Other Financing Sources (Uses):					
Transfers in	69,290.68	-		333,340.51	402,631.19
Transfers out	(63,425.34)	-		(598,026.61)	(661,451.95)
Bond proceeds		-	1,756,378.27	-	1,756,378.27
Total other financing sources and u	5,865.34	-	1,756,378.27	(264,686.10)	1,497,557.51
Net change in fund balances	53,912.29	94,502.67	451,112.04	(163,989.16)	435,537.84
Fund balance- beginning	50,793.41	255,302.34	-	908,843.52	1,214,939.27
Fund balance- ending	104,705.70	349,805.01	451,112.04	744,854.36	1,650,477.11

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

CITY OF OAKES
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balances- Total Governmental Funds 435,537.84

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

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

Current year capital outlay	1,729,835.12	
Current year depreciation expense	197,000.00	1,532,835.12

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 290,378.27
 (1,698,152.27)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable.

Change in Net Assets of Governmental Activities 560,598.96

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

CITY OF OAKES
STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Water	Sewer	Garabage	Other	Total
ASSETS					
Cash and investments	152,666.23	205,859.24	20,000.00	676,285.79	1,054,811.26
Accounts receivable					-
Taxes receivable					-
Intergovernmental receivable					-
Due from County Treasurer					-
Capital assets (net of accumulated depreciation)				8,334,396.05	8,334,396.05
Total Assets	152,666.23	205,859.24	20,000.00	9,010,681.84	9,389,207.31
LIABILITIES					
Accounts Payable					-
Salaries and benefits payable					-
Deferred revenue					-
Long-term liabilities:					
Due within one year:					
Bonds payable					-
Notes payable					-
Due after one year:					
Bonds payable				7,161,594.86	7,161,594.86
Notes payable				713,332.80	713,332.80
Total liabilities	-	-	-	7,874,927.66	7,874,927.66
NET ASSETS					
Invested in capital assets, net of related debt				459,468.39	459,468.39
Restricted for:					
Capital projects				4,369.38	4,369.38
Debt service				671,916.41	671,916.41
Unrestricted	152,666.23	205,859.24	20,000.00	(0.00)	378,525.47
Total net assets	152,666.23	205,859.24	20,000.00	1,135,754.18	1,514,279.65

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

CITY OF OAKES
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Garabage	Other	Total
OPERATING REVENUE					
Charges for services	537,456.31	229,282.27	254,389.00	11,847.52	1,032,975.10
OPERATING EXPENSES					
Salaries	93,255.89	47,040.34	51,677.57		191,973.80
Benefits	15,913.52	15,053.85	15,897.75		46,865.12
Equipment					-
Contract services			96,130.10		96,130.10
Electricity	49,836.43	6,148.64			55,985.07
Supplies	116,228.07	3,594.37	20,897.54		140,719.98
Repairs and maintenance	28,247.71	22,917.12	31,408.55	-	82,573.38
Insurance	2,652.40	223.96	2,679.00		5,555.36
Office expense	149.90		1,561.45		1,711.35
Depreciation				343,567.00	343,567.00
Miscellaneous	-	799.62	-		799.62
Total operating expenses	306,283.92	95,777.90	220,251.96	343,567.00	965,880.78
Operating income (loss)	231,172.39	133,504.37	34,137.04	(331,719.48)	67,094.32
NON-OPERATING REVENUE (EXPENSE)					
Property taxes					-
Interest income	7,806.01	630.61	15.00	2,385.13	10,836.75
Grant income				480,316.22	480,316.22
Interest expense			(56,561.50)	(222,924.75)	(279,486.25)
Capital outlay	(73,928.16)	(7,682.50)	(87,424.15)	67,077.00	(101,957.81)
Other	2,912.72	179.47	6,314.55	8,006.00	17,412.74
Total non-operating rev (exp)	(63,209.43)	(6,872.42)	(137,656.10)	334,859.60	127,121.65
Income (loss) before transfers	167,962.96	126,631.95	(103,519.06)	3,140.12	194,215.97
Transfers in	29,886.00	-	69,464.71	556,140.00	655,490.71
Transfers out	(201,826.95)	(194,843.00)	-	-	(396,669.95)
Change in net assets	(3,977.99)	(68,211.05)	(34,054.35)	559,280.12	453,036.73
Net Assets- January 1	156,644.22	274,070.29	54,054.35	576,474.06	1,061,242.92
Net Assets- December 31	152,666.23	205,859.24	20,000.00	1,135,754.18	1,514,279.65

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

CITY OF OAKES
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Garabage	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	537,456.31	229,282.27	254,389.00	11,847.52	1,032,975.10
Payments to suppliers	(213,028.03)	(48,737.56)	(168,574.39)		(430,339.98)
Payments to employees	(93,255.89)	(47,040.34)	(51,677.57)		(191,973.80)
Other receipts	2,912.72	179.47	6,314.55	488,322.22	497,728.96
Net cash provided by (used in) op	234,085.11	133,683.84	40,451.59	500,169.74	908,390.28
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	29,886.00	-	69,464.71	556,140.00	655,490.71
Transfers from other funds	(201,826.95)	(194,843.00)	-	-	(396,669.95)
Net cash provided by (used in) noi	(171,940.95)	(194,843.00)	69,464.71	556,140.00	258,820.76
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(73,928.16)	(7,682.50)	(87,424.15)	(1,553,652.05)	(1,722,686.86)
Principal paid on capital debt				(1,442,522.78)	(1,442,522.78)
Interest paid on capital debt			(56,561.50)	(222,924.75)	(279,486.25)
Debt proceeds				1,175,000.00	1,175,000.00
Net cash provided by (used in) cai	(73,928.16)	(7,682.50)	(143,985.65)	(2,044,099.58)	(2,269,695.89)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	7,806.01	630.61	15.00	2,385.13	10,836.75
Net cash provided by (used in) inv	7,806.01	630.61	15.00	2,385.13	10,836.75
Net increase (decrease) in cash	(3,977.99)	(68,211.05)	(34,054.35)	(985,404.71)	(1,091,648.10)
Balance- beginning of year	156,644.22	274,070.29	54,054.35	1,661,690.50	2,146,459.36
Balance- end of year	152,666.23	205,859.24	20,000.00	676,285.79	1,054,811.26
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	231,172.39	133,504.37	34,137.04	(331,719.48)	67,094.32
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense				343,567.00	343,567.00
Change in assets and liabilities:					
Refundable deposits					-
Miscellaneous receipts (expense)	2,912.72	179.47	6,314.55	488,322.22	497,728.96
Net cash provided by operating ac	234,085.11	133,683.84	40,451.59	500,169.74	908,390.28

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

CITY OF OAKES
OAKES, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Oakes (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

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

Based on the above criteria the city has the following component units:

Oakes Airport Authority- The Airport Authority was organized to provide management of the airport in Oakes. The Council appoints all Board members and approves its tax levy.

CITY OF Oakes
Notes to Financial Statements- Continued

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

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

The City reports the following major governmental funds:

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

Construction fund. The construction fund is used to record the bond proceeds and expenses related to the construction projects.