

CITY OF OAKES
OAKES, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

CITY OF OAKES
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CITY OF OAKES
LIST OF OFFICIALS
DECEMBER 31, 2013

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

City Council
City of Oakes
Oakes, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, business type activities, each major fund and aggregate remaining fund information of City of Oakes as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of City of Oakes as of December 31, 2013, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

U.S. generally accepted accounting principles require that the management discussion and analysis and budgetary comparison information on pages 4-11 and 36 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City's basic financial statements. The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

West Fargo, North Dakota
May 2, 2014

CITY OF OAKES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

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, 2013 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 \$760,826 for the year, resulting in an increase in total net assets of 7 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 \$58,609, which represents 13 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 \$11,631,477 to \$12,392,304 between fiscal years 2013 and 2012. 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>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current	1,650,477	1,312,969	1,054,811	1,051,100	2,705,288	2,364,069
Capital assets	<u>4,513,081</u>	<u>6,018,123</u>	<u>21,160,584</u>	<u>20,163,994</u>	<u>25,673,665</u>	<u>26,182,117</u>
Total assets	<u>6,163,558</u>	<u>7,331,092</u>	<u>22,215,395</u>	<u>21,215,094</u>	<u>28,378,953</u>	<u>28,546,186</u>
Long-term debt	4,506,769	4,096,000	12,240,707	12,057,882	16,747,476	16,153,882
Other liabilities						
Total	<u>4,506,769</u>	<u>4,096,000</u>	<u>12,240,707</u>	<u>12,057,882</u>	<u>16,747,476</u>	<u>16,153,882</u>
Invested in						
capital, net	6,312	1,922,123	8,918,877	8,106,112	8,926,189	10,028,235
Restricted	1,058,628	734,244	676,286	676,285	1,734,914	1,320,530
Unrestricted	<u>591,849</u>	<u>668,725</u>	<u>378,525</u>	<u>374,814</u>	<u>970,374</u>	<u>1,043,539</u>
Total	<u>1,656,789</u>	<u>3,325,092</u>	<u>9,974,688</u>	<u>9,157,211</u>	<u>11,631,477</u>	<u>12,392,304</u>

Net assets of the City's governmental activities increased 7 percent to \$3,325,092. However, \$2,656,367 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 \$668,725 at the end of this year.

Changes from 2012 to 2013 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, 2013 , 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>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Program revenues						
Charges for services			1,032,975	1,031,539	1,032,975	1,031,539
Operating grants						
General revenue						
Property taxes	629,933	605,603		67,228	629,933	672,831
Sales taxes	452,741	416,961			452,741	416,961
Special assessments	245,873	207,358			245,873	207,358
State aid	605,992	1,851,851	408,316	130,712	1,014,308	1,982,563
Interest & other	378,477	356,407	110,250	46,413	478,727	402,820
Total revenues	2,313,016	3,438,180	1,541,541	1,275,892	3,854,557	4,714,072
General government	318,470	418,875			318,470	418,875
Public safety	468,124	479,291			468,124	479,291
Highways	145,799	151,328			145,799	151,328
Economic development	124,406	109,579			124,406	109,579
Capital outlay	2,750	169,993	101,958	100,217	104,708	270,210
Debt service	237,047	179,257	279,486	391,970	516,533	571,227
Depreciation	197,000	269,023	343,567	1,133,485	540,567	1,402,508
Water			306,284	277,240	306,284	277,240
Sewer			95,778	83,921	95,778	83,921
Sanitation			220,252	189,067	220,252	189,067
Other						
Total expense	1,493,596	1,777,346	1,347,325	2,175,900	2,840,921	3,953,246
Excess before transfer	819,420	1,660,834	194,216	(900,008)	1,013,636	760,826
Transfers	(258,821)	(82,531)	258,821	82,531		
Increase (decrease) in net assets	560,599	1,578,303	453,037	(817,477)	1,013,636	760,826

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, 2013 , total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,777,346. Of these total expenses, taxpayers and other general revenues funded \$1,777,346, 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 \$247,890, \$150,608 and \$69,437, 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 \$443,215 and expenditures of \$465,679, and net transfers of \$(23,633), resulting in a net decrease in fund balance of \$46,097.

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, 2013 , General Fund expenditures were \$34,967 above final appropriations, while actual resources available for appropriation were \$ 5,081 above the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-Modified Cash Basis

At December 31, 2013 , the City had \$26,182,117 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 \$508,452, or 2 percent, over last year.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	2,284,202	2,284,202	39,895	39,895	2,324,097	2,324,097
Construction	664,938	13,864	16,026,724	219,242	16,691,662	233,106
Infrastructure	1,074,310	3,282,696	1,593,944	16,830,198	2,668,254	20,112,894
Buildings	246,684	219,320	3,371,527	2,998,500	3,618,211	3,217,820
Equipment	242,947	218,041	128,494	86,159	371,441	304,200
Total	4,513,081	6,018,123	21,160,584	20,163,994	25,673,665	26,182,117

Long-Term Debt-Modified Cash Basis

At December 31, 2013 , the City had \$16,091,660 in long-term debt arising from modified cash basis transactions compared to \$16,747,476 at December 31, 2012. At December 31, 2013 , \$4,096,000, of the debt is related to governmental activities and \$11,995,660 related to business-type activities. This represents a net decrease of 1 percent.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Capital leases						
Bonds payable	3,236,769	2,920,000	11,527,374	11,364,438	14,764,143	14,284,438
SRF notes	1,270,000	1,176,000	620,000	569,000	1,890,000	1,745,000
Notes payable			93,333	62,222	93,333	62,222
Total	4,506,769	4,096,000	12,240,707	11,995,660	16,747,476	16,091,660

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2013 , 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 POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	1,312,969.28	1,051,099.65	2,364,068.93	
Accounts receivable			-	
Taxes receivable			-	
Intergovernmental receivable			-	
Contract for deed			-	
Capital assets (net of accumulated depreciation)	6,018,123.07	20,163,993.91	26,182,116.98	
Total Assets	7,331,092.35	21,215,093.56	28,546,185.91	-
LIABILITIES				
Accounts Payable			-	
Salaries and benefits payable			-	
Deferred revenue			-	
Long-term liabilities:			-	
Due within one year:			-	
Bonds payable	260,000.00	271,112.00	531,112.00	
Notes payable	95,000.00	83,111.00	178,111.00	
Due after one year:			-	
Bonds payable	2,660,000.00	11,093,326.20	13,753,326.20	
Notes payable	1,081,000.00	548,110.60	1,629,110.60	
Total liabilities	4,096,000.00	11,995,659.80	16,091,659.80	-
NET POSITION				
Invested in capital assets, net of related debt	1,922,123.07	8,168,334.11	10,090,457.18	
Restricted for:			-	
Capital projects	22,826.38	4,369.38	27,195.76	
Debt service	621,417.58	671,916.41	1,293,333.99	
Unrestricted	668,725.32	374,813.86	1,043,539.18	
Total net position	3,235,092.35	9,219,433.76	12,454,526.11	-

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

CITY OF OAKES

STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2013

		Revenue & Changes in Net Assets			
	Expenses	Charges for Services	Program Revenues Operating grants and Contributions	Governmental Activities	Component Units
Governmental activities:					
General government	418,874.88			(418,874.88)	
Public safety	479,290.77			(479,290.77)	
Highways and streets	151,328.15			(151,328.15)	
Economic development	109,578.67			(109,578.67)	
Other capital outlays	169,993.42			(169,993.42)	
Interest expense	179,257.19			(179,257.19)	
Depreciation- Unallocated	269,023.00			(269,023.00)	
Total Governmental Activities	1,777,346.08	-	-	(1,777,346.08)	-
Business-type activities					
Water	277,240.32	525,130.20		247,889.88	
Sewer	83,921.02	234,529.50		150,608.48	
Garbage	189,067.09	258,504.02		69,436.93	
Debt	329,747.27	13,374.84		(316,372.43)	
Capital outlay	100,216.69			(100,216.69)	
				-	
				-	
				-	
Depreciation	1,133,485.00			(1,133,485.00)	
Total Business-type activities	2,113,677.39	1,031,538.56	-	(1,082,138.83)	-
Total	3,891,023.47	1,031,538.56	-	(2,859,484.91)	-
Net expense		Governmental (1,777,346.08)	Business-type (1,082,138.83)	Total (2,859,484.91)	-
General Revenues					
Taxes:					
Property taxes		605,603.14	67,228.27	672,831.41	
Sales taxes		416,960.95		416,960.95	
Special assessments		207,358.05		207,358.05	
Licenses and permits		13,312.00		13,312.00	
Intergovernmental		1,851,850.83	130,712.00	1,982,562.83	
Interest income		1,128.32	8,245.23	9,373.55	
Other revenue		341,966.87	38,167.89	380,134.76	
Total General Revenues		3,438,180.16	244,353.39	3,682,533.55	-
Transfers in (out)		(8,542,939.55)	8,542,939.55	-	
Change in Net Position		(6,882,105.47)	7,705,154.11	823,048.64	-
Net Position- January 1		10,117,197.82	1,514,279.65	11,631,477.47	
Net Position- December 31		3,235,092.35	9,219,433.76	12,454,526.11	

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

CITY OF OAKES
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2013

	GENERAL		CONSTRUCTION 2012-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	58,608.85	-	9,675.86	1,244,684.57	1,312,969.28
Accounts receivable					-
Taxes receivable					-
Special assessment receivable					-
Intergovernmental receivable					-
Total Assets	58,608.85	-	9,675.86	1,244,684.57	1,312,969.28
LIABILITIES					
Accounts Payable					-
Salaries and benefits payable					-
Deferred revenue	-			-	-
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for Capital Projects		-	9,675.86	22,826.38	32,502.24
Restricted for Debt Service		-		621,417.58	621,417.58
Restricted for other purposes				646,237.11	646,237.11
Unassigned	58,608.85			(45,796.50)	12,812.35
Total fund balance	58,608.85	-	9,675.86	1,244,684.57	1,312,969.28
Total liabilities and fund balance	58,608.85	-	9,675.86	1,244,684.57	1,312,969.28

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, 2013

Total Fund Balances for Governmental Funds 1,312,969.28

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	8,425,377.07	
Less accumulated depreciation	2,407,254.00	
Net capital assets		6,018,123.07

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	(2,920,000.00)
SRF Notes payable	(1,176,000.00)
Notes payable	-

Total Net Assets of Governmental Activities 3,235,092.35

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, 2013

	GENERAL	CONSTRUCTION FUNDS 2012-1	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	188,221.39		417,381.75	605,603.14
Sales taxes			416,960.95	416,960.95
Special Assessments			207,358.05	207,358.05
Intergovernmental	200,282.58	1,298,583.00	352,985.25	1,851,850.83
Interest	-	21.67	1,106.65	1,128.32
Charges for services	10,715.61		217,896.64	228,612.25
Other	43,995.54		82,671.08	126,666.62
Total Revenues	443,215.12	-	1,298,604.67	3,438,180.16
Current:				
General government	190,531.90		228,342.98	418,874.88
Public safety	275,147.25		204,143.52	479,290.77
Highways and streets			181,838.15	181,838.15
Economic development			109,578.67	109,578.67
Other capital outlays		1,736,839.53	176,709.24	1,913,548.77
Debt Service				
Principal		1,774,000.00	384,834.50	2,158,834.50
Interest expense		6,715.82	198,475.87	205,191.69
Total Expenditures	465,679.15	-	3,517,555.35	5,467,157.43
Excess revenues (expenditures)	(22,464.03)	-	(2,218,950.68)	(2,028,977.27)
Other Financing Sources (Uses):				
Transfers in	66,480.00	-	3,514.50	311,589.08
Transfers out	(90,112.82)	-		(394,119.64)
Bond proceeds		-	1,774,000.00	1,774,000.00
Total other financing sources and u	(23,632.82)	-	1,777,514.50	1,691,469.44
Net change in fund balances	(46,096.85)	-	(441,436.18)	(337,507.83)
Fund balance- beginning	104,705.70	-	451,112.04	1,650,477.11
Fund balance- ending	58,608.85	-	9,675.86	1,312,969.28

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, 2013

Net Change in Fund Balances- Total Governmental Funds (337,507.83)

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	1,774,065.35	
Current year depreciation expense	269,023.00	1,505,042.35

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.	2,184,769.00	(1,774,000.00)
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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.		(8,460,408.99)
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Change in Net Assets of Governmental Activities (6,882,105.47)

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

CITY OF OAKES
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS

DECEMBER 31, 2013	Water	Sewer	Sanitation	Other	Total
ASSETS					
Cash and investments	141,838.15	176,068.61	83,052.96	650,139.93	1,051,099.65
Accounts receivable					-
Taxes receivable					-
Intergovernmental receivable					-
Due from County Treasurer					-
Capital assets (net of accumulated depreciation)				20,163,993.91	20,163,993.91
Total Assets	141,838.15	176,068.61	83,052.96	20,814,133.84	21,215,093.56
LIABILITIES					
Accounts Payable					-
Salaries and benefits payable					-
Deferred revenue					-
Long-term liabilities:					
Due within one year:					
Bonds payable				162,936.00	162,936.00
Notes payable				76,111.00	76,111.00
Due after one year:					
Bonds payable				11,201,502.20	11,201,502.20
Notes payable				617,333.00	617,333.00
Total liabilities	-	-	-	12,057,882.20	12,057,882.20
NET POSITION					
Net investment in capital assets				8,106,111.71	8,106,111.71
Restricted for:					
Capital projects				-	-
Debt service				650,139.93	650,139.93
Unrestricted	141,838.15	176,068.61	83,052.96	-	400,959.72
Total net position	141,838.15	176,068.61	83,052.96	8,756,251.64	9,157,211.36

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

CITY OF OAKES
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Water	Sewer	Sanitation	Other	Total
OPERATING REVENUE					
Charges for services	525,130.20	234,529.50	258,504.02	13,374.84	1,031,538.56
OPERATING EXPENSES					
Salaries	102,399.12	50,649.79	54,713.18		207,762.09
Benefits	17,004.65	15,994.95	17,201.50		50,201.10
Equipment					-
Contract services			59,354.81		59,354.81
Electricity	43,558.15	4,373.51			47,931.66
Supplies	77,339.22	2,516.49	33,553.69		113,409.40
Repairs and maintenance	28,083.52	7,776.73	19,405.35	-	55,265.60
Insurance	2,894.40	402.13	2,433.84		5,730.37
Office expense	177.02		165.72		342.74
Depreciation				1,133,485.00	1,133,485.00
Miscellaneous	5,784.24	2,207.42	2,239.00		10,230.66
Total operating expenses	277,240.32	83,921.02	189,067.09	1,133,485.00	1,683,713.43
Operating income (loss)	247,889.88	150,608.48	69,436.93	(1,120,110.16)	(652,174.87)
NON-OPERATING REVENUE (EXPENSE)					
Property taxes				67,228.27	67,228.27
Interest income	7,301.16	59.69	41.05	843.33	8,245.23
Grant income				130,712.00	130,712.00
Interest expense			-	(329,747.27)	(329,747.27)
Capital outlay	(77,892.10)	(28,477.59)	-	6,153.00	(100,216.69)
Other	1,262.98	1,208.79	5,639.98	30,056.14	38,167.89
Total non-operating rev (exp)	(69,327.96)	(27,209.11)	5,681.03	(94,754.53)	(185,610.57)
Income (loss) before transfers	178,561.92	123,399.37	75,117.96	(1,214,864.69)	(837,785.44)
Transfers in	58,424.50	45,943.89	5,000.00	16,375,399.84	16,484,768.23
Transfers out	(247,814.50)	(199,133.89)	(17,065.00)	(7,477,815.29)	(7,941,828.68)
Change in net position	(10,828.08)	(29,790.63)	63,052.96	7,682,719.86	7,705,154.11
Net Position- January 1	152,666.23	205,859.24	20,000.00	1,135,754.18	1,514,279.65
Net Position- December 31	141,838.15	176,068.61	83,052.96	8,818,474.04	9,219,433.76

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

CITY OF OAKES
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Water	Sewer	Sanitation	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	525,130.20	234,529.50	258,504.02	13,374.84	1,031,538.56
Payments to suppliers	(174,841.20)	(33,271.23)	(134,353.91)		(342,466.34)
Payments to employees	(102,399.12)	(50,649.79)	(54,713.18)		(207,762.09)
Other receipts	1,262.98	1,208.79	5,639.98	227,996.41	236,108.16
Net cash provided by (used in) op	249,152.86	151,817.27	75,076.91	241,371.25	717,418.29
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	58,424.50	45,943.89	5,000.00	16,375,399.84	16,484,768.23
Transfers from other funds	(247,814.50)	(199,133.89)	(17,065.00)	(7,477,815.29)	(7,941,828.68)
Net cash provided by (used in) non	(189,390.00)	(153,190.00)	(12,065.00)	8,897,584.55	8,542,939.55
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(77,892.10)	(28,477.59)	-	(12,956,929.86)	(13,063,299.55)
Principal paid on capital debt				(245,046.86)	(245,046.86)
Interest paid on capital debt			-	(329,747.27)	(329,747.27)
Debt proceeds				4,365,779.00	4,365,779.00
Net cash provided by (used in) cap	(77,892.10)	(28,477.59)	-	(9,165,944.99)	(9,272,314.68)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	7,301.16	59.69	41.05	843.33	8,245.23
Net cash provided by (used in) inv	7,301.16	59.69	41.05	843.33	8,245.23
Net increase (decrease) in cash	(10,828.08)	(29,790.63)	63,052.96	(26,145.86)	(3,711.61)
Balance- beginning of year	152,666.23	205,859.24	20,000.00	676,285.79	1,054,811.26
Balance- end of year	141,838.15	176,068.61	83,052.96	650,139.93	1,051,099.65
Reconciliation of operating income (loss) to net cash provided					
by operating activities:					
Operating income (loss)	247,889.88	150,608.48	69,436.93	(1,120,110.16)	(652,174.87)
Adjustments to reconcile operating income to net cash provided					
(used) by operating activities:					
Depreciation expense				1,133,485.00	1,133,485.00
Change in assets and liabilities:					
Refundable deposits					-
Miscellaneous receipts (expense)	1,262.98	1,208.79	5,639.98	227,996.41	236,108.16
Net cash provided by operating ac	249,152.86	151,817.27	75,076.91	241,371.25	717,418.29

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

CITY OF OAKES
OAKES, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

CITY OF OAKES

Notes to Financial Statements- Continued

The City also reports the following fund types:

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City.

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

The City reports the following major enterprise funds:

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

Sewer- accounts for operating activities of the City's sewer utility services.

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

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

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

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

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

CITY OF OAKES

Notes to Financial Statements- Continued

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

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

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

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

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

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

CITY OF OAKES

Notes to Financial Statements- Continued

All governmental funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets

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

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

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposits stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF OAKES

Notes to Financial Statements- Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

ASSETS	YEARS
Permanent Buildings	30
Vehicles and equipment	7

G. Long-Term Obligations

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

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

H. Fund Balance

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

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

CITY OF OAKES

Notes to Financial Statements- Continued

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

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

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

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

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

The council has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

I. Interfund Transactions

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

CITY OF OAKES

Notes to Financial Statements- Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council amended the City budget for 2013. The budget amendments are detailed in the attached schedule on page 40.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets.

No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

CITY OF OAKES
Notes to Financial Statements- Continued

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

At December 31, 2013, the City's carrying amount of deposits was \$2,389,376. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$2,139,376 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

Concentration of Credit Risk

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

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 4: TAXES RECEIVABLE

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

The County treasurer acts as 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 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account for goods and services furnished by the City. No allowance has been established for uncollectible accounts.

NOTE 6: TRANSFERS

The City transfers operating revenues between funds. A schedule of the transfers is on page 39.

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013:

	Balance January 1	Increases	Decreases	Balance December 31
Construction in progress	13,491,127	1,743,555	15,220,818	13,864
Land	2,284,202			2,284,202
Total	15,775,329	1,743,555	15,220,818	2,298,066
Capital assets, being depreciated				
Governmental activities				
Bldgs and Improvements	1,028,832			1,028,832
Vehicles & Equipment	1,086,247	30,510		1,116,757
Infrastructure	1,577,092	2,394,630		3,971,722
Total Cap Assets	3,692,171	2,425,140		6,117,311
Less accumulated depreciation for:				
Buildings & Improve	756,740	14,140		770,880
Vehicles & Equip	853,300	55,415		908,715
Infrastructure	528,190	199,468		727,658
Total Accumulated Dep	2,138,230	269,023		2,407,253
Total Cap Assets, Net	1,553,941			3,710,058
Total Cap Assets, Net	17,329,270			6,008,124
Construction in progress	3,200,536	130,742	3,112,036	219,242
Land	39,895			39,895
Total	3,240,431	130,742	3,112,036	259,137
Capital assets, being depreciated				
Business-type activities				
Bldgs and Improvements	4,825,342			4,825,342
Vehicles & Equipment	343,277	6,153		349,430
Infrastructure	2,622,168	15,938,224		18,560,392
Total Cap Assets	7,790,787	15,944,377		23,735,164
Less accumulated depreciation for:				
Buildings & Improve	1,453,815	156,975		1,610,790
Vehicles & Equip	214,783	48,490		263,273
Infrastructure	1,028,224	928,020		1,956,244
Total Accumulated Dep	2,696,822	1,133,485		3,830,309
Total Cap Assets, Net	5,093,965			19,904,855
Total Cap Assets, Net	8,334,396			20,163,992

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

Governmental Activities:	
Unallocated	269,023
Business-type activities	
Unallocated	1,133,485

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 8: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2013, the following changes occurred in liabilities reported in long-term debt:

	Payable 2012	Increases	Decreases	Payable 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
USDA Loan	2,653,548		2,653,548		
Bonds Payable	4,949,000		2,029,000	2,920,000	95,000
SRF Notes	1,270,000		94,000	1,176,000	83,000
TOTAL	8,872,548		4,776,548	4,096,000	
BUSINESS-TYPE ACTIVITIES					
USDA Loan	7,033,830	4,365,779	159,639	11,239,970	63,653
Bonds Payable	127,765		3,297	124,468	3,105
SRF Notes	620,000		51,000	569,000	45,000
Notes payable	93,333		31,111	62,222	31,111
TOTAL	7,874,928	4,365,779	245,047	11,995,660	

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding imp bonds- 2007	05/01/2023	4.00-4.30%	615,000
Refunding imp bonds- 2007	05/01/2022	4.00-4.25%	235,000
Refunding imp bonds- 2004	05/01/2018	3.85-4.45%	155,000
Refunding imp bonds- 2013	05/01/2018	3.85-4.45%	585,000
Refunding imp bonds- 2012	05/01/2025	1.5%	1,330,000
Total			2,920,000
Bank of ND	11/01/2038	3.000%	124,468
USDA bond	05/01/2038	3.25%	1,149,286
USDA bond	05/01/2038	3.75%	2,656,353
USDA bond	05/01/2038	3.75%	3,068,552
USDA bond	05/01/2038	1.5%	1,774,000
USDA bond	05/01/2038	1.5%	2,591,779
Total			11,364,438

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

CITY OF OAKES
Notes to Financial Statements- Continued

SRF NOTES PAYABLE

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

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Water treatment bonds-1995	03/01/2026	2.5%	680,000
Water treatment bonds-1995	03/01/2023	2.5%	100,000
Water treatment bonds-1995	03/01/2022	2.5%	396,000
Total			1,176,000
BUSINESS-TYPE ACTIVITIES			
Water Treatment-1998	09/01/2023	2.5%	265,000
Water treatment bonds-1995	03/01/2023	2.5%	87,000
Water treatment bonds-1995	03/01/2017	2.5%	32,000
Water treatment bonds-1995	03/01/2027	2.5%	185,000
Total			569,000

The annual long-term debt service requirements for bonds payable, as of December 31, 2013, are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
December 31				
2014	260,000	90,005	95,000	29,400
2015	255,000	83,195	96,000	27,025
2016	265,000	76,085	97,000	24,625
2017	270,000	68,128	102,000	22,200
2018	275,000	59,675	104,000	19,650
2019-2023	1,235,000	173,121	502,000	58,300
2024-2027	360,000	14,375	180,000	9,000
TOTAL	2,920,000	564,584	1,176,000	190,200
2014	271,112	380,145	52,000	14,225
2015	280,026	371,232	52,000	12,925
2016	289,229	362,029	53,000	11,625
2017	298,761	352,497	53,000	10,300
2018	308,603	342,655	45,000	8,975
2019-2023	1,702,659	1,553,631	254,000	27,075
2024-2028	2,003,608	1,252,681	60,000	3,750
2029-2033	2,359,119	897,171		
2034-2038	2,547,302	497,840		
2039-2043	1,304,019	86,715		
TOTAL	11,364,438	6,096,596	569,000	88,875

CITY OF OAKES
Notes to Financial Statements- Continued

The City has a note payable with Dakota Valley Electric. The note is due in annual installments of \$31,111.20, including interest at 0%, through April 2015. The note was used to finance a project. The balance at year end is \$62,222.

NOTE 9. RESERVED OR DESIGNATED FUND EQUITY

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

Reserved:

Police vehicle replacement	28,265
Public works building	1,568
Water contingency	98,498
Sewer contingency	146,725
Garbage equipment replacement	<u>25,000</u>
Total	300,056

Designated:

Debt Service fund-	
Designated for debt service	621,418

NOTE 9. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2013:
411 Main 45,796 Will be eliminated with charges.

CITY OF OAKES

Notes to Financial Statements- Continued

NOTE 11: PENSION PLANS

The City contributes to the North Dakota Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to ND PERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 6% of their annual covered salary and the City is required to contribute 7.26% of the employee's salary. The contribution requirements of plan members and the City are established and may be amended by the State legislature. The City's contributions to PERS for the fiscal years ending December 31, 2013, 2012, and 2011 were \$38,861, \$31,843, and \$24,250, respectively, equal to the required contributions for the year.

NOTE 12: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

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

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

CITY OF OAKES
 BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
 YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Property taxes	181,253.12	181,253.12	188,221.39	6,968.27
Sales taxes			-	-
Special Assessments			-	-
Intergovernmental	173,300.00	173,300.00	200,282.58	26,982.58
Interest			-	-
Charges for services	10,000.00	10,000.00	10,715.61	715.61
Other	43,695.00	43,695.00	43,995.54	300.54
Total Revenues	408,248.12	408,248.12	443,215.12	34,967.00
Current:				
General government	162,880.88	197,847.88	190,531.90	7,315.98
Public safety	272,912.70	272,912.70	275,147.25	(2,234.55)
Highways and streets			-	-
Economic development			-	-
Other capital outlays			-	-
Debt Service				
Principal				
Interest expense				
Total Expenditures	435,793.58	470,760.58	465,679.15	5,081.43
Excess revenues (expenditures)	(27,545.46)	(62,512.46)	(22,464.03)	40,048.43
Other Financing Sources (Uses):				
Transfers in	66,480.00	66,480.00	66,480.00	-
Transfers out	(90,112.82)	(90,112.82)	(90,112.82)	-
Bond proceeds			-	
Total other financing sources and u	(23,632.82)	(23,632.82)	(23,632.82)	-
Net change in fund balances	(51,178.28)	(86,145.28)	(46,096.85)	40,048.43
Net Assets- January 1	104,705.70	104,705.70	104,705.70	
Net Assets- December 31	53,527.42	18,560.42	58,608.85	40,048.43

Note 1.
 Budgets are prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. All appropriations lapse at year end. Encumbrance accounting is not utilized by the City. The budget is adopted through formal approval by the Council. Any revisions to the budget must be approved by the Council.

CITY OF OAKES
 FUND BALANCE
 DECEMBER 31, 2013

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
100 GENERAL FUNDS	104,705.70	443,215.12	465,679.15	(23,632.82)	58,608.85
201 STREET FUND	84,252.07	286,179.60	134,974.95	(18,785.00)	216,671.72
202 SOCIAL SECURITY FUND	8,800.96	34,358.98	34,854.81		8,305.13
203 RETIREMENT	-	18,673.51	53,485.30	36,000.00	1,188.21
205 ADVERTISING FUND	15,029.34	10,942.20	5,715.42		20,256.12
206 EMERGENCY FUND	4,772.03	6,865.87			11,637.90
207 FORESTRY	-	7,492.76	17,227.98	10,000.00	264.78
208 CEMETERY	6,457.10	8,960.91	11,646.06		3,771.95
209 ARMORY	23,006.58	38,130.89	82,929.99	21,792.52	-
210 PERPETUAL CEMETERY	72,089.80	1,272.51	300.00		73,062.31
215 SALES TAX- POOL	-	104,240.30		(104,240.30)	-
216 SALES TAX- CITY	53,787.89	104,240.09	3,600.00	(76,500.00)	77,927.98
217 SALES TAX- OEI	10,703.15	104,240.26	105,378.67		9,564.74
218 SALES TAX- INFRASTRUCTURE	-	104,240.30		(104,240.30)	-
221 POLICE VEHICLE REPLACEMENT	13,265.06			15,000.00	28,265.06
222 GENERAL BUILDING RESERVE	3,673.22			1,320.00	4,993.22
223 PUBLIC WORKS BUILDING RES	1,567.87				1,567.87
224 PUBLIC WORKS EQUIPMENT	64,840.41	28,280.30	46,863.20	12,000.00	58,257.51
230 VENTURE/OAKES DEVELOP	55,443.32	362.14			55,805.46
250 CITY SHOP	15,352.00	296.00	49,138.68	39,000.00	5,509.32
801 FLEX MEDICAL SPENDING	(0.00)	9,189.70	8,948.78	(240.92)	(0.00)
802 FLEX DEPENDENT CARE	0.00	7,633.88	7,875.00	241.22	0.10
812 FUNDRAISING	600.00		600.00		-
902 AIRPORT	44,853.46	68,888.58	52,486.11		61,255.93
904 AMBULANCE	3,863.96	194,678.84	189,239.48		9,303.32
906 LIBRARY	4,784.62	17,206.55	15,686.83	2,000.00	8,304.34
TOTAL SPECIAL REVENUE	487,142.84	1,156,374.17	820,951.26	(166,652.78)	655,912.97
340 2010-2 SDWG/JVG EXT	85,000.49	301,411.48	324,134.63		62,277.34
302 2003-3 STREET	25,246.95	10,254.38	10,859.65		24,641.68
303 PILOT DRAIN PROJECT ASSMT	262.33	2,442.85	2,496.82		208.36
313 2009-2 PHASE I W/S IMP	12,999.13	18,997.90	22,475.74		9,521.29
305 2003-1/2003-2 SEWER	-				-
306 2003-4 JVG ROAD	(0.00)				(0.00)
307 2003-5 DRAIN	-				-
308 2006-2 KOLA AVENUE	-				-
309 2007-1 JVG STREET IMP	-				-
314 2009-2 PHASE I W/S IMP	349,805.01	201,129.59	143,989.53		406,945.07
350 POOL PROJECT	162,937.54		149,354.00	104,240.30	117,823.84

CITY OF OAKES
 FUND BALANCE
 DECEMBER 31, 2013

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
TOTAL DEBT SERVICE	636,251.45	534,236.20	653,310.37	104,240.30	621,417.58
525 HWY 1 IMPROVEMENT	9,661.06		9,661.30	0.24	(0.00)
524 CLINES ADDITION	(2,750.00)	2,750.00			(0.00)
515 2010-1 PHASE 2 CONSTRUCTION	13,150.52				13,150.52
518 2009-2 MAIN AVE CONST	(0.00)				(0.00)
519 2010-2 SDWG/JVG EXT	0.00				0.00
517 SAFE ROUTES TO SCHOOL	-				-
526 2012-1 PHASE 4 CONSTRUCTION	451,112.04	3,072,604.67	3,517,555.35	3,514.50	9,675.86
529 GRAVEL IMPROVEMENT	-				-
599 411 MAIN AVENUE	(48,796.50)	3,000.00			(45,796.50)
TOTAL CAPITAL PROJECT	422,377.12	3,078,354.67	3,527,216.65	3,514.74	(22,970.12)
TOTAL FUND BALANCE	1,650,477.11	5,212,180.16	5,467,157.43	(82,530.56)	1,312,969.28
501 WATER FUND	23,681.17	526,713.28	277,240.32	(229,814.50)	43,339.63
502 WATER CONTINGENCY	128,985.06	6,981.06	77,892.10	40,424.50	98,498.52
504 SEWER FUND	65,566.44	235,793.65	83,921.02	(188,095.11)	29,343.96
505 SEWER CONTINGENCY	140,292.80	4.33	28,477.59	34,905.11	146,724.65
507 GARBAGE	-	264,185.05	189,067.09	(17,065.00)	58,052.96
508 GARBAGE EQUIP REPLACE	20,000.00			5,000.00	25,000.00
516 2012-1 CONSTRUCTION	4,369.38	134,227.30	130,741.87	(3,514.50)	4,340.31
310 2004-1 WATER PROJ PART 2	11,163.39		9,802.50	3,000.00	4,360.89
311 2005-2 HOSPITAL WS	4,415.31		31,111.20	28,000.00	1,304.11
312 2006-1 WATER IMP	302,709.06	842.29	218,327.93	132,000.00	217,223.42
315 2010-1 PHASE 2 WATER/SEWER	127,719.31	701.43	145,952.00	154,240.30	136,709.04
316 2012-1 PHASE 3 WATER/SEWER	31,450.00	93,068.72	58,034.00	31,450.00	97,934.72
320 2002 LIFT STATION	12,943.57		9,180.00	7,000.00	10,763.57
321 2004-1 SEWER PART 1	50,750.23		33,637.50	16,000.00	33,112.73
322 2007-3 SEWER IMP	19,035.33		16,880.00	15,000.00	17,155.33
330 2011 BOND	111,730.21	13,374.84	51,869.00	53,999.76	127,235.81
TOTAL RETAINED EARNINGS	1,054,811.26	1,275,891.95	1,362,134.12	82,530.56	1,051,099.65
TOTAL FUND BAL & RET EARN	2,705,288.37	6,488,072.11	6,829,291.55	-	2,364,068.93

CITY OF OAKES
 SCHEDULE OF TRANSFERS
 YEAR ENDED DECEMBER 31, 2013

	TRANSFER IN	TRANSFER OUT
GENERAL STREET	66,480.00	90,112.82
SAFE ROUTES TO SCHOOL		18,785.00
RETIREMENT	36,000.00	-
FORESTRY	10,000.00	
ARMORY SHOP	21,792.52	
LIBRARY	2,000.00	
SALES TAX- POOL		104,240.30
SALES TAX- CITY		76,500.00
SALES TAX- INFRASTRUCTURE	-	104,240.30
POLICE VEHICLE REPLACEMENT	15,000.00	
GENERAL BUILDING RESERVE	1,320.00	
PUBLIC WORKS EQUIPMENT	12,000.00	-
CITY SHOP	39,000.00	-
2012-1	3,514.74	3,514.50
2010-1 CONSTRUCTION	154,240.30	
2009-2 CONSTRUCTION		
POOL PROJECT	104,240.30	
2012-1	31,450.00	
2010-2		
2009-2		
WATER FUND	18,000.00	247,814.50
WATER CONTINGENCY	40,424.50	
SEWER	5,519.39	193,614.50
SEWER CONTINGENCY	40,424.50	5,519.39
GARBAGE		17,065.00
GARBAGE EQUIPMENT REPLACE	5,000.00	
2011 HIGHWAY 1		
2004-1 PART 2 WATER	16,000.00	
2011 BOND	54,000.00	0.24
2005-2 HOSPITAL	28,000.00	
2006-1 WATER IMPROVEMENT	132,000.00	
2002 LIFT STATION	7,000.00	
2004-1 SEWER PART 1	3,000.00	
2007-3 SEWER IMPROVEMENT	15,000.00	
2003-1		
2003-4		
2003-5		
2006-2		
2007-1		
FLEX MEDICAL		241.22
FLEX DAYCARE	241.22	-
TOTAL	861,647.47	861,647.77

CITY OF OAKES
 SCHEDULE OF BUDGET AMENDMENTS
 YEAR ENDED DECEMBER 31, 2013

	ORIGINAL BUDGET	AMENDMENTS	AMENDED BUDGET
GENERAL	474,586.00	34,967.00	509,553.00
STREET	305,025.00	(170,025.00)	135,000.00
SOCIAL SECURITY	35,000.00	-	35,000.00
RETIREMENT	49,000.00	4,500.00	53,500.00
ADVERTISING	11,000.00	-	11,000.00
EMERGENCY	11,000.00	(11,000.00)	-
FORESTRY	12,000.00	5,500.00	17,500.00
CEMETERY	13,900.00	-	13,900.00
ARMORY	27,200.00	55,800.00	83,000.00
PERPUTUAL CEMETERY	67,000.00	(66,700.00)	300.00
SALES TAX- POOL	90,000.00	14,241.00	104,241.00
SALES TAX- CITY	126,500.00	(46,400.00)	80,100.00
SALES TAX- OEI	90,000.00	15,380.00	105,380.00
SALES TAX- INFRASTRUCTURE	90,000.00	14,241.00	104,241.00
PUBLIC SAFETY GRANT	-	-	-
POLICE VEHICLE REPLACEMENT	28,000.00	(28,000.00)	-
GENERAL BUILDING RESERVE	4,900.00	(4,900.00)	-
PUBLIC WORKS BUILDING RESERVE	-	-	-
PUBLIC WORKS EQUIPMENT	77,000.00	(30,000.00)	47,000.00
PUBLIC WORKS GRANT	-	-	-
OAKES DEVELOPMENT	55,800.00	(55,800.00)	-
CITY SHOP	48,850.00	350.00	49,200.00
PILOT DRAIN		-	
STORM 2011		-	
2003-3		-	
PILOT DRAIN		-	
2003-4 JVG		-	
2003-5 DRAINAGE		-	
2006-2 KOLA		-	
JVG STREET		-	
2009-2		-	
2005-2		-	
2006-1		-	
2004-1 SEWER		-	
POOL PROJECT	79,150.00	70,350.00	149,500.00
WATER FUND	302,231.00	(24,991.00)	277,240.00
WATER CONTINGENCY	200,000.00	(123,000.00)	77,000.00
SEWER	95,080.00	20.00	95,100.00
SEWER CONTINGENCY	209,000.00	(180,500.00)	28,500.00
GARBAGE	137,037.00	52,163.00	189,200.00
GARBAGE EQUIPMENT	25,000.00	(25,000.00)	-
FLEX DAYCARE		-	
SCDRC HWY 1 FUEL		-	
AIRPORT		-	
AMBULANCE		-	
LIBRARY		-	