

CITY OF OAKES
OAKES, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

CITY OF OAKES
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CITY OF OAKES
LIST OF OFFICIALS
DECEMBER 31, 2011

CITY COUNCIL

Office

Monty Zimmer
Mark Kuipers
Jeff Forward
Dennis Brandriet
Doug Sitzler
Dana Rosendahl
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, 2011, 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, 2011, 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 34-35 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, 2011

CITY OF OAKES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

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, 2011 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 \$2,410,567 for the year, resulting in an increase in total net assets of 41 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 \$3,671, which represents 1 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 \$5,861,915 to \$8,272,482 between fiscal years 2011 and 2010. 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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current	3,159,537	1,214,939	1,103,109	2,146,459	4,262,646	3,361,399
Capital assets	11,073,397	15,806,434	7,270,516	7,057,234	18,343,913	22,863,668
Total assets	14,232,934	17,021,373	8,373,625	9,203,693	22,606,559	26,225,066
Long-term debt	9,851,000	10,234,774	4,483,077	5,372,450	14,334,077	15,607,224
Other liabilities						
Total liabilities	9,851,000	10,234,774	4,483,077	5,372,450	14,334,077	15,607,224
Invested in capital, net	1,222,397	5,571,660	2,787,439	1,684,784	4,009,836	7,256,443
Restricted	2,798,561	2,798,561	590,262	590,262	3,388,823	3,388,823
Unrestricted	360,976	633,974	512,847	484,769	873,823	1,118,743
Total	4,381,934	6,786,599	3,890,548	3,831,243	8,272,482	10,617,842

Net assets of the City's governmental activities increased 119 percent to \$4,381,934. However, \$4,020,958 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 \$360,976 at the end of this year.

Changes from 2010 to 2011 reflect a favorable increase of percent in total activities and an increase of 119 percent for governmental activities and 1 percent for business-type activities.

Changes in Net Assets-Modified Cash Basis

For the year ended December 31, 2011 , 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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Program revenues						
Charges for services	136,538		957,373	993,059	1,093,911	993,059
Operating grants	41,660				41,660	
General revenue						
Property taxes	600,418	543,764			600,418	543,764
Sales taxes	317,679	418,136			317,679	418,136
Special assessments	9,989	207,587			9,989	207,587
State aid	2,554,151	2,648,573			2,554,151	2,648,573
Interest & other	78,330	78,330	161,213	19,389	239,543	239,543
Total revenues	3,738,765	4,261,871	1,118,586	1,012,448	4,857,351	5,274,319
General government	309,035	319,869			309,035	319,869
Public safety	443,718	492,738			443,718	492,738
Highways	142,941	143,536			142,941	143,536
Economic development	124,063	149,045			124,063	149,045
Capital outlay	117,431	413,406	17,954	28,026	135,385	135,385
Debt service	150,834	243,176	189,930	98,267	334,764	334,764
Depreciation	145,063	144,900	304,245	333,982	449,308	449,308
Water			286,659	267,020	286,659	267,020
Sewer			46,519	94,428	46,519	94,428
Sanitation			174,392	200,563	174,392	200,563
Other						
Total expense	1,433,085	1,906,672	1,013,699	1,022,286	2,446,784	2,928,959
Excess before transfer	2,305,680	2,305,680	104,887	104,887	2,410,567	2,345,360
Transfers	71,885	49,466	(71,885)	(49,466)		
Increase (decrease) in net assets	2,377,565	2,404,665	33,002	(59,305)	2,410,567	2,345,360

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, 2011 , total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$1,433,085. Of these total expenses, taxpayers and other general revenues funded \$1,433,085, 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 \$232,120, \$250,408 and \$23,822, 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 \$394,823 and expenditures of \$412,836, and net transfers of \$27,189, resulting in a net increase in fund balance of \$9,176.

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, 2011 , General Fund expenditures were \$71,762 above final appropriations, while actual resources available for appropriation were \$716 above the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-Modified Cash Basis

At December 31, 2011 , the City had \$22,863,669 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 \$4,519,756, or 25 percent, over last year.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	2,276,702	2,285,702	39,895	39,895	2,316,597	2,325,597
Construction	7,166,335	11,989,252	1,558,384	1,646,884	8,724,719	13,636,136
Infrastructure	1,232,019	1,153,165	1,856,160	1,725,052	3,088,179	2,878,217
Buildings	280,927	263,805	3,692,077	3,539,802	3,973,004	3,803,607
Equipment	117,414	114,510	124,000	105,601	241,414	220,111
Total	11,073,397	15,806,435	7,270,516	7,057,234	18,343,913	22,863,669

Long-Term Debt-Modified Cash Basis

At December 31, 2011 , the City had \$15,607,224 in long-term debt arising from modified cash basis transactions compared to \$14,334,077 at December 31, 2010. At December 31, 2011 , \$10,234,774, of the debt is related to governmental activities and \$5,372,450 related to business-type activities. This represents a net increase of 9 percent.

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Capital leases			107,876	54,152	107,876	54,152
Bonds payable	8,410,000	8,876,774	3,504,646	4,523,854	11,914,646	13,400,628
SRF notes	1,441,000	1,358,000	715,000	670,000	2,156,000	2,028,000
Notes payable			155,555	124,444	155,555	124,444
Total	9,851,000	10,234,774	4,483,077	5,372,450	14,334,077	15,607,224

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2011 , 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 31,2011.

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	1,214,939.27	2,146,459.39	3,361,398.66	
Accounts receivable			-	
Taxes receivable			-	
Intergovernmental receivable			-	
Contract for deed			-	
Capital assets (net of accumulated depreciation)	15,806,433.59	7,057,234.00	22,863,667.59	
Total Assets	17,021,372.86	9,203,693.39	26,225,066.25	-
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	8,876,774.00	4,523,854.68	13,400,628.68	
Notes payable	1,358,000.00	848,595.76	2,206,595.76	
Total liabilities	10,234,774.00	5,372,450.44	15,607,224.44	-
NET ASSETS				
Invested in capital assets, net of related debt	5,571,659.59	1,684,783.56	7,256,443.15	
Restricted for:			-	
Capital projects	121,900.37	1,075,231.98	1,197,132.35	
Debt service	459,064.50	586,458.52	1,045,523.02	
Unrestricted	633,974.40	484,768.89	1,118,743.29	
Total net assets	6,786,598.86	3,831,242.95	10,617,841.81	-

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

CITY OF OAKES

STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31,2011.

	Expenses	Program Revenues Charges for Services	Operating grants and Contributions	Revenue & Changes in Net Assets Governmental Activities	Component Units
Governmental activities:					
General government	319,869.33			(319,869.33)	
Public safety	492,738.46			(492,738.46)	
Highways and streets	143,536.43			(143,536.43)	
Economic development	149,045.32			(149,045.32)	
Other capital outlays	413,406.46			(413,406.46)	
Interest expense	243,176.37			(243,176.37)	
Depreciation- Unallocated	144,900.00			(144,900.00)	
Total Governmental Activities	1,906,672.37	-	-	(1,906,672.37)	-
Business-type activities					
Water	267,019.76	522,686.12		255,666.36	
Sewer	94,428.46	213,917.90		119,489.44	
Garbage	200,563.21	256,454.81		55,891.60	
Debt	98,266.74			(98,266.74)	
Capital outlay	28,026.14			(28,026.14)	
				-	
				-	
				-	
Depreciation	333,982.00			(333,982.00)	
Total Business-type activities	1,022,286.31	993,058.83	-	(29,227.48)	
Total	2,928,958.68	993,058.83	-	(1,935,899.85)	-
Net expense		Governmental (1,906,672.37)	Business-type (29,227.48)	Total (1,935,899.85)	-
General Revenues					
Taxes:					
Property taxes, levied for general purposes		543,764.10		543,764.10	
Sales taxes		418,135.86		418,135.86	
Special assessments		207,587.16		207,587.16	
Licenses and permits		14,379.24		14,379.24	
Intergovernmental		2,648,573.26	-	2,648,573.26	
Interest income		11,057.80	8,974.66	20,032.46	
Other revenue		418,373.51	10,414.24	428,787.75	
Total General Revenues		4,261,870.93	19,388.90	4,281,259.83	-
Transfers in (out)		49,466.42	(49,466.42)	-	
Change in Net Assets		2,404,664.98	(59,305.00)	2,345,359.98	-
Net Assets- January 1		4,381,933.88	3,890,547.92	8,272,481.80	-
Net Assets- December 31		6,786,598.86	3,831,242.92	10,617,841.78	-

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

CITY OF OAKES

BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS

DECEMBER 31,2011.

	GENERAL	CONSTRUCTION 2010-2	CONSTRUCTION 2009-2	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	50,793.41	13,476.24	-	1,150,669.62	1,214,939.27
Accounts receivable					-
Taxes receivable					-
Special assessment receivable					-
Intergovernmental receivable					-
Total Assets	50,793.41	13,476.24	-	1,150,669.62	1,214,939.27
LIABILITIES					
Accounts Payable					-
Salaries and benefits payable					-
Deferred revenue	-			-	-
Total liabilities	-	-	-	-	-
NET ASSETS					
Reserved for Capital Projects		13,476.24	-	108,424.13	121,900.37
Reserved for Debt Service				459,064.50	459,064.50
Unreserved	50,793.41			583,180.99	633,974.40
Total net assets	50,793.41	13,476.24	-	1,150,669.62	1,214,939.27

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 31,2011.

Total Fund Balances for Governmental Funds	1,214,939.27
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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	18,011,994.59	
Less accumulated depreciation	2,205,561.00	
Net capital assets		15,806,433.59

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	(3,395,000.00)
SRF Notes payable	(1,358,000.00)
Notes payable	(5,481,774.00)

Total Net Assets of Governmental Activities	6,786,598.86
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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 31,2011.

	GENERAL	CONSTRUCTION 2010-2	CONSTRUCTION 2009-2	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	181,845.13			361,918.97	543,764.10
Sales taxes				418,135.86	418,135.86
Special Assessments				207,587.16	207,587.16
Intergovernmental	141,786.28	2,048,546.00		458,240.98	2,648,573.26
Interest		8,571.33		2,486.47	11,057.80
Charges for services	9,290.87			199,424.83	208,715.70
Other	89,329.42			134,707.63	224,037.05
Total Revenues	422,251.70	2,057,117.33	-	1,782,501.90	4,261,870.93
Current:					
General government	177,878.85			188,010.48	365,889.33
Public safety	244,985.13			247,753.33	492,738.46
Highways and streets				143,536.43	143,536.43
Economic development				149,045.32	149,045.32
Other capital outlays		4,325,582.53		919,740.52	5,245,323.05
Debt Service					
Principal		2,770,000.00		236,226.00	3,006,226.00
Interest expense		39,378.71		194,854.55	234,233.26
Total Expenditures	422,863.98	7,134,961.24	-	2,079,166.63	9,636,991.85
Excess revenues (expenditures)	(612.28)	(5,077,843.91)	-	(296,664.73)	(5,375,120.92)
Other Financing Sources (Uses):					
Transfers in	74,002.16	16,385.00		233,493.15	323,880.31
Transfers out	(26,267.33)	-		(248,146.56)	(274,413.89)
Bond proceeds		2,770,000.00		611,056.89	3,381,056.89
Total other financing sources and u	47,734.83	2,786,385.00	-	596,403.48	3,430,523.31
Net change in fund balances	47,122.55	(2,291,458.91)	-	299,738.75	(1,944,597.61)
Net Assets- January 1	3,670.86	2,304,935.15	-	850,930.87	3,159,536.88
Net Assets- December 31	50,793.41	13,476.24	-	1,150,669.62	1,214,939.27

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 31,2011.

Net Change in Fund Balances- Total Governmental Funds (1,944,597.61)

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	4,877,936.59	
Current year depreciation expense	144,900.00	4,733,036.59

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. (7,110,000.00)
 2,942,000.00

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 (1,379,561.02)

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

CITY OF OAKES
STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31,2011.

	Water	Sewer	Garabage	Other	Total
ASSETS					
Cash and investments	156,644.22	274,070.29	54,054.35	1,661,690.53	2,146,459.39
Accounts receivable					-
Taxes receivable					-
Intergovernmental receivable					-
Due from County Treasurer					-
Capital assets (net of accumulated depreciation)				7,057,234.00	7,057,234.00
Total Assets	156,644.22	274,070.29	54,054.35	8,718,924.53	9,203,693.39
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				4,523,854.68	4,523,854.68
Notes payable				848,595.76	848,595.76
Total liabilities	-	-	-	5,372,450.44	5,372,450.44
NET ASSETS					
Invested in capital assets, net of related debt				1,684,783.56	1,684,783.56
Restricted for:					
Capital projects				1,075,231.98	1,075,231.98
Debt service				586,458.55	586,458.55
Unrestricted	156,644.22	274,070.29	54,054.35	-	484,768.86
Total net assets	156,644.22	274,070.29	54,054.35	3,346,474.09	3,831,242.95

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 31,2011.

	Water	Sewer	Garabage	Other	Total
OPERATING REVENUE					
Charges for services	522,686.12	213,917.90	256,454.81		993,058.83
OPERATING EXPENSES					
Salaries	91,508.11	46,495.97	49,221.86		187,225.94
Benefits	16,222.83	14,624.58	15,546.28		46,393.69
Equipment					-
Contract services			92,661.44		92,661.44
Electricity	42,176.85	6,877.19			49,054.04
Supplies	89,758.09	3,274.02	22,467.86		115,499.97
Repairs and maintenance	21,854.80	17,067.66	16,707.20	(32,200.00)	23,429.66
Insurance	2,533.38	308.46	2,812.07		5,653.91
Office expense	-		458.00		458.00
Depreciation				333,982.00	333,982.00
Miscellaneous	2,965.70	5,780.58	688.50		9,434.78
Total operating expenses	267,019.76	94,428.46	200,563.21	301,782.00	863,793.43
Operating income (loss)	255,666.36	119,489.44	55,891.60	(301,782.00)	129,265.40
NON-OPERATING REVENUE (EXPENSE)					
Property taxes					-
Interest income	8,643.60	71.02		260.04	8,974.66
Grant income					-
Interest expense			(56,561.50)	(41,705.24)	(98,266.74)
Capital outlay	(60,226.14)			-	(60,226.14)
Other	2,030.54	1,198.21	7,185.49	-	10,414.24
Total non-operating rev (exp)	(49,552.00)	1,269.23	(49,376.01)	(41,445.20)	(139,103.98)
Income (loss) before transfers	206,114.36	120,758.67	6,515.59	(343,227.20)	(9,838.58)
Transfers in	30,156.68	50,160.46	5,122.83	334,021.92	419,461.89
Transfers out	(298,490.78)	(141,346.75)	(29,090.78)	-	(468,928.31)
Change in net assets	(62,219.74)	29,572.38	(17,452.36)	(9,205.28)	(59,305.00)
Net Assets- January 1	218,863.96	244,497.91	71,506.71	3,355,679.34	3,890,547.92
Net Assets- December 31	156,644.22	274,070.29	54,054.35	3,346,474.06	3,831,242.92

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 31,2011.

	Water	Sewer	Garabage	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	522,686.12	213,917.90	256,454.81	-	993,058.83
Payments to suppliers	(175,511.65)	(47,932.49)	(151,341.35)	-	(374,785.49)
Payments to employees	(91,508.11)	(46,495.97)	(49,221.86)	-	(187,225.94)
Other receipts	2,030.54	1,198.21	7,185.49	-	10,414.24
Net cash provided by (used in) op	257,696.90	120,687.65	63,077.09	-	441,461.64
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	30,156.68	50,160.46	5,122.83	334,021.92	419,461.89
Transfers from other funds	(298,490.78)	(141,346.75)	(29,090.78)	-	(468,928.31)
Net cash provided by (used in) non	(268,334.10)	(91,186.29)	(23,967.95)	334,021.92	(49,466.42)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(60,226.14)	-	-	-	(60,226.14)
Principal paid on capital debt	-	-	-	(231,558.47)	(231,558.47)
Interest paid on capital debt	-	-	(56,561.50)	(85,304.71)	(141,866.21)
Debt proceeds	-	-	-	-	-
Net cash provided by (used in) cap	(60,226.14)	-	(56,561.50)	(316,863.18)	(433,650.82)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	8,643.60	71.02	-	260.04	8,974.66
Net cash provided by (used in) inv	8,643.60	71.02	-	260.04	8,974.66
Net increase (decrease) in cash	(62,219.74)	29,572.38	(17,452.36)	17,418.78	(32,680.94)
Balance- beginning of year	218,863.96	244,497.91	71,506.71	420,488.46	955,357.04
Balance- end of year	156,644.22	274,070.29	54,054.35	437,907.24	922,676.10
Reconciliation of operating income (loss) to net cash provided					
by operating activities:					
Operating income (loss)	255,666.36	119,489.44	55,891.60	(301,782.00)	129,265.40
Adjustments to reconcile operating income to net cash provided					
(used) by operating activities:					
Depreciation expense	-	-	-	333,982.00	333,982.00
Change in assets and liabilities:					
Refundable deposits	-	-	-	-	-
Miscellaneous receipts (expense)	2,030.54	1,198.21	7,185.49	-	10,414.24
Net cash provided by operating ac	257,696.90	120,687.65	63,077.09	32,200.00	473,661.64

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

CITY OF OAKES
OAKES, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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. 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 uninsured balance.

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. Investments consist of certificates of deposits stated at cost.

CITY OF OAKES
Notes to Financial Statements- Continued

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 \$2,500. 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.

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.

CITY OF OAKES
Notes to Financial Statements- Continued

H. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. Interfund Transactions

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

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

J. Use of estimates

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council amended the City budget for 2011. The budget amendments are detailed in the attached schedule on page 39.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets.

No remedial action is required.

CITY OF OAKES

Notes to Financial Statements- Continued

NOTE 3: DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The City does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the City maintains deposits at those depository banks and savings and loans authorized by the City, all of which are covered by federal deposit insurance. These statutes also require that the deposits be protected by insurance, collateral or surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2011, the City's deposits were either fully insured or properly collateralized, and have no custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rate. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. As of December 31, 2011, the City had no debt securities investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy that specifically addresses credit risk. As of December 31, 2011, the City had no debt securities investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer. As of December 31, 2011, the City had no debt securities investments.

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 38.

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011:

	Balance January 1	Increases	Decreases	Balance December 31
Construction in progress	7,166,335	4,822,917		11,989,252
Land	2,276,702	9,000		2,285,702
Total	9,443,037	4,831,917		14,274,954
Capital assets, being depreciated				
Governmental activities				
Bldgs and Improvements	1,032,032			1,032,032
Vehicles & Equipment	1,157,982	46,020	76,085	1,127,917
Infrastructure	1,577,092			1,577,092
Total Cap Assets	3,767,106	46,020	76,085	3,737,041
Less accumulated depreciation for:				
Buildings & Improve	751,105	17,122		768,227
Vehicles & Equip	1,040,568	48,924	76,085	1,013,407
Infrastructure	345,073	78,854		423,927
Total Accumulated Dep	2,136,746	144,900	76,085	2,205,560
Total Cap Assets, Net	1,630,360			1,531,481
Total Cap Assets, Net	11,073,397			15,806,435
Construction in progress	1,558,384	88,500		1,646,884
Land	39,895			39,895
Total	1,598,279	88,500		1,686,779
Capital assets, being depreciated				
Business-type activities				
Bldgs and Improvements	4,809,342	16,000		4,825,342
Vehicles & Equipment	294,350	16,200		310,550
Infrastructure	2,622,168			2,622,168
Total Cap Assets	7,725,860			7,758,060
Less accumulated depreciation for:				
Buildings & Improve	1,117,265	168,275		1,285,540
Vehicles & Equip	170,350	34,599		204,949
Infrastructure	766,008	131,108		897,116
Total Accumulated Dep	2,053,623	333,982		2,387,605
Total Cap Assets, Net	5,672,237			5,370,455
Total Cap Assets, Net	7,270,516			7,057,234

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

Governmental Activities:	
Unallocated	144,900
Business-type activities	
Unallocated	333,982

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 7: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term debt:

	Payable 2010	Increases	Decreases	Payable 2011	Due Within One Year
GOVERNMENTAL ACTIVITIES					
USDA Loan	2,770,000	2,770,000	58,226	5,481,774	51,488
Bonds Payable	5,640,000	620,000	2,865,000	3,395,000	95,000
SRF Notes	1,441,000		83,000	1,358,000	83,000
TOTAL	9,851,000	3,390,000	3,006,226	10,234,774	
BUSINESS-TYPE ACTIVITIES					
USDA Loan	3,370,586		152,685	3,217,901	63,653
Bonds Payable	134,060	1,175,000	3,107	1,305,953	3,105
SRF Notes	715,000		45,000	670,000	45,000
Lease payable	107,876		53,724	54,152	54,152
Notes payable	155,555		31,111	124,444	31,111
TOTAL	4,483,077	1,175,000	285,627	5,372,450	

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%	715,000
Refunding imp bonds- 2007	05/01/2022	4.00-4.25%	275,000
Refunding imp bonds- 2004	05/01/2018	3.85-4.45%	215,000
Refunding imp bonds- 2011	05/01/2018	3.85-4.45%	620,000
Refunding imp bonds- 2010	05/01/2025	1.5%	1,570,000
Refunding imp bonds- 2011	05/01/2038	1.5%	2,711,774
USDA bond	05/01/2038	3.75%	2,770,000
Total			8,876,774
Wastewater expansion	11/01/2038	3.000%	130,954
Refunding imp bonds- 2011	05/01/2018	3.85-4.45%	1,175,000
USDA bond	05/01/2038	3.75%	3,217,901
Total			4,523,854

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%	770,000
Water treatment bonds-1995	03/01/2023	2.5%	115,000
Water treatment bonds-1995	03/01/2022	2.5%	473,000
Total			1,358,000
BUSINESS-TYPE ACTIVITIES			
Water Treatment-1998	09/01/2023	2.5%	315,000
Water treatment bonds-1995	03/01/2023	2.5%	101,000
Water treatment bonds-1995	03/01/2017	2.5%	47,000
Water treatment bonds-1995	03/01/2027	2.5%	207,000
Total			670,000

The annual long-term debt service requirements for bonds payable, as of December 31, 2011, are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending December 31	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
2011	146,488	198,743	83,000	36,025
2012	3,043,419	187,812	88,000	33,950
2013	275,422	180,501	94,000	31,750
2014	277,500	172,798	95,000	29,400
2015	274,656	164,551	82,000	38,075
2016-2020	1,418,564	682,612	504,000	110,550
2021-2025	1,215,977	440,383	397,000	41,250
2026-2028	482,014	294,799	180,000	9,000
2031-2035	579,429	197,384		
2036-2040	696,532	80,282		
TOTAL	8,410,000	2,599,866	1,441,000	330,000
2011	66,758	151,541	45,000	17,875
2012	69,627	148,672	50,000	16,750
2013	72,641	145,658	51,000	15,500
2014	75,775	142,524	52,000	14,225
2015	79,045	139,254	44,747	18,968
2016-2020	449,435	642,061	250,000	51,675
2021-2025	555,272	536,224	207,000	19,225
2026-2030	686,127	405,370	60,000	3,750
2031-2035	847,945	243,551		
2036-2038	602,022	52,876		
TOTAL	3,504,646	2,607,731	715,000	157,968

CITY OF OAKES
Notes to Financial Statements- Continued

Lease payable

The City is obligated to the following capital lease agreements:
at December 31, 2011 are shown below:

2011	56,561
2012	<u>56,561</u>
	113,122
Less amount representing interest	<u>5,246</u>
Principal balance remaining	107,876

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 \$155,555.

NOTE 8. RESERVED OR DESIGNATED FUND EQUITY

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

Reserved:

Police vehicle replacement	34,066
Public works building	1,904
Water contingency	121,246
Sewer contingency	139,736
Garbage equipment replacement	<u>10,000</u>
Total	306,952

Designated:

Debt Service fund-	
Designated for debt service	296,076

NOTE 9. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2011:

Street	13,306	Will be eliminated with taxes.
Forestry	10,087	Will be eliminated with taxes.
Retirement	2,803	Will be eliminated with taxes.
2003-5 Const	22,022	Will be eliminated with transfers.
411 Main ave	6,268	Will be eliminated with transfers.
2003-1	6,793	Will be eliminated with taxes.
2003-4	6,604	Will be eliminated with taxes.
2006-2	6,793	Will be eliminated with taxes.
2007-1	6,638	Will be eliminated with taxes.

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 10: 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 4% of their annual covered salary and the City is required to contribute 5.12% of the employee's salary. The City had agreed to pay 100% of the member assessments in lieu of a salary increase. 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, 2011, 2010, and 2008 were \$24,250, \$21,022, and \$18,891, respectively, equal to the required contributions for the year.

NOTE 11: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

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

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

CITY OF OAKES
 BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
 YEAR ENDED DECEMBER 31,2011.

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Property taxes	166,390.53	166,390.53	181,845.13	15,454.60
Sales taxes			-	-
Special Assessments			-	-
Intergovernmental	104,500.00	104,500.00	141,786.28	37,286.28
Interest			-	-
Charges for services	11,000.00	11,000.00	9,290.87	(1,709.13)
Other	41,170.00	41,170.00	89,329.42	48,159.42
Total Revenues	323,060.53	323,060.53	422,251.70	99,191.17
Current:				
General government	168,043.50	168,043.50	177,878.85	(9,835.35)
Public safety	209,370.50	244,956.50	244,985.13	(28.63)
Highways and streets			-	-
Economic development			-	-
Other capital outlays			-	-
Debt Service				
Principal				
Interest expense				
Total Expenditures	377,414.00	413,000.00	422,863.98	(9,863.98)
Excess revenues (expenditures)	(54,353.47)	(89,939.47)	(612.28)	89,327.19
Other Financing Sources (Uses):				
Transfers in			74,002.16	74,002.16
Transfers out			(26,267.33)	(26,267.33)
Bond proceeds			-	-
Total other financing sources and u	-	-	47,734.83	47,734.83
Net change in fund balances	(54,353.47)	(89,939.47)	47,122.55	137,062.02
Net Assets- January 1	3,670.86	3,670.86	3,670.86	
Net Assets- December 31	(50,682.61)	(86,268.61)	50,793.41	137,062.02

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
 BUDGETARY COMPARISON SCHEDULE- SALES TAX FUND
 DECEMBER 31,2011.

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Property taxes			-	-
Sales taxes	255,000.00	255,000.00	-	(255,000.00)
Special Assessments			-	-
Intergovernmental			2,048,546.00	2,048,546.00
Interest			8,571.33	8,571.33
Charges for services			-	-
Other			-	-
Total Revenues	255,000.00	255,000.00	2,057,117.33	1,802,117.33
Current:				
General government			-	-
Public safety			-	-
Highways and streets			-	-
Economic development	104,000.00	111,000.00	-	111,000.00
Other capital outlays			4,325,582.53	(4,325,582.53)
Debt Service				
Principal				
Interest expense				
Total Expenditures	104,000.00	111,000.00	4,325,582.53	(4,214,582.53)
Excess revenues (expenditures)	151,000.00	144,000.00	(2,268,465.20)	(2,412,465.20)
Other Financing Sources (Uses):				
Transfers in			16,385.00	16,385.00
Transfers out	(169,000.00)	(169,000.00)	-	169,000.00
Bond proceeds			2,770,000.00	2,770,000.00
Total other financing sources and u	(169,000.00)	(169,000.00)	2,786,385.00	2,955,385.00
Net change in fund balances	(18,000.00)	(25,000.00)	517,919.80	542,919.80
Net Assets- January 1	2,304,935.15	2,304,935.15	2,304,935.15	
Net Assets- December 31	2,286,935.15	2,279,935.15	2,822,854.95	542,919.80

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, 2011.

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
100 GENERAL FUNDS	3,670.86	422,251.70	422,863.98	47,734.83	50,793.41
201 STREET FUND	(13,305.91)	247,203.64	134,167.64	(2,970.83)	96,759.26
202 SOCIAL SECURITY FUND	4,091.64	28,415.90	30,417.02	119.41	2,209.93
203 RETIREMENT	(2,803.03)	17,642.65	31,842.90	19,000.00	1,996.72
205 ADVERTISING FUND	3,541.40	27,415.98	33,935.85	2,978.47	-
206 EMERGENCY FUND	4,252.29	4,470.57	8,705.69		17.17
207 FORESTRY	(10,086.65)	8,880.40	20,990.45	5,000.00	(17,196.70)
208 CEMETERY	8,142.78	8,289.21	10,528.10		5,903.89
209 ARMORY	16,246.70	80,359.98	92,988.70	3,000.00	6,617.98
210 PERPETUAL CEMETERY	64,633.65	5,664.56		3,555.12	73,853.33
211 PROMOTIONAL	-				-
215 SALES TAX- POOL	9,923.50	104,533.92		(104,862.86)	9,594.56
216 SALES TAX- CITY	29,891.29	104,534.00	15,694.40	(77,548.37)	41,182.52
217 SALES TAX- OEI	9,923.50	104,533.97	104,862.89		9,594.58
218 SALES TAX- INFRASTRUCTURE	-	104,533.97			104,533.97
221 POLICE VEHICLE REPLACEMENT	34,066.06			15,000.00	49,066.06
222 GENERAL BUILDING RESERVE	2,520.00		885.35	1,320.00	2,954.65
223 PUBLIC WORKS BUILDING RES	1,904.30		336.43		1,567.87
224 PUBLIC WORKS EQUIPMENT	72,430.30	17,144.33	28,126.83	12,000.00	73,447.80
225 PUBLIC WORKS HLS GRANT	-				-
230 VENTURE/OAKES DEVELOP	54,618.62	498.62			55,117.24
250 CITY SHOP	16,124.01	1,400.00	38,194.69	35,674.88	15,004.20
291 FLOOD EMERGENCY 2011	-	156,091.51	158,060.37	1,968.86	0.00
801 FLEX MEDICAL SPENDING	327.74	6,344.45	6,274.51		397.68
802 FLEX DEPENDENT CARE	111.86				111.86
810 CDLF/EDA INDUSTRIAL PARK	-				-
812 FUNDRAISING	-	600.00			600.00
902 AIRPORT	45,708.77	78,422.10	87,689.18		36,441.69
904 AMBULANCE	-	168,832.88	160,064.15		8,768.73
906 LIBRARY	5,042.73	15,973.65	16,380.38		4,636.00
-	-				
TOTAL SPECIAL REVENUE	357,305.55	1,291,786.29	980,145.53	(85,765.32)	583,180.99
340 2010-2 SDWG/JVG EXT	-	37.50			37.50
302 2003-3 STREET	27,320.01	10,132.82	11,527.36		25,925.47
303 PILOT DRAIN PROJECT ASSMT	1,442.47	1,228.00	1,664.53		1,005.94
313 2009-2 PHASE I W/S IMP	-	17,302.88	5,973.17	-	11,329.71
305 2003-1/2003-2 SEWER	(6,793.45)	72,311.89	53,235.00		12,283.44
306 2003-4 JVG ROAD	(6,604.05)	43,867.56	30,087.65		7,175.86
307 2003-5 DRAIN	848.84	9,720.14	8,587.50		1,981.48
308 2006-2 KOLA AVENUE	(6,793.38)	85,806.88	64,200.00		14,813.50

CITY OF OAKES
 FUND BALANCE
 DECEMBER 31, 2011.

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
309 2007-1 JVG STREET IMP	(6,638.45)	47,360.56	32,928.50		7,793.61
314 2009-2 PHASE I W/S IMP	198,607.17	201,437.51	144,742.34		255,302.34
350 POOL PROJECT	94,687.29		78,134.50	104,862.86	121,415.65
TOTAL DEBT SERVICE	296,076.45	489,205.74	431,080.55	104,862.86	459,064.50
525 HWY 1 IMPROVEMENT	(0.00)	351,850.50	288,833.08	(13,050.68)	49,966.74
514 2009-2 CONSTRUCTION	3,373.72	141,505.31	133,150.00	(11,729.03)	(0.00)
515 2010-1 PHASE 2 CONSTRUCTION	2,304,935.15	4,827,117.33	7,134,961.24	16,385.00	13,476.24
518 2009-2 MAIN AVE CONST	16,542.08	10,000.00	17,033.53		9,508.55
519 2010-2 SDWG/JVG EXT	183,901.57		113,574.45	(22,021.92)	48,305.20
517 SAFE ROUTES TO SCHOOL	0.00	24,639.39	37,690.07	13,050.68	-
529 GRAVEL IMPROVEMENT		50,264.36	824.22		49,440.14
599 411 MAIN AVENUE	(6,268.50)	34,307.20	76,835.20		(48,796.50)
TOTAL CAPITAL PROJECT	2,502,484.02	5,439,684.09	7,802,901.79	(17,365.95)	121,900.37
TOTAL FUND BALANCE	3,159,536.88	7,642,927.82	9,636,991.85	49,466.42	1,214,939.27
501 WATER FUND	97,617.97	525,911.32	303,422.63	(298,334.10)	21,772.56
502 WATER CONTINGENCY	121,245.99	7,448.94	23,823.27	30,000.00	134,871.66
504 SEWER FUND	104,762.39	215,116.11	94,428.46	(136,530.32)	88,919.72
505 SEWER CONTINGENCY	139,735.52	71.02		45,344.03	185,150.57
507 GARBAGE	61,506.71	263,640.30	257,124.71	(28,967.95)	39,054.35
508 GARBAGE EQUIP REPLACE	10,000.00			5,000.00	15,000.00
511 2005-2 CONSTRUCTION	0.00				0.00
516 2012-1 CONSTRUCTION	(0.00)	1,163,731.98	88,500.00		1,075,231.98
520 2003-5 CONSTRUCTION	(22,021.92)			22,021.92	-
525 HWY 1 IMPROVEMENT	(0.00)				(0.00)
310 2004-1 WATER PROJ PART 2	21,398.39		10,222.50	8,000.00	19,175.89
311 2005-2 HOSPITAL WS	4,637.71		31,111.20	42,000.00	15,526.51
312 2006-1 WATER IMP	425,364.92		218,327.93	212,000.00	419,036.99
320 2002 LIFT STATION	19,938.57		8,602.50	8,000.00	19,336.07
321 2004-1 SEWER PART 1	93,137.73		30,000.00	20,000.00	83,137.73
322 2007-3 SEWER IMP	25,785.33		17,540.00	22,000.00	30,245.33
TOTAL RETAINED EARNINGS	1,103,109.31	2,175,919.67	1,083,103.20	(49,466.42)	2,146,459.36
TOTAL FUND BAL & RET EARN	4,262,646.19	9,818,847.49	10,720,095.05	-	3,361,398.63

CITY OF OAKES
 SCHEDULE OF TRANSFERS
 YEAR ENDED DECEMBER 31,2011.

	TRANSFER IN	TRANSFER OUT
GENERAL	64,231.00	37,041.81
STREET	1,137.12	18,767.56
SOCIAL SECURITY	10,400.00	
RETIREMENT	15,000.00	
PUBLIC SAFETY GRANT	818.81	
ARMORY	12,000.00	
PERPETUAL CEMETERY	7,110.24	
FORESTRY	12,000.00	
SALES TAX- POOL		105,408.75
SALES TAX- CITY	1,365.00	67,000.00
POLICE VEHICLE REPLACEMENT	15,000.00	
GENERAL BUILDING RESERVE	1,320.00	
PUBLIC WORKS EQUIPMENT	12,000.00	
CEMETERY	2,500.00	
2009 FLOOD		5,687.31
2007-2 HIGHWAY LIGHTING	1,365.00	1,365.00
2010-1 CONSTRUCTION		16,385.00
2009-2 CONSTRUCTION	16,385.00	
POOL PROJECT	105,408.75	
2006-1 CONSTRUCTION		24,450.93
PUBLIC WORKS BUILDING	32,000.00	
CITY SHOP	45,500.00	
WATER FUND	44,271.93	307,879.56
WATER CONTINGENCY	45,000.99	30,000.00
SEWER	14,732.19	151,079.56
SEWER CONTINGENCY	50,000.00	
GARBAGE		30,479.56
GARBAGE EQUIPMENT REPLACE	5,000.00	
2003-5 DRAIN PROJECT		
2004-1 PART 2 WATER	8,000.00	
1995-1 STREET PROJECT		
2003-1/2003-2 SEWER		
2006-1 WATER IMPROVEMENT	212,000.00	5,000.99
2002 LIFT STATION	8,000.00	
2004-1 SEWER PART 1	30,000.00	
2007-3 SEWER IMPROVEMENT	28,000.00	
2003-4 JVG PROJECT		
TOTAL	800,546.03	800,546.03

CITY OF OAKES
 SCHEDULE OF BUDGET AMENDMENTS
 YEAR ENDED DECEMBER 31,2011.

	ORIGINAL BUDGET	AMENDMENTS	AMENDED BUDGET
GENERAL	377,414.00	35,586.00	413,000.00
STREET	124,898.50	18,101.50	143,000.00
SOCIAL SECURITY	30,000.00	1,000.00	31,000.00
RETIREMENT	29,000.00	4,000.00	33,000.00
ADVERTISING	5,100.00	900.00	6,000.00
EMERGENCY	4,000.00	(4,000.00)	-
FORESTRY	5,500.00	1,000.00	6,500.00
CEMETERY	7,250.00	2,250.00	9,500.00
ARMORY	33,200.00	124,800.00	158,000.00
SALES TAX- POOL	85,000.00	20,500.00	105,500.00
SALES TAX- CITY	92,059.00	-	92,059.00
SALES TAX- OEI	85,000.00	20,500.00	105,500.00
PUBLIC SAFETY GRANT	10,000.00	(3,850.00)	6,150.00
POLICE VEHICLE REPLACEMENT	34,000.00	(34,000.00)	
GENERAL BUILDING RESERVE	2,500.00	(2,500.00)	
PUBLIC WORKS BUILDING RESERVE	10,300.00	(10,300.00)	
PUBLIC WORKS EQUIPMENT	75,000.00	(70,475.00)	4,525.00
PUBLIC WORKS HLS GRANT	2,000.00	(2,000.00)	
OAKES DEVELOPMENT	55,000.00	(55,000.00)	
CITY SHOP	38,050.00	(4,050.00)	34,000.00
FLOOD EMERGENCY		9,410.00	9,410.00
2003-3	10,575.00	-	10,575.00
PILOT DRAIN	3,000.00	(1,300.00)	1,700.00
2003-2/2003-1 SEWER	53,347.50	-	53,347.50
2003-4 JVG	27,500.00	-	27,500.00
2003-5 DRAINAGE	8,738.00	-	8,738.00
2006-2 KOLA	65,400.00	-	65,400.00
JVG STREET	33,887.50	-	33,887.50
2004-1 SEWER	10,432.50	-	10,432.50
2005-2 HOSPITAL EXT	31,200.00	-	31,200.00
2006-1 WATER	223,000.00	-	223,000.00
2002 LIFT STATION	8,812.50	-	8,812.50
2004-1 SEWER	30,600.00	-	30,600.00
2007-3 SEWER WEST MAIN	26,362.50	(8,362.50)	18,000.00
POOL PROJECT	79,820.00	60.00	79,880.00
WATER FUND	288,938.50	13,061.50	302,000.00
WATER CONTINGENCY	135,000.00	(135,000.00)	-
SEWER	98,478.50	(50,478.50)	48,000.00
SEWER CONTINGENCY	68,000.00	(68,000.00)	-
GARBAGE	251,280.00	(11,280.00)	240,000.00
GARBAGE EQUIPMENT	10,000.00	(10,000.00)	-
FLEX DAYCARE	10,000.00	(10,000.00)	-
SCDRC HWY 1 FUEL	1,000.00	(1,000.00)	-
AIRPORT	79,800.00	(37,800.00)	42,000.00
AMBULANCE	146,475.00	4,525.00	151,000.00
LIBRARY	16,534.00	-	16,534.00
411 MAIN AVENUE	-	6,500.00	6,500.00