



Financial Statements
December 31, 2010

City of Mandan

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Elected Officials

Tim Helbling
Sandy Tibke
Dennis Rohr
Tom Jackson
Dot Frank
DeNae Kautzman

Position

President
Vice President
Commissioner
Commissioner
Commissioner
Municipal Judge

Appointed Officials

Malcolm Brown
Jim Neubauer
Ellen Huber
Rich Barta
Mike Bird
Greg Welch
Steve Nardello
Dennis Bullinger
Dave Bechtel
Jeff Wright
Steve Himmelspach
Gary Zander

Position

City Attorney
City Administrator
Business Development Director
Assessor/Building Official
Cemetery Superintendent
Finance Director
Fire Chief
Police Chief
Planning and Zoning/Engineering
Public Works Director
Wastewater Treatment Plant Superintendent
Water Treatment Plant Superintendent



Independent Auditor's Report

Board of City Commissioners
City of Mandan
Mandan, North Dakota

We 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 Mandan, North Dakota, as of and for the year ended December 31, 2010, 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 of Mandan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, North Dakota, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the financial statements, certain errors resulting in the understatement of previously reported capital assets and salaries payable and the overstatement of intergovernmental receivables as of December 31, 2009, were discovered during the current year. Accordingly, the 2009 financial statements have been restated and an adjustment has been made to net assets as of December 31, 2009 to correct the errors.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2011 on our consideration of the City of Mandan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison schedules on pages 40 - 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

The City of Mandan, North Dakota, has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mandan's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Mandan, North Dakota. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Eide Bailly LLP

Bismarck, North Dakota
September 28, 2011

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and Investments	\$ 9,268,805	\$ 2,898,405	\$ 12,167,210
Taxes Receivable	211,822	12,753	224,575
Accounts Receivable (net of allowance)	46,190	480,265	526,455
Intergovernmental Receivable	2,092,442	212,644	2,305,086
Special Assessments Receivable	26,124,499	7,930,263	34,054,762
Notes Receivable (net of allowance)	25,000		25,000
Loans Receivable (net of allowance)	483,358		483,358
Internal Balances	(127,844)	127,844	-
Receivable from Fiduciary Funds	30,235	5,935	36,170
Inventories	30,136	192,385	222,521
Restricted Assets			
Cash and cash equivalents	141,500	1,120,346	1,261,846
Land Held for Resale	722,625		722,625
Capital Assets not being Depreciated			
Land	1,145,403	658,302	1,803,705
Construction work in progress	3,514,176	14,600,401	18,114,577
Capital Assets (net of accumulated depreciation)			
Buildings and improvements	4,122,420	3,908,707	8,031,127
Buildings and infrastructure	61,564,782	47,391,846	108,956,628
Machinery and equipment	770,277	762,136	1,532,413
Total capital assets	<u>71,117,058</u>	<u>67,321,392</u>	<u>138,438,450</u>
Total assets	<u><u>\$ 110,165,826</u></u>	<u><u>\$ 80,302,232</u></u>	<u><u>\$ 190,468,058</u></u>

See Notes to Financial Statements

City of Mandan
Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Salaries and Benefits Payable	\$ 168,836	\$ 53,444	\$ 222,280
Accounts Payable	579,163	724,962	1,304,125
Retainage Payable	18,703	366,141	384,844
Interest Payable	213,762	253,134	466,896
Unearned Revenue	14,766	8,898	23,664
Noncurrent Liabilities			
Due within one year			
Compensated absences	141,995	62,223	204,218
General obligation bonds payable	30,000		30,000
Special assessments bonds payable	3,705,192	1,257,579	4,962,771
Revenue bonds payable	100,000	583,442	683,442
Loans payable		528,071	528,071
Due after one year			
Compensated absences	97,783	26,436	124,219
General obligation bonds payable	730,000		730,000
Special assessments bonds payable	29,817,100	10,208,926	40,026,026
Revenue bonds payable	945,000	6,524,823	7,469,823
Loans payable		11,876,001	11,876,001
	<u>\$ 36,562,300</u>	<u>\$ 32,474,080</u>	<u>\$ 69,036,380</u>
Net Assets			
Invested in Capital Assets, net of			
Related Debt	\$ 35,789,766	\$ 36,342,550	\$ 72,132,316
Restricted for			
Special revenue	3,127,536		3,127,536
Debt service	31,291,083	1,120,346	32,411,429
Capital projects	616,708	173,265	789,973
Unrestricted	<u>2,778,433</u>	<u>10,191,991</u>	<u>12,970,424</u>
	<u>\$ 73,603,526</u>	<u>\$ 47,828,152</u>	<u>\$ 121,431,678</u>

City of Mandan
Statement of Activities
Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 2,389,299	\$ 553,073	\$ 996,683	\$ 5,000	\$ (834,543)	\$ -	\$ (834,543)
Public Safety	4,216,442	323,908	421,478	347,207	(3,123,849)		(3,123,849)
Public Works	4,302,544	2,870	969,288	975,013	(2,355,373)		(2,355,373)
Culture and Recreation	926,064	10,761	206,668		(708,635)		(708,635)
Economic Development	302,168		1,500		(300,668)		(300,668)
Other	234,436	47,555			(186,881)		(186,881)
Interest on Long-Term Debt	1,448,022				(1,448,022)		(1,448,022)
Total governmental activities	<u>13,818,975</u>	<u>938,167</u>	<u>2,595,617</u>	<u>1,327,220</u>	<u>(8,957,971)</u>	<u>-</u>	<u>(8,957,971)</u>
Business-type Activities							
Water and Sewer Utility	5,692,859	5,857,864				165,005	165,005
Solid Waste Utility	1,364,143	1,213,790				(150,353)	(150,353)
Mandan Airport Authority	608,775	334,559		213,860		(60,356)	(60,356)
Street Light Utility	345,874	296,673				(49,201)	(49,201)
Mandan Parking Authority		2,080				2,080	2,080
Total business-type activities	<u>8,011,651</u>	<u>7,704,966</u>	<u>-</u>	<u>213,860</u>	<u>-</u>	<u>(92,825)</u>	<u>(92,825)</u>
Total primary government	<u>\$ 21,830,626</u>	<u>\$ 8,643,133</u>	<u>\$ 2,595,617</u>	<u>\$ 1,541,080</u>	<u>(8,957,971)</u>	<u>(92,825)</u>	<u>(9,050,796)</u>
General revenues							
Taxes							
Property taxes levied for general purposes					3,729,282	154,996	3,884,278
Property taxes levied for special purposes					1,939,235		1,939,235
City sales tax					1,527,007	2,039	1,529,046
Restaurant, lodging and occupancy taxes					352,194		352,194
Grants and contributions not restricted					217,407	103,322	320,729
Interest					38,093	41,321	79,414
Miscellaneous					243,942	81,961	325,903
Loss on sale of assets					(2,546,971)	(44,036)	(2,591,007)
Transfers					654,686	(654,686)	-
Total general revenues and transfers					<u>6,154,875</u>	<u>(315,083)</u>	<u>5,839,792</u>
Change in net assets					<u>(2,803,096)</u>	<u>(407,908)</u>	<u>(3,211,004)</u>
Net assets - January 1, as previously reported					<u>76,582,923</u>	<u>43,166,014</u>	<u>119,748,937</u>
Prior period adjustment (Note 21)					<u>(176,301)</u>	<u>5,070,046</u>	<u>4,893,745</u>
Net assets - January 1, as restated					<u>76,406,622</u>	<u>48,236,060</u>	<u>124,642,682</u>
Net assets - December 31					<u>\$ 73,603,526</u>	<u>\$ 47,828,152</u>	<u>\$ 121,431,678</u>

City of Mandan
Balance Sheet – Governmental Funds
Year Ended December 31, 2010

	General	Refunding Improvement Bonds - Street	Morton Mandan Public Library	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,510,351	\$ 2,353,864	\$ 386,307	\$ 5,018,283	\$ 9,268,805
Taxes Receivable	179,817	2,223	15,572	14,210	211,822
Accounts Receivable (net of allowance)	42,829			3,361	46,190
Intergovernmental Receivable	399,128	850,655	646	817,656	2,068,085
Notes Receivable (net of allowance)				25,000	25,000
Loans Receivable (net of allowance)				483,358	483,358
Long-Term Special Assessments					
Receivable	49,800	24,879,241		1,195,458	26,124,499
Interfund Receivable	109,418	1,104,923		40,101	1,254,442
Receivable from Fiduciary Funds	5,688		24,547		30,235
Cash and Cash Equivalents - Restricted				141,500	141,500
Total assets	\$ 2,297,031	\$ 29,190,906	\$ 427,072	\$ 7,738,927	\$ 39,653,936
Liabilities and Fund Balances					
Liabilities					
Salaries and Benefits Payable	\$ 149,763	\$ -	\$ 11,047	\$ 6,199	\$ 167,009
Accounts Payable	197,346		31,841	349,411	578,598
Retainage Payable			4,152	14,551	18,703
Interfund Payable				1,358,393	1,358,393
Deferred Revenue	234,306	24,881,463	15,572	1,219,746	26,351,087
Total liabilities	581,415	24,881,463	62,612	2,948,300	28,473,790
Fund Balances					
Reserved for:					
Debt service		4,309,443			4,309,443
Long-term receivables				508,358	508,358
Interfund loans	109,418			40,101	149,519
Unreserved, Designated for Operations and Maintenance	1,143,384			24,455	1,167,839
Unreserved, Undesignated Reported in					
General fund	462,814				462,814
Special revenue funds			364,460	3,698,982	4,063,442
Debt service funds				1,018,532	1,018,532
Capital projects funds				(499,801)	(499,801)
Total fund balances	1,715,616	4,309,443	364,460	4,790,627	11,180,146
Total liabilities and fund balances	\$ 2,297,031	\$ 29,190,906	\$ 427,072	\$ 7,738,927	\$ 39,653,936

City of Mandan
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 Year Ended December 31, 2010

Total Fund Balances for Governmental Funds		\$ 11,180,146
Total net assets reported for government 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 the governmental funds		
Cost of capital assets	\$ 114,193,566	
Less accumulated depreciation	<u>(43,076,508)</u>	
Net capital assets		71,117,058
Land held for resale is not available to pay for current-period expenditures and therefore is not recorded in the funds.		
		722,625
Property taxes and special assessments 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.		
Taxes receivable	211,822	
Special assessments receivable	<u>26,124,499</u>	26,336,321
Internal service funds are used by management to charge the costs of certain activities as fuel services to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net assets. The net assets of internal service funds total		
		25,330
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities-both current and long-term are reported in the statement of net assets. Balances at December 31, 2009 are the following:		
Revenue bonds payable	(1,045,000)	
Special assessments bonds payable	(33,522,292)	
General obligation bonds payable	(760,000)	
Interest payable	(213,762)	
Compensated absences	<u>(236,900)</u>	
Total long-term liabilities		<u>(35,777,954)</u>
Total net assets of governmental activities		<u>\$ 73,603,526</u>

City of Mandan

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2010

	General	Refunding Improvement Bonds - Street	Morton Mandan Public Library	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,195,632	\$ 39,500	\$ 275,771	\$ 2,118,818	\$ 5,629,721
Licenses and Permits	550,180				550,180
Intergovernmental	1,403,528		188,503	2,153,869	3,745,900
Charges for Services	76,679		3,957	55,096	135,732
Fines and Forfeits	190,816		6,804	54,630	252,250
Special Assessments	16,668	7,437,106		665,446	8,119,220
Interest	18,318	1,397	4,520	13,858	38,093
Miscellaneous	59,860	617	42,595	140,870	243,942
Total revenues	<u>5,511,681</u>	<u>7,478,620</u>	<u>522,150</u>	<u>5,202,587</u>	<u>18,715,038</u>
Expenditures					
Current					
General government	1,805,561			370,799	2,176,360
Public safety	3,608,748			386,216	3,994,964
Public works	1,050,282			341,883	1,392,165
Culture and recreation	126,091		570,068	167,271	863,430
Economic development				301,088	301,088
Other				215,692	215,692
Capital Outlay	210,455		52,295	1,872,885	2,135,635
Debt Service					
Principal		6,186,837		310,000	6,496,837
Interest and service charges		1,333,460		129,774	1,463,234
Total expenditures	<u>6,801,137</u>	<u>7,520,297</u>	<u>622,363</u>	<u>4,095,608</u>	<u>19,039,405</u>
Excess (Deficiency) of Revenues over expenditures	<u>(1,289,456)</u>	<u>(41,677)</u>	<u>(100,213)</u>	<u>1,106,979</u>	<u>(324,367)</u>
Other Financing Sources (Uses)					
Transfers in	1,655,784	508,152	72,386	2,128,967	4,365,289
Transfers out	(631,556)	(477,809)		(3,345,163)	(4,454,528)
Sale of capital assets	1,069			155,693	156,762
Proceeds from bond issuance		2,912,024		268,798	3,180,822
Total other financing sources and uses	<u>1,025,297</u>	<u>2,942,367</u>	<u>72,386</u>	<u>(791,705)</u>	<u>3,248,345</u>
Net change in fund balances	<u>(264,159)</u>	<u>2,900,690</u>	<u>(27,827)</u>	<u>315,274</u>	<u>2,923,978</u>
Fund balances - January 1, as previously stated	2,122,868	1,408,753	414,116	4,485,393	8,431,130
Prior period adjustment	<u>(143,093)</u>		<u>(21,829)</u>	<u>(10,040)</u>	<u>(174,962)</u>
Fund balance, January 1, as restated	<u>1,979,775</u>	<u>1,408,753</u>	<u>392,287</u>	<u>4,475,353</u>	<u>8,256,168</u>
Fund balances - December 31	<u>\$ 1,715,616</u>	<u>\$ 4,309,443</u>	<u>\$ 364,460</u>	<u>\$ 4,790,627</u>	<u>\$ 11,180,146</u>

City of Mandan

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 2,923,978

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

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

Current year capital outlay	\$ 2,135,635	
Current year depreciation expense	<u>(3,316,836)</u>	(1,181,201)

In the statement of activities, donations of capital assets increase net assets but donations of capital assets do not appear in the governmental funds because they are not financial resources. Thus, the change in net assets differs from the change in fund balance by the value of donated assets. 964,349

In the statement of activities, transfers of capital assets from proprietary funds increase net assets they do not appear in the governmental funds because they are not financial resources. Thus, the change in net assets differs from the change in fund balance by the value of transferred assets. 653,006

In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets. (72,127)

The net effect of various sale transactions involving land held for resale is to decrease net assets. In the Statement of Activities, only the gain or loss on the sale of land held for resale is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land sold. (2,631,606)

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

Net increase in compensated absences	(18,752)	
Net decrease in interest payable	<u>15,212</u>	(3,540)

City of Mandan

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2010

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long term liabilities in the statement of net assets.		(3,180,822)
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.		6,496,837
Repayment of long-term contracts receivable is a revenue in the governmental funds, but the repayment reduces long-term contracts receivable in the statement of net assets.		(570,000)
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 increase (decrease) in taxes and special assessments receivable.		
Net increase in taxes receivable	(21,238)	
Net decrease in special assessments receivable	<u>(6,179,985)</u>	(6,201,223)
The net increase of certain activities of the internal service funds is reported with governmental activities.		<u>(747)</u>
Change in net assets of governmental activities		<u><u>\$ (2,803,096)</u></u>

City of Mandan
Statement of Net Assets – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund	Total	
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 790,231	\$ 1,572,199	\$ 185,080	\$ 140,895	\$ 2,688,405	\$ -
Investments			210,000		210,000	
Taxes Receivable			12,753		12,753	
Accounts Receivable (net of allowance)	334,835	89,320	16,816	39,294	480,265	
Intergovernmental Receivable	212,585	59			212,644	24,357
Interfund Receivable	127,844				127,844	
Receivable from Fiduciary Funds			5,935		5,935	
Inventories	163,866		28,519		192,385	30,136
Total current assets	<u>1,629,361</u>	<u>1,661,578</u>	<u>459,103</u>	<u>180,189</u>	<u>3,930,231</u>	<u>54,493</u>
Noncurrent Assets						
Restricted Assets						
Cash and cash equivalents	1,120,346				1,120,346	
Special Assessments Receivable	7,930,263				7,930,263	
Capital Assets not being Depreciated						
Land	162,974	88,360	406,968		658,302	
Construction work in progress	14,370,419		229,982		14,600,401	
Capital Assets (Net of Accumulated depreciation)						
Buildings and improvements			3,908,707		3,908,707	
Buildings and infrastructure	46,725,003	666,843			47,391,846	
Machinery and equipment	400,818	274,600	70,987	15,731	762,136	
Total capital assets	<u>61,659,214</u>	<u>1,029,803</u>	<u>4,616,644</u>	<u>15,731</u>	<u>67,321,392</u>	<u>-</u>
Total noncurrent assets	<u>70,709,823</u>	<u>1,029,803</u>	<u>4,616,644</u>	<u>15,731</u>	<u>76,372,001</u>	<u>-</u>
Total assets	<u>\$ 72,339,184</u>	<u>\$ 2,691,381</u>	<u>\$ 5,075,747</u>	<u>\$ 195,920</u>	<u>\$ 80,302,232</u>	<u>\$ 54,493</u>

City of Mandan
Statement of Net Assets – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund	Total	
Liabilities						
Current Liabilities						
Salaries and Benefits Payable	\$ 39,894	\$ 9,391	\$ 2,771	\$ 1,388	\$ 53,444	\$ 1,827
Accounts Payable	588,703	82,710	28,519	25,030	724,962	565
Compensated Absences	49,330	9,692	1,756	1,445	62,223	1,775
Retainage Payable	366,141				366,141	
Interfund Payable					-	23,893
Interest Payable	238,403		14,731		253,134	
Deferred Revenue			8,898		8,898	
Special Assessments Bonds Payable	1,257,579				1,257,579	
Revenue Bonds Payable	520,000		63,442		583,442	
Loans Payable	528,071				528,071	
Total current liabilities	<u>3,588,121</u>	<u>101,793</u>	<u>120,117</u>	<u>27,863</u>	<u>3,837,894</u>	<u>28,060</u>
Noncurrent Liabilities						
Compensated Absences	19,558	4,183	2,080	615	26,436	1,103
Special Assessments Bonds Payable	10,208,926				10,208,926	
Revenue Bonds Payable	5,653,000		871,823		6,524,823	
Loans Payable	11,876,001				11,876,001	
Total noncurrent liabilities	<u>27,757,485</u>	<u>4,183</u>	<u>873,903</u>	<u>615</u>	<u>28,636,186</u>	<u>1,103</u>
Total liabilities	<u>31,345,606</u>	<u>105,976</u>	<u>994,020</u>	<u>28,478</u>	<u>32,474,080</u>	<u>29,163</u>
Net Assets						
Invested in Capital Assets, net of						
Related Debt	31,615,637	1,029,803	3,681,379	15,731	36,342,550	
Restricted for Debt Service	1,120,346				1,120,346	
Restricted for Capital Projects	173,265				173,265	
Unrestricted	<u>8,084,330</u>	<u>1,555,602</u>	<u>400,348</u>	<u>151,711</u>	<u>10,191,991</u>	<u>25,330</u>
Total Net Assets	<u>\$ 40,993,578</u>	<u>\$ 2,585,405</u>	<u>\$ 4,081,727</u>	<u>\$ 167,442</u>	<u>\$ 47,828,152</u>	<u>\$ 25,330</u>

City of Mandan
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund		
Operating Revenues						
Charges for services						
Water and sewer	\$ 5,408,714	\$ -	\$ -	\$ -	\$ 5,408,714	\$ -
Solid waste		1,213,790			1,213,790	
Airport			334,559		334,559	
Street light				296,673	296,673	
Parking				2,080	2,080	
City shop					-	187,211
Total operating revenues	<u>5,408,714</u>	<u>1,213,790</u>	<u>334,559</u>	<u>298,753</u>	<u>7,255,816</u>	<u>187,211</u>
Operating Expenses						
Salaries and Benefits	1,365,365	337,742	86,691	45,062	1,834,860	55,010
Fees and Other Service Charges	171,375	705,856	6,545		883,776	
Utilities	362,216	12,833	25,787	196,494	597,330	580
Supplies and Maintenance	396,322	51,656	210,553	1,254	659,785	208,556
Repairs and Maintenance	243,599	38,172	28,804	96,606	407,181	14,655
Depreciation	2,017,812	201,576	179,430	5,244	2,404,062	
Miscellaneous	86,527	16,308	21,215	1,214	125,264	100
Total operating expenses	<u>4,643,216</u>	<u>1,364,143</u>	<u>559,025</u>	<u>345,874</u>	<u>6,912,258</u>	<u>278,901</u>
Operating Income (Loss)	<u>765,498</u>	<u>(150,353)</u>	<u>(224,466)</u>	<u>(47,121)</u>	<u>343,558</u>	<u>(91,690)</u>
Nonoperating Revenues (Expenses)						
Taxes	2,039		154,996		157,035	
Special Assessments	449,150				449,150	
Intergovernmental	97,178		6,144		103,322	
Federal Grants			213,860		213,860	
Interest	36,713	3,815		793	41,321	
Loss on Disposal of Capital Assets	(44,036)				(44,036)	
Miscellaneous	35,182	769	11,666	34,344	81,961	24
Debt Service						
Interest and service charges	(1,049,643)		(49,750)		(1,099,393)	
Total nonoperating revenues (expenses)	<u>(473,417)</u>	<u>4,584</u>	<u>336,916</u>	<u>35,137</u>	<u>(96,780)</u>	<u>24</u>

City of Mandan
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund		
Income (loss) before transfers	292,081	(145,769)	112,450	(11,984)	246,778	(91,666)
Transfers in	69,511		31,787	113,504	214,802	90,919
Transfers out	(186,160)	(24,742)		(658,586)	(869,488)	-
Change in net assets	175,432	(170,511)	144,237	(557,066)	(407,908)	(747)
Net assets - January 1, as previously reported	35,739,189	2,763,564	3,937,490	725,771	43,166,014	27,416
Prior period adjustment (note 21)	5,078,957	(7,648)	-	(1,263)	5,070,046	(1,339)
Net assets - January 1, as restated	40,818,146	2,755,916	3,937,490	724,508	48,236,060	26,077
Net assets - December 31	<u>\$ 40,993,578</u>	<u>\$ 2,585,405</u>	<u>\$ 4,081,727</u>	<u>\$ 167,442</u>	<u>\$ 47,828,152</u>	<u>\$ 25,330</u>

City of Mandan
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds					Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund	Total	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 5,403,150	\$ 1,217,206	\$ 325,851	\$ 298,896	\$ 7,245,103	\$ 178,113
Payments to employees	(1,362,617)	(335,265)	(282,279)	(44,929)	(2,025,090)	(54,481)
Payments to suppliers	(1,307,146)	(806,966)	(78,318)	(291,986)	(2,484,416)	(224,480)
Net cash provided (used) by operating activities	<u>2,733,387</u>	<u>74,975</u>	<u>(34,746)</u>	<u>(38,019)</u>	<u>2,735,597</u>	<u>(100,848)</u>
Cash Flows from Noncapital Financing Activities						
Taxes	2,039		152,311		154,350	
Intergovernmental			6,144		6,144	
Miscellaneous receipts	35,182	769	9,014	34,344	79,309	24
Transfers from other funds	27,552		31,787		59,339	90,919
Transfers to other funds	(18,111)	(24,742)		(5,580)	(48,433)	
Interfund receivable	(9,847)				(9,847)	
Receivable from fiduciary funds			(5,935)		(5,935)	
Interfund payable					-	9,905
Net cash provided (used) by Noncapital financing activities	<u>36,815</u>	<u>(23,973)</u>	<u>193,321</u>	<u>28,764</u>	<u>234,927</u>	<u>100,848</u>
Cash Flows from Capital and Related Financing Activities						
Intergovernmental	97,178				97,178	
Special assessments collected	1,604,403				1,604,403	
Grants			213,860		213,860	
Interest received	532				532	
Transfers from other funds	41,959				41,959	
Transfers to other funds	(168,049)				(168,049)	
Proceeds from capital debt	3,671,547				3,671,547	
Purchases of capital assets	(4,795,457)	(314,126)	(233,879)		(5,343,462)	
Principal paid on capital debt	(3,533,165)		(60,376)		(3,593,541)	
Interest & service charges paid on capital debt	(1,038,801)		(50,187)		(1,088,988)	
Net cash used by capital and related financing activities	<u>(4,119,853)</u>	<u>(314,126)</u>	<u>(130,582)</u>	<u>-</u>	<u>(4,564,561)</u>	<u>-</u>
Cash Flows from Investing Activities						
Cash paid for investments			(75,000)		(75,000)	
Interest received	36,181	3,815	2,652	793	43,441	
Net cash provided (used) by investing activities	<u>36,181</u>	<u>3,815</u>	<u>(72,348)</u>	<u>793</u>	<u>(31,559)</u>	<u>-</u>

City of Mandan
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2010

	Business Type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non Major Enterprise Fund	Total	
Net Decrease in Cash and Cash Equivalents	(1,313,470)	(259,309)	(44,355)	(8,462)	(1,625,596)	-
Cash and Cash Equivalents - January 1	3,224,047	1,831,508	229,435	149,357	5,434,347	-
Cash and Cash Equivalents - December 31	<u>\$ 1,910,577</u>	<u>\$ 1,572,199</u>	<u>\$ 185,080</u>	<u>\$ 140,895</u>	<u>\$ 3,808,751</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	<u>\$ 765,498</u>	<u>\$ (150,353)</u>	<u>\$ (224,466)</u>	<u>\$ (47,121)</u>	<u>\$ 343,558</u>	<u>\$ (91,690)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation expense	2,017,812	201,576	179,430	5,244	2,404,062	
Change in assets and liabilities						
Accounts receivable	(5,564)	3,416	(17,607)	2,223	(17,532)	(9,099)
Inventories	(18,436)		(12,440)		(30,876)	89
Salaries and benefits payable	3,579	1,743	2,771	125	8,218	488
Accounts payable	(28,671)	17,739	28,519	3,549	21,136	(705)
Compensated absences	(831)	854	149	41	213	69
Deferred revenue			8,898	(2,080)	6,818	
Total adjustments	<u>1,967,889</u>	<u>225,328</u>	<u>189,720</u>	<u>9,102</u>	<u>2,392,039</u>	<u>(9,158)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,733,387</u>	<u>\$ 74,975</u>	<u>\$ (34,746)</u>	<u>\$ (38,019)</u>	<u>\$ 2,735,597</u>	<u>\$ (100,848)</u>
Noncash Capital and Noncapital Financing Activities						
Transfer of capital assets to governmental activities	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 653,006</u>	<u>\$ 653,006</u>	<u>\$</u>
Transfer in to eliminate advance from other funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 113,504</u>	<u>\$ 113,504</u>	<u>\$</u>
Net effect of retainage payable paid and retainage payable included as additions to construction in progress	<u>\$ 56,751</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 56,751</u>	<u>\$</u>

City of Mandan
Statement of Fiduciary Net Assets
Year Ended December 31, 2010

	<u>Employee Retirement Plan and Trust Fund</u>	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
Assets			
Cash and Cash Equivalents	\$ -	\$ 13,203	\$ 29,893
Investments, at Fair Value			
Mutual funds	6,667,071		
Taxes Receivable			24,470
Intergovernmental Receivable			39,033
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 6,667,071</u>	<u>\$ 13,203</u>	<u>\$ 93,396</u>
Liabilities			
Due to Other Parties	\$ -	500	\$ 57,226
Due to Primary Government			36,170
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 93,396</u>
Net Assets			
Held in Trust for Pension Benefits	\$ 6,667,071	\$ -	\$ -
Held in Trust for Police Department		12,703	
	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>\$ 6,667,071</u>	<u>\$ 12,703</u>	<u>\$ -</u>

City of Mandan
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2010

	Employee Retirement Plan and Trust Fund	Investment Trust Fund	Private- Purpose Trust Fund
Additions			
Employer Contributions	\$ 420,472	\$ -	\$ -
Investment Income			
Net increase in fair value of investments	809,303		
Interest			34
Total investment income	<u>809,303</u>	<u>-</u>	<u>34</u>
Total additions	<u>1,229,775</u>	<u>-</u>	<u>34</u>
Deductions			
Withdrawals	98,535	716,934	
Travel and Training			2,000
Total deductions	<u>98,535</u>	<u>716,934</u>	<u>2,000</u>
Change in Net Assets	<u>1,131,240</u>	<u>(716,934)</u>	<u>(1,966)</u>
Net Assets - January 1	<u>5,535,831</u>	<u>716,934</u>	<u>14,669</u>
Net Assets - December 31	<u>\$ 6,667,071</u>	<u>\$ -</u>	<u>\$ 12,703</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

The City of Mandan, North Dakota, operates under a Home Rule Charter. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the government are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Mandan. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The 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 of Mandan 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 of Mandan.

Based on these criteria, the component units discussed below are included within the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units

Component units are legally separate organizations for which the City is financially accountable, i.e. the City appoints a voting majority of the organization's governing body and can impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

A blended component unit is a separate legal entity that meets the component unit criteria above. In addition, the blended component units provide services that almost exclusively benefit the City even though they do not provide services directly to the City. These component unit funds are blended into those of the City by appropriate fund type to constitute the primary government presentation.

Blended component units of the City are as follows:

Morton Mandan Public Library – The Morton Mandan Public Library serves all citizens of the City and is governed by a board which is appointed by the City Commission. The library is fiscally dependent upon the City because the City's commission approves the library's budget, levies taxes and must approve any bond issuances.

Mandan Airport Authority – The Mandan Airport Authority manages the local airport facility. The authority's five member board is appointed by the City Commission. The authority is fiscally dependent upon the City because the City Commission levies taxes and must approve any bond issuances.

Complete financial statements for each of the individual component units may be obtained by contacting the Finance Director.

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of the government (i.e. water and sewer charges to other various functions of the City). Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

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

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

The City reports the following major governmental funds:

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

Refunding Improvement Bonds-Street Fund – This fund accounts for the accumulation of resources for and the payment of, long-term debt principal, interest and related costs for various street projects.

Morton Mandan Public Library – This fund accounts for the operations of the Morton Mandan Public Library.

The City reports the following major enterprise funds:

Water and Sewer Utility Fund – This fund accounts for the activities of the Water and Sewer Department. This department operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system in the City of Mandan.

Solid Waste Utility Fund – This fund accounts for the activities of the garbage collection system within the City of Mandan.

Mandan Airport Authority – This fund accounts for the operation of the City airport facility.

Additionally, the City reports the following fund types:

Internal Service Fund – This fund accounts for fueling services provided to other departments of the Mandan on a cost reimbursement basis.

Investment Trust Fund – This fund is used to account for resources legally held in trust for the Mandan Park District and other outside parties.

Employee Retirement Plan and Trust Fund – This fund accounts for the activities of the City of Mandan Employees' Retirement System, which accumulates resources for pension benefit payment to qualified City employees.

Private-Purpose Trust Fund – This fund is used to account for the activities in the Isabelle Krueger Trust, which is restricted for library purposes.

Agency Funds – These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's agency funds are used to account for property taxes collected on behalf of other governments, and other parties.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the city gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

For the government-wide financial statements, net assets are reported as restricted when constraints place on net assets are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Cash, Cash Equivalents and Investments

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

The City's Home Rule Charter allows the City to invest city funds as it determines which is in the City's best interest.

The investments of the City consist of investments of the pension trust funds consisting of mutual funds. These investments are stated at fair value at December 31, 2010.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Restricted Assets

Certain assets of the City Sales Tax special revenue fund and Mandan Growth Fund enterprise fund are classified as restricted assets because their use is completely restricted by various agreements.

Certain revenue bonds resources of the Mandan Community Center debt service fund and the Water and Sewer Utility enterprise fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings and improvements	50 years
Infrastructure	30 years
Machinery and equipment	5 years

Compensated Absences

Full time employees are granted vacation benefits from 8 to 18 hours per month depending on tenure with the City. Employees are allowed to carry over up to 120 hours of vacation time at year-end. Upon termination of employment, employees will be paid for all unused vacation time. Sick leave benefits accrue at the rate of one day per month. There is no maximum accumulation of sick leave. Upon termination of employment, employees between the ages of 62 to 64 years of age will be paid for sick leave at the rate of one-third of the accumulated sick leave up to a maximum of 60 days. Employees aged 65 or above will be paid for all unused sick leave up to a maximum of 60 days.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Reservations of fund equity are limited to outside third-party restrictions.

Note 2 - Deposits and Investments

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of 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 or instrumentalities or by any county, 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, 2010, the City's carrying amount of pooled deposits was \$13,472,152. The carrying amount of the City's deposits was \$13,442,259 and the Agency fund's deposits were \$29,893. The bank balances of the pooled deposits were \$13,432,681. Of the bank balances, \$1,119,768 was covered by Federal Depository Insurance and \$516,805 was covered under the Temporary Liquidity Guarantee Program. The remaining balances of \$11,796,108 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- b) 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.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

As of December 31, 2010, the City held certificates of deposit in the amount of \$1,639,000, which are considered deposits. In addition the City held mutual funds for the City's retirement plan and trust in the amount of \$6,667,071.

Concentration of Credit Risk

The City does not have a limit on the amount the City may invest in any one issuer. The City's current bond rating is A1.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy covering interest rate risk.

Note 3 - Accounts Receivable

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The City has recorded an allowance for uncollectible accounts related to the accounts receivable of \$18,715 for the governmental activities and \$3,900 for the business-type activities.

Note 4 - Taxes Receivable

Taxes receivable represent the past three years of delinquent uncollected 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 collections are distributed after the end of the month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments; the first installment includes one-half of the real estate taxes and all the special assessments; 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 percent discount 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 5 percent discount on the property taxes.

Note 5 - Special Assessments Receivable

Special assessments receivable consist of uncollected special assessments due the City at December 31, 2010 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments.

Note 6 - Intergovernmental Receivable

Intergovernmental receivables consist of reimbursements due from various governments for city sales tax, hospitality tax, grants and other aid and property tax and special assessment receipts collected by the county treasurer but not remitted to the City.

Note 7 - Notes Receivable

Notes receivable consist of an investment made in the North Dakota Small Business Investment Company for \$25,000 and an \$8,500 stock purchase in Grizella Corporation. The City has recorded an allowance for uncollectible accounts related to the notes receivable of \$8,500.

Note 8 - Loans Receivable

Loans receivable consist of loans for the promotion of economic development within the City through the Mandan Growth Fund. The loans receivable for the Mandan Growth Fund consist of the following individual loans:

\$100,000 loan receivable due in monthly installments of \$666 through December 1, 2016; interest at 5%. (Hopfauf Custom Builders)	\$ 87,719
\$75,000 loan receivable due in monthly installments of \$497 through January 1, 2017; interest at 5.0% (Carter Chiropractic)	65,055
\$42,500 loan receivable due in monthly installments of \$486 through August 1, 2017; interest at 6.0% (Lindy Sue's Candies & Soda Fountain)	42,500
\$50,000 loan receivable due in monthly installments of \$400 through April 13, 2011; interest at 5.5% (Coffees and Kitchens)	41,052
\$252,874 loan receivable due in full at maturity, November 30, 2012; interest at 6% (Thermo-Cool Products)	252,874
\$121,134 loan receivable due in annual installments of \$5,520 through March 15, 2026; interest at 1.5% (Huff Hills Ski Area)	<u>77,710</u>
Total loans receivable	566,910
Less allowance for uncollectible accounts	<u>(83,552)</u>
Net loans receivable	<u><u>\$ 483,358</u></u>

Note 9 - Land Held for Resale

The City has acquired land for remediation and redevelopment. The City is actively marketing the properties for renovation and construction of new commercial, retail and residential facilities. The land held for resale is stated at the lower of cost or market.

Loss on Sale of Assets

The City sold a building held for resale that had a value of \$2,629,891 for \$1 during 2010. The sale of the building is recorded as a loss on the sale of the asset.

Note 10 - Capital Assets

The following is a summary of changes in capital assets of the City for the year ended December 31, 2010:

	Balance 1-1-10	Increases	Decreases	Transfers	Balance 12-31-10
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 663,535	\$ 2,166	\$ 60,580	\$ 540,282	\$ 1,145,403
Construction work in progress	13,241,600	2,261,292	11,988,716		3,514,176
Total capital assets, not being depreciated	<u>13,905,135</u>	<u>2,263,458</u>	<u>12,049,296</u>	<u>540,282</u>	<u>4,659,579</u>
Capital assets, being depreciated					
Buildings and improvements	4,543,204	1,108,217			5,651,421
Buildings and infrastructure	86,574,488	11,252,402		185,551	98,012,441
Machinery and equipment	5,435,636	464,623	30,134		5,870,125
Total capital assets, being depreciated	<u>96,553,328</u>	<u>12,825,242</u>	<u>30,134</u>	<u>185,551</u>	<u>109,533,987</u>
Less accumulated depreciation for					
Buildings and improvements	1,410,800	118,201			1,529,001
Buildings and infrastructure	33,552,205	2,822,627		72,827	36,447,659
Machinery and equipment	4,742,427	376,008	18,587		5,099,848
Total accumulated depreciation	<u>39,705,432</u>	<u>3,316,836</u>	<u>18,587</u>	<u>72,827</u>	<u>43,076,508</u>
Total capital assets being depreciated, net	<u>56,847,896</u>	<u>9,508,406</u>	<u>11,547</u>	<u>112,724</u>	<u>66,457,479</u>
Governmental activities - capital assets, net	<u>\$ 70,753,031</u>	<u>\$ 11,771,864</u>	<u>\$ 12,060,843</u>	<u>\$ 653,006</u>	<u>\$ 71,117,058</u>

City of Mandan
Notes to Financial Statements
December 31, 2010

	Balance 1-1-10 (Restated)	Increases	Decreases	Transfers	Balance 12-31-10
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 1,198,584	\$	\$	\$ (540,282)	\$ 658,302
Construction work in progress	<u>15,273,216</u>	<u>3,530,032</u>	<u>4,202,847</u>		<u>14,600,401</u>
Total capital assets, not being depreciated	<u>16,471,800</u>	<u>3,530,032</u>	<u>4,202,847</u>	<u>(540,282)</u>	<u>15,258,703</u>
Capital assets, being depreciated					
Buildings and improvements	6,497,005				6,497,005
Buildings and infrastructure	76,844,397	5,538,049	75,095	(185,551)	82,121,800
Machinery and equipment	<u>2,860,348</u>	<u>421,477</u>	<u>276,832</u>		<u>3,004,993</u>
Total capital assets, being depreciated	<u>86,201,750</u>	<u>5,959,526</u>	<u>351,927</u>	<u>(185,551)</u>	<u>91,623,798</u>
Less accumulated depreciation for					
Buildings and improvements	2,442,432	145,866			2,588,298
Buildings and infrastructure	32,995,229	1,836,374	28,821	(72,827)	34,729,955
Machinery and equipment	<u>2,085,522</u>	<u>421,822</u>	<u>264,488</u>		<u>2,242,856</u>
Total accumulated depreciation	<u>37,523,183</u>	<u>2,404,062</u>	<u>293,309</u>	<u>(72,827)</u>	<u>39,561,109</u>
Total capital assets being depreciated, net	<u>48,678,567</u>	<u>3,555,464</u>	<u>58,618</u>	<u>(112,724)</u>	<u>52,062,689</u>
Business-type activities - capital assets, net	<u>\$ 65,150,367</u>	<u>\$ 7,085,496</u>	<u>\$ 4,261,465</u>	<u>\$ (653,006)</u>	<u>\$ 67,321,392</u>

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

	Amounts
Governmental Activities	
General Government	\$ 102,521
Public Safety	221,478
Public Works	2,910,379
Culture and Recreation	62,634
Economic Development	1,080
Other	<u>18,744</u>
Total depreciation expense - governmental activities	<u>\$ 3,316,836</u>

Business-type Activities

Water and Sewer Utility	\$ 2,017,812
Solid Waste Utility	201,576
Street Light Utility	5,244
Mandan Airport Authority	<u>179,430</u>
 Total depreciation expense - business type activities	 <u><u>\$ 2,404,062</u></u>

Note 11 - Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2010, is as follows:

Due From	General Fund	Nonmajor Governmental Funds	Due To Water and Sewer Fund	Refunding Improv. Bonds Street	Total
Nonmajor Governmental Funds	\$ 85,525	\$ 40,101	\$ 127,844	\$ 1,104,923	\$ 1,358,393
Internal Service Fund	<u>23,893</u>				<u>23,893</u>
 Total	 <u><u>\$ 109,418</u></u>	 <u><u>\$ 40,101</u></u>	 <u><u>\$ 127,844</u></u>	 <u><u>\$ 1,104,923</u></u>	 <u><u>\$ 1,382,286</u></u>

Note 12 - Long-Term Liabilities

During the year ended December 31, 2010, the following changes occurred in long-term liabilities of the City:

Governmental Activities

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10	Due Within One Year
Compensated Absences	\$ 220,957	\$ 387,859	\$ 369,038	\$ 239,778	\$ 141,995
General Obligation Bonds Payable	790,000	-	30,000	760,000	30,000
Special Assessments Bonds Payable	36,668,307	3,180,822	6,326,837	33,522,292	3,705,192
Revenue Bonds Payable	<u>1,185,000</u>	<u>-</u>	<u>140,000</u>	<u>1,045,000</u>	<u>100,000</u>
Total governmental activities	 <u><u>\$ 38,864,264</u></u>	 <u><u>\$ 3,568,681</u></u>	 <u><u>\$ 6,865,875</u></u>	 <u><u>\$ 35,567,070</u></u>	 <u><u>\$ 3,977,187</u></u>

Business-Type Activities (Proprietary Funds)

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10	Due Within One Year
Compensated Absences	\$ 88,446	\$ 125,347	\$ 125,134	\$ 88,659	\$ 62,223
Special Assessments Bonds Payable	12,771,693	1,107,976	2,413,164	11,466,505	1,257,579
Revenue Bonds Payable	7,679,642	-	571,377	7,108,265	583,442
Loans Payable	10,449,501	2,563,571	609,000	12,404,072	528,071
Total governmental activities	<u>\$ 30,989,282</u>	<u>\$ 3,796,894</u>	<u>\$ 3,718,675</u>	<u>\$ 31,067,501</u>	<u>\$ 2,431,315</u>

Revenue Bonds Payable

The City issues bonds where the City pledges income derived from operations to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. The Limited Tax Refunding Revenue Bonds of 2005, Series B, are special obligations of the City payable solely from, and secured as to payment of principal and interest by a pledge of, the receipts from a 1% City sales tax imposed by the City which are recorded in the Mandan Community Center Debt Service Fund. Principal and interest paid for the current year and total revenues were \$138,293 and \$104,278, respectively.

The Water and Sewer Revenue Bonds, Series 2005, Water Improvement Revenue Bonds of 2002 and Sewer Revenue Bonds of 1997 were issued to make various improvements to the Water and Sewer Utility owned by the City. The bonds are payable solely from, and secured as to payment of principal and interest by a pledge of net revenues accruing to the Water and Sewer Utility Fund. Principal and interest paid for the current year and total net revenues were \$694,304 and \$6,027,977, respectively.

The Airport Improvement Revenue Bonds of 2008 and 2005 were issued to make various improvements to the Mandan Airport Facility. The bonds are payable solely from, and secured as to payment of principal and interest by a pledge of net revenues accruing to the Mandan Airport Authority. Principal and interest paid for the current year and total net revenues were \$110,563 and \$721,225, respectively.

The general ad valorem taxing power of the City is not pledged to the payment of these bonds either as to principal or interest. The bonds do not constitute a general obligation of the City, nor will they exceed the debt limit of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Revenue bonds payable outstanding at December 31, 2010 are as follows:

Governmental Funds

\$1,415,000 Limited Tax Refunding Bonds of 2005, Series B, due in annual installments of \$90,000 to \$135,000 through December 1, 2019; interest at 3.1% to 4.15%	<u>\$ 1,045,000</u>
Total governmental funds	<u><u>\$ 1,045,000</u></u>

Enterprise Funds

\$1,000,000 Water and Sewer Revenue Bonds, Series 2005, due in annual installments of \$15,000 to \$75,000 through May 1, 2025; interest at 3.6% to 4.8%	\$ 835,000
\$3,504,565 Water Improvement Revenue Bonds of 2002 due in semi-annual installments of \$198,565 to \$278,000 through September 1, 2021; interest at 2.5%	2,688,000
\$5,090,000 Sewer Revenue Bonds of 1997 due in annual installments of \$100,000 to \$325,000 through September 1, 2019; interest at 2.5%	2,650,000
\$500,00 Airport Improvement Revenue Bonds of 2008, due in semi-annual installments of \$24,547 through October 2023; interest at 4.76%	454,092
\$649,071 Airport Improvement Revenue Bonds of 2005 due in semi-annual installments of \$30,517 through August 2020; interest at 4.46%	<u>481,173</u>
Total enterprise funds	<u><u>\$ 7,108,265</u></u>

Revenue bonds payable debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	Primary Government			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 100,000	\$ 40,110	\$ 583,442	\$ 170,365
2012	105,000	36,660	601,665	156,725
2013	105,000	32,933	621,049	142,565
2014	110,000	29,100	634,608	128,025
2015	115,000	24,975	659,348	113,105
2016-2020	510,000	52,885	3,250,870	325,588
2021-2025	-	-	757,283	49,350
Totals	<u>\$ 1,045,000</u>	<u>\$ 216,663</u>	<u>\$ 7,108,265</u>	<u>\$ 1,085,723</u>

Special Assessments Bonds Payable

The City on an annual basis issues special assessment bonds payable to provide funds for the cost of various improvement districts within the City. Special assessments on benefited property are used to pay for the cost of these improvements. The City is required to levy an ad valorem tax, without limitation as to rate or amount, in the event that collections of special assessments and other revenues are insufficient for the repayment of the bonds.

Special assessments bonds payable outstanding at December 31, 2010 are as follows:

Issue	Amount of Issue	Date of Issue	Date of Maturity	Interest Rate	Amount Outstanding
Refunding 2001	\$ 4,780,000	3/28/2001	5/1/2011	3.55% - 4.4%	\$ 245,000
Refunding 2003, Series A	6,205,000	5/1/2003	5/1/2018	3.0% - 3.875%	3,135,000
Refunding 2004	360,000	1/1/2004	5/1/2018	2.55% - 4.2%	200,000
Refunding 2004, Series SCG - 2004	220,000	1/1/2005	5/1/2014	2.75% - 3.6%	80,000
Refunding 2005	1,620,000	9/1/2005	5/1/2020	4.0%	1,070,000
Refunding 2005, Series SCG-2005	245,000	12/15/2005	5/1/2015	3.5% - 4.0%	130,000
Refunding 2005, Series C	1,490,000	12/15/2005	5/1/2020	3.2% - 4.1%	985,000
Refunding 2006, Series B	3,070,000	8/1/2006	5/1/2021	4.0% - 4.25%	2,305,000
Refunding 2006, Series SCG-2006	245,000	1/1/2007	5/1/2016	3.55% - 4.0%	155,000
Refunding 2007	5,315,000	1/1/2007	5/1/2021	3.5% - 4.125%	3,915,000
Refunding 2007, Series B	9,460,000	3/15/2007	5/1/2022	4.0% - 4.5%	7,685,000
Refunding 2007, Series C	2,645,000	11/1/2007	5/1/2022	3.45% - 4.5%	2,140,000
Refunding 2007, Series D	6,860,000	12/1/2007	5/1/2023	4.0% - 4.375%	5,860,000
Refunding 2007, Series SCG-2007	285,000	12/1/2007	5/1/2017	3.75% - 4.1%	210,000
Refunding 2008, Series A	1,410,000	4/1/2008	5/1/2016	2.1% - 3.45%	1,035,000
Refunding 2008, Series B	2,405,000	7/1/2008	5/1/2023	3.0% - 4.2%	2,150,000
Refunding 2008, Series C	5,000,000	12/1/2008	5/1/2024	3.5% - 4.3%	4,485,000
Refunding 2008, Series SCG=2008	335,000	12/1/2008	5/1/2018	3.2% - 4.15%	280,000
Refunding 2009, Series A	4,420,000	12/15/2009	5/1/2024	2.0% - 4.0%	4,420,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	2.5% - 3.5%	215,000
Refunding 2010, Series A	4,420,000	2/15/2010	5/1/2019	1.0%-3.2%	4,020,000
Street #160	109,611	12/23/2010	5/1/2025	4.00%	109,610
Sidewalk, Curb and Gutter of 2010	159,187	12/23/2010	5/1/2020	3.25%	<u>159,187</u>
Total special assessments bonds payable					<u>\$ 44,988,797</u>

Special assessments bonds payable debt service requirements to maturity are as follows:

Year Ending December 31	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 3,705,192	\$ 1,176,821	\$ 1,257,579	\$ 408,288	\$ 4,962,771	\$ 1,585,109
2012	3,533,575	1,061,969	1,177,264	368,575	4,710,839	1,430,544
2013	3,498,984	947,838	1,162,577	330,191	4,661,561	1,278,029
2014	3,240,246	835,121	1,072,061	292,636	4,312,307	1,127,757
2015	2,927,848	726,686	965,232	256,764	3,893,080	983,450
2016-2020	12,232,529	2,082,591	4,295,438	749,108	16,527,967	2,831,699
2021-2025	4,383,918	246,950	1,536,354	89,999	5,920,272	336,949
Totals	<u>\$ 33,522,292</u>	<u>\$ 7,077,976</u>	<u>\$ 11,466,505</u>	<u>\$ 2,495,561</u>	<u>\$ 44,988,797</u>	<u>\$ 9,573,537</u>

General Obligation Bonds Payable

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds payable at December 31, 2010 are as follows:

\$870,000 General Obligation Bridge Bonds, due in annual installments of \$20,000 to \$65,000 through May 1, 2026; interest at 3.7% to 4.4%

\$ 760,000

General obligation bonds payable requirements to maturity are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2011	\$ 30,000	\$ 31,170
2012	35,000	29,903
2013	35,000	28,538
2014	35,000	27,155
2015	35,000	25,755
2016-2020	230,000	102,881
2021-2025	295,000	47,563
2026-2030	65,000	1,430
Totals	<u>\$ 760,000</u>	<u>\$ 294,395</u>

Loans Payable

Loans payable at December 31, 2010 are as follows:

Water Improvement Interim Certificate of 2008, Series A, due September 2028, interest at 2.5%, advances up to \$5,054,100	\$ 4,030,241
Water Improvement Interim Certificate of 2008, Series B, due September 2028, interest at 3.27%, advances up to \$8,600,000	5,136,751
Sewer Improvement Interim Certificate of 2008, Series A, due September 2028, interest at 2.5%, advances up to \$1,705,100	1,456,054
Sewer Improvement Interim Certificate of 2008, Series B, due September 2028, interest at 2.5%, advances up to \$1,000,000	224,930
Water Improvement Interim Certificate of 2010, Series A, due September 2030, interest at 2.84%, advances up to \$7,000,000	<u>1,556,096</u>
Total loans payable outstanding	<u><u>\$ 12,404,072</u></u>

Loan payable debt service requirements to maturity are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2011	\$ 528,071	\$ 354,946
2012	544,291	339,906
2013	562,033	324,378
2014	575,030	308,354
2015	590,623	291,948
2016-2020	3,215,975	1,197,103
2021-2025	3,704,928	709,425
2026-2030	<u>2,683,121</u>	<u>169,342</u>
Totals	<u><u>\$ 12,404,072</u></u>	<u><u>\$ 3,695,402</u></u>

Note 13 - Conduit Debt

Municipal Industrial Development Bonds

From time to time, the City has issued Municipal Industrial Development (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issue. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010, there were two series of MIDA Bonds outstanding. The aggregate principal amount currently payable for the two series could not be determined; however, their original issue amounts totaled \$6,100,000, and a modified amount of \$6,376,631.

Community Development Block Grants

From time to time, the City has obtained Community Development Block Grants (CBDG) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by property financed and are payable solely from the payments received on the underlying mortgage grants. Upon repayment of the grants, ownership of the acquired facilities transfers to the private-sector entity served by the grant. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the grants. Accordingly, the grants are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010, there were five CDBG loans outstanding, with an aggregate principal amount payable of \$286,326.

Note 14 - Risk Management

The City of Mandan 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, auto, and public asset insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$3,124,501 for public assets (mobile equipment and portable property) coverage.

The City of Mandan also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivisions with blanket fidelity bond coverage in the amount of \$2,000,000 for the City employees and \$75,000 for the airport authority employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has workers compensation with the North Dakota Workforce, Safety and Insurance. The City provides a health insurance plan through Blue Cross/Blue Shield of North Dakota. The City contributes a percentage of the premium based upon years of employment.

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

Note 15 - Commitments

The City had outstanding construction project commitments of \$5,611,194 as of December 31, 2010.

The City had outstanding financial subsidy commitments of \$135,000 as of December 31, 2010.

Note 16 - Pension Plan

Defined Contribution Plan

The City provides pension benefits for all of its full-time employees through a defined contribution plan. All full-time employees are eligible to participate. The plan provides for a four year vesting schedule for the employer's contribution as follows:

One year of employment	25% vested
Two years of employment	50% vested
Three years of employment	75% vested
Four years of employment	100% vested

City ordinance requires employee participants to contribute two percent of their salary and the City is required to contribute seven percent of the covered payroll.

The City's required contributions for the years ended December 31, 2010, 2009 and 2008, were \$420,472, \$404,497, and \$389,801, respectively.

Note 17 - Fund Deficits

The following funds were in a deficit position at December 31, 2010:

<u>Fund</u>	<u>Amount</u>
Narcotics Task Force Grant	\$ (1,080)
Health and Safety Fund	(115,847)
Bike Path Construction Fund	(2,207)
Street Construction Fund	(1,079,536)

The City will relieve the deficit in the construction funds with future special assessment collections. The remaining fund deficits will be relieved with future tax collections, grant reimbursements and transfers.

Note 18 - Transfers

The following shows the transfers in and transfers out for the year ended December 31, 2010:

Transfers Out	Transfers In									Total
	General	Refunding Improvement Bonds Street	Other Governmental	Water and Sewer Utility	Non Major Enterprise Funds	Internal Service Fund	Mandan Airport Authority	Morton Mandan Public Library	Governmental Activities	
General	\$	\$	\$ 331,803	\$	\$ 113,504	\$ 82,076	\$ 31,787	\$ 72,386		\$ 631,556
Refunding Improvement Bonds - Street			477,809							477,809
Other Governmenta	1,640,554	508,152	1,149,265	47,192						3,345,163
Water and Sewer Utility	15,230		170,090			840				186,160
Solid Waste Utility				16,739		8,003				24,742
Non Major Enterprise				5,580					653,006	658,586
Total	\$ 1,655,784	\$ 508,152	\$ 2,128,967	\$ 69,511	\$ 113,504	\$ 90,919	\$ 31,787	\$ 72,386	\$ 653,006	\$ 5,324,016

Transfers are used to 1) move unrestricted general fund revenues to finance various programs, 2) move sales tax revenues to fund programs and projects and 3) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.

Note 19 - Restricted Cash and Investments

The City's grant/loan covenants require certain reservations of the City's net assets. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted portions are as follows:

	Governmental	Business-Type	Total
Revenue Bonds - Debt Service	\$ 141,500	\$ 1,120,346	\$ 1,261,846
Total	\$ 141,500	\$ 1,120,346	\$ 1,261,846

Note 20 - Remediation Trust

The City is one of the beneficiaries of the Mandan Remediation Trust. As the beneficiary of the Trust, the City has no legal title, claim or right to the Trust Estate and does not have any authority to transact business on behalf of the Trust. The Trust is irrevocable and will terminate when the North Dakota Department of Health determines that no further remediation is required of the contamination and the purposes of the Trust have been fully executed and fulfilled. Upon termination of the Trust, any residue of the Trust money shall be paid to the Mandan Special Environment Projects Trust, a special revenue fund of the City. The Trust had net assets of \$8,898,047 at December 31, 2009, the most recent year audited.

Note 21 - Prior Period Adjustment

The Morton Mandan Public Library fund balance has been adjusted to restate the intergovernmental receivable that was overstated as of December 31, 2009.

The governmental fund balances and business-type activities, internal service fund and governmental activities net assets have been adjusted to restate salaries payable that were not recorded as of December 31, 2009.

The Water and Sewer Utility net assets have been adjusted to restate capital assets for additions and related accumulated depreciation that was not recorded prior to January 1, 2010.

The adjustments to the beginning fund balance/net assets are as follows:

	Governmental Funds				Governmental Activities
	General	Refunding Improvement Bonds-Street	Morton Mandan Public Library	Other Governmental	
Fund Balance/Net Assets, as previously reported	\$ 2,122,868	\$ 1,408,753	\$ 414,116	\$ 4,485,393	\$ 76,582,923
Prior Period Adjustment					
Intergovernmental receivable			(12,686)		(12,686)
Salaries payable	(143,093)	-	(9,143)	(10,040)	(163,615)
Fund Balance/Net Assets, as restated	<u>\$ 1,979,775</u>	<u>\$ 1,408,753</u>	<u>\$ 392,287</u>	<u>\$ 4,475,353</u>	<u>\$ 76,406,622</u>
	Business-type Activities				
	Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority	Non-major Enterprise	Internal Service
Net Assets, as previously reported	\$ 35,739,189	\$ 2,763,564	\$ 3,937,490	\$ 725,771	\$ 27,416
Prior Period Adjustment					
Capital assets, net	5,115,272				
Salaries payable	(36,315)	(7,648)	-	(1,263)	(1,339)
Net Assets, as restated	<u>\$ 40,818,146</u>	<u>\$ 2,755,916</u>	<u>\$ 3,937,490</u>	<u>\$ 724,508</u>	<u>\$ 26,077</u>

Note 22 - Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the Morton Mandan Public Library fund by \$39,346. The expenditures in excess of budget are due to the Morton Mandan Public Library not preparing a budget for its capital outlay fund which is not required by law. The Morton Mandan Public Library had actual general fund expenditures under budgeted expenditures of \$12,949 for the year ended December 31, 2010. No remedial actions are anticipated or required by the City regarding these excess expenditures.

Note 23 - Restricted Net Assets

The government-wide statement of net assets reports \$36,328,938 of restricted net assets, of which \$1,609,112 is restricted by enabling legislation.

Note 24 - Subsequent Events

Subsequent to year-end, the City refinanced its Refunding 2005 special assessments bonds payable. The bonds had a principal balance outstanding of \$1,620,000, a maturity date of May 1, 2020 and an interest rate of 4.0% at December 31, 2010. The bonds were refinanced with a principal balance outstanding of \$960,000, a maturity date of May 1, 2020 and an interest rate ranging from 1.15% to 3.25% over the term of the bonds which results in a net interest cost of 2.82%.

Subsequent to year-end, the City obtained additional advances of \$4,015,825 on its Water Improvement Interim Certificate of 2010, Series A loans payable, \$1,690,873 on its Water Improvement Interim Certificate of 2008, Series B loans payable and \$342,277 on its Sewer Improvement Interim Certificate of 2008, Series B loans payable.

Subsequent to year-end, the City issued Sewer Improvement Revenue Bonds payable of 2008 for \$1,545,663, which have a maturity date of September 1, 2028 and an interest rate of 2.5%. The revenue bonds payable are a combination of the Sewer Improvement Interim Certificate of 2008, Series A loans payable of \$1,456,054 that were outstanding at December 31, 2001 and additional funds advanced for the certificate of \$89,609 subsequent to year-end.

Subsequent to year-end, the City had an extraordinary flooding event occur, the financial impact of which is undeterminable to the City at this point based on unknown factors and estimates. The City's estimated flood recovery costs range from \$5,500,000 to \$8,000,000. The Federal Emergency Management Agency (FEMA) has a disaster declaration date related to the flood event of May 10, 2011 and a projected completion date for recovery efforts and reimbursements of May 10, 2012. FEMA has agreed to reimburse the City 90% of eligible flood recovery costs, the State has agreed to reimburse the City 7% of eligible costs and the City will be responsible for 3% of the costs. The City cannot estimate the final financial impact to the City due to uncertainties in the total recovery costs that FEMA will consider eligible for reimbursement.



Required Supplementary Information
December 31, 2010

City of Mandan

City of Mandan
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 3,257,800	\$ 3,254,376	\$ 3,195,632	\$ (58,744)
Licenses and Permits	556,550	549,680	550,180	500
Intergovernmental	1,142,500	1,182,534	1,403,528	220,994
Charges for Services	75,950	100,150	76,679	(23,471)
Fines and Forfeits	114,350	114,350	190,816	76,466
Special Assessments	7,700	33,647	16,668	(16,979)
Interest	43,100	43,100	18,318	(24,782)
Miscellaneous	83,250	70,950	59,860	(11,090)
Total revenues	<u>5,281,200</u>	<u>5,348,787</u>	<u>5,511,681</u>	<u>162,894</u>
Expenditures				
Current				
General government	1,920,400	2,027,073	1,805,561	221,512
Public safety	3,650,500	3,709,781	3,608,748	101,033
Public works	870,950	870,950	1,050,282	(179,332)
Culture and recreation	116,800	116,800	126,091	(9,291)
Capital outlay	215,750	236,488	210,455	26,033
Total expenditures	<u>6,774,400</u>	<u>6,961,092</u>	<u>6,801,137</u>	<u>159,955</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,493,200)</u>	<u>(1,612,305)</u>	<u>(1,289,456)</u>	<u>322,849</u>
Other Financing Sources (Uses)				
Transfers in	1,469,750	1,469,750	1,655,784	186,034
Transfers out	(486,950)	(500,531)	(631,556)	(131,025)
Sale of capital assets	21,700	21,700	1,069	(20,631)
Total Other Financing Sources and Uses	<u>1,004,500</u>	<u>990,919</u>	<u>1,025,297</u>	<u>34,378</u>
Net Change in Fund Balance	<u>(488,700)</u>	<u>(621,386)</u>	<u>(264,159)</u>	<u>357,227</u>
Fund balances - January 1, as previously stated	2,122,868	2,122,868	2,122,868	-
Prior period adjustment	<u>(143,093)</u>	<u>(143,093)</u>	<u>(143,093)</u>	<u>-</u>
Fund balance, January 1, as restated	<u>1,979,775</u>	<u>1,979,775</u>	<u>1,979,775</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,491,075</u>	<u>\$ 1,358,389</u>	<u>\$ 1,715,616</u>	<u>\$ 357,227</u>

City of Mandan
 Budgetary Comparison Schedule – Morton Mandan Public Library
 Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 277,900	\$ 277,900	\$ 275,771	\$ (2,129)
Intergovernmental	238,979	238,979	188,503	(50,476)
Charges for Services	2,700	2,700	3,957	1,257
Fines and Forfeits	5,000	5,000	6,804	1,804
Interest	1,000	1,000	4,520	3,520
Miscellaneous	42,924	42,924	42,595	(329)
Total revenues	<u>568,503</u>	<u>568,503</u>	<u>522,150</u>	<u>(46,353)</u>
Expenditures				
Current				
Culture and recreation	605,517	583,017	570,068	12,949
Capital Outlay	60,500		52,295	(52,295)
Total Expenditures	<u>666,017</u>	<u>583,017</u>	<u>622,363</u>	<u>(39,346)</u>
Deficiency of Revenues over Expenditures	<u>(97,514)</u>	<u>(14,514)</u>	<u>(100,213)</u>	<u>(85,699)</u>
Other Financing Sources (Uses)				
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>72,386</u>	<u>(62,386)</u>
Total Other Financing Sources and Uses	<u>10,000</u>	<u>10,000</u>	<u>72,386</u>	<u>62,386</u>
Net Change in Fund Balance	<u>(87,514)</u>	<u>(4,514)</u>	<u>(27,827)</u>	<u>(23,313)</u>
Fund Balance - January 1 as previously stated	414,116	414,116	414,116	-
Prior period adjustment	<u>(21,829)</u>	<u>(21,829)</u>	<u>(21,829)</u>	<u>-</u>
Fund balance, January 1, as restated	<u>392,287</u>	<u>392,287</u>	<u>392,287</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 304,773</u>	<u>\$ 387,773</u>	<u>\$ 364,460</u>	<u>\$ (23,313)</u>

Note 1 - Stewardship, Compliance and Accountability

Budgetary Information

The governing board adopts an annual budget on a basis consistent with GAAP for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10th of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1st, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.



Supplementary Information
December 31, 2010

City of Mandan

City of Mandan
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-thru Grant Number	Federal CFDA Number	Expenditures
<u>Department of Commerce</u>			
<u>Passed through Morton County</u>			
Public Safety Interoperable Communications Grant Program		11.555	\$ 19,320
<u>Department of Justice</u>			
Edward Byrne Memorial Justice Assistance Grant Program		16.738	17,479
Bulletproof Vest Partnership		16.607	400
<u>Passed through the State Attorney's General Office</u>			
Metro Area Safe Trails Task Force	594-MANTF	16.000	66,912
Law Enforcement Assistance - Narcotics and Dangerous Drugs	CY10-403	16.003	10,468
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	ST09-201	16.803	96,402
<u>Passed through Morton County</u>			
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	2009-G6096-ND-SB	16.804	86,364
Total Department of Justice			<u>278,025</u>
<u>Department of Transportation</u>			
<u>Passed through the State Department of Transportation</u>			
Highway Planning and Construction - ARRA	1-988	20.205	769,552
Airport Improvement Program	3-38-0035-015-2010	20.106	234,413
Highway Safety Cluster			
State and Community Highway Safety	12-033-0210	20.600	5,342
Alcohol Impaired Driving Countermeasures Incentive Grants	09-711-1009	20.601	3,014
Cluster Total			<u>8,356</u>
<u>Passed through the State Department of Emergency Services</u>			
Interagency Hazardous Materials Public Sector Training & Planning Grants	A1006-001-2010-HMEPT	20.703	12,768
Total Department of Transportation			<u>1,025,089</u>

City of Mandan
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-thru Grant Number	Federal CFDA Number	Expenditures
<u>Environmental Protection Agency</u>			
<u>Passed through the State Department of Health</u>			
Capitalization Grants for Clean Water State Revolving Funds	380775	66.458	308,255
Capitalization Grants for Drinking Water State Revolving Funds	3000596	66.468	<u>3,051,344</u>
Total Environmental Protection Agency			<u>3,359,599</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighters Grant		97.044	91,093
<u>Passed through the State Department of Emergency Services</u>			
Disaster Grants - Public Assistance	059-49900-00	97.036	35,612
State Homeland Security Grant Program	A0833-001-2009-HQ	97.067	<u>88,147</u>
Total Department of Homeland Security			<u>214,852</u>
Total Expenditures of Federal Awards			<u>\$ 4,896,885</u>

Subrecipients

Of the federal awards presented in the schedule, the City provided federal awards to subrecipients as follows:

Federal Grantor/Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Department of Transportation Highway Planning and Construction - ARRA	20.205	\$ 367,496

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the year ended December 31, 2010 as determined based on the modified accrual basis of accounting. The amounts provided to subrecipients are also presented on the accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the accounting records from which the financial statements have been reported.



CPAs & BUSINESS ADVISORS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

City Commissioners
City of Mandan
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandan, North Dakota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Mandan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mandan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mandan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-03 and 2010-04 to be significant deficiencies.

Compliance and Other Matters

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

The City of Mandan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Mandan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Sallee LLP".

Bismarck, North Dakota
September 28, 2011



CPAs & BUSINESS ADVISORS

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

City Commissioners
City of Mandan
Mandan, North Dakota

Compliance

We have audited the City of Mandan, North Dakota's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Mandan, North Dakota's management. Our responsibility is to express an opinion on the City of Mandan, North Dakota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mandan, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Mandan, North Dakota's compliance with those requirements.

As described in item 2010-05 in the accompany schedule of findings and questioned costs, the City of Mandan, North Dakota did not comply with requirements related to subrecipient monitoring that are applicable to its Highway Planning and Construction program. Compliance with such requirements is necessary, in our opinion, for the City of Mandan, North Dakota to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Mandan, North Dakota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

Management of the City of Mandan, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mandan, North Dakota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mandan's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-05 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2010-06 to be a significant deficiency.

The City of Mandan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Mandan's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Bismarck, North Dakota
September 28, 2011

2009-04 Davis-Bacon Act, Highway Planning and Construction, CFDA # 20.205

Condition - Consultant engineers hired by the City were not collecting and monitoring certified payroll reports from the contractors hired for projects under this grant. The City did not have a process in place to monitor the consultant engineer to ensure Davis Bacon requirements were met.

Criteria – The City is required to monitor certified payroll reports submitted by contractors and sub-contractors to ensure employees are paid prevailing wage rates for projects covered by the Davis-Bacon Act.

Cause – The consultant engineer was not collecting the certified payroll reports from the contractors.

Effect – This could result in contractors not paying the appropriate prevailing wages required under the federal grant.

Recommendation – We recommend the City implement internal controls to monitor consultant engineers are complying with the Davis Bacon Act.

Response – The City will implement internal controls to monitor that consultant engineers are complying with the Davis-Bacon Act.

Status – This was corrected in the current year.

Summary of Audit Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over federal programs:	
Material weakness identified	Yes
Significant deficiency	Yes
Type of auditors' report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Highway Planning and Construction - ARRA	20.205
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

Findings - Financial Statement Audit

2010-01 Recording of Transactions

Condition – We identified misstatements in the City’s financial statements causing us to propose material audit adjustments related to the following items:

- Recording of accounts payable and the related expenditure and the recording of an intergovernmental receivable and related revenue for a grant reimbursement related to the expenditure.
- Adjustments to Enterprise Fund Net Assets for an entry that was recorded by the City twice.
- Prior period adjustment to record capital assets and the related accumulated depreciation for infrastructure contributed to the City from developers, which was not previously recorded.
- Adjustment to the cost of a capital asset acquired through a trade-in.

Criteria - A good system of internal accounting control contemplates proper adjustments of all general ledger accounts.

Cause – Certain transactions were not recorded in accordance with generally accepted accounting principles.

Effect - Inadequate internal controls over recording of transactions affects the City’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation – We recommend the City review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

Response - The City will continue to review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

2010-02 Preparation of Financial Statements

Condition – The City does not prepare audit ready, year-end financial statements and accompanying notes to the financial statements that are prepared in accordance with Government Accounting Standards. The City had material misstatements related to salaries payable and capital assets that resulted in prior period adjustments being recorded in order to present financial statements and accompanying notes to the financial statements that are materially correct.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements.

Cause – The City has chosen not to focus their training and resources on preparing the audit ready, year-end financial statements and accompanying notes to the financial statements.

Effect – Inadequate control over financial reporting of the City could result in more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct.

Recommendation – This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Effective December 31, 2011 the City will prepare audit ready, year-end financial statements and accompanying notes in accordance with Government Accounting Standards.

2010-03 Department Controls over Cash and Inventory

Condition – The City has a lack of internal controls related to their receipting process for various departments of the City. Specifically, it was noted that cash receipting process in the Police Department and the Inspections Department have several manual steps creating inadequate internal controls. The City also has a lack of internal controls related to inventory in the Police Department.

Criteria – A good system of internal accounting controls contemplates an adequate audit paper trail and proper segregation of duties to mitigate abuse or fraud.

Cause – The process for reporting receipts in some departments is manual which creates an inadequate audit trail and there is a lack of segregation of duties. The Police Department does not maintain an inventory listing, which includes the IT equipment for all departments of the City.

Effect – Inadequate controls over cash receipts and inventory could affect the City’s ability to detect errors or fraud.

Recommendation – We recommend the City review their procedures over cash receipts in all departments and implement an adequate system of internal controls to create a sufficient audit trail. We also recommend the City develop a centralized inventory listing for all machinery and equipment of the Police Department, develop a process to observe the inventory, and designate an individual in charge of the centralized inventory listing.

Response – During 2011, the Police Department indicated to the City of implementing the internal control recommendations based on the “Report on 2009 Agreed-Upon Procedures” prepared by Eide Bailly dated December 20, 2010. The City will review the procedures over cash receipts in the Building Inspection Department and implement an adequate system of internal controls to create a sufficient audit trail through communications with Eide Bailly.

2010-04 Segregation of Duties

Condition – The City has a lack of segregation of duties in certain areas. Specifically, it was noted that one individual has access to enter invoices in the accounting records, print checks with an automated signature and mail the checks. It was also noted that the City has manual checks and a signature stamp on hand for the checks. The City does not maintain proper controls over the checks and the signature stamp to prevent unauthorized individuals from accessing the items.

Criteria – A good system of internal accounting control contemplates adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause – The City has not implemented internal control procedures to ensure there is adequate segregation of duties related to the cash disbursements process and the City did not implement policies to control access to the signature stamp.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely period.

Recommendation – We recommend the City evaluate the use and control of the signature stamp and review the cash disbursement functions to determine if additional segregation of duties is feasible.

Response - The City will evaluate the use and control of the signature stamp and review the cash disbursement functions to determine if additional segregation of duties is feasible through communications with Eide Bailly.

Findings - Major Federal Award Programs Audit

2010-05 Subrecipient Monitoring, Highway Planning and Construction – ARRA, CFDA # 20.205

Condition - The City did not complete the required subrecipient monitoring activities for one federal project that they awarded to a subrecipient.

Criteria - Pass-through entities are responsible for identifying Federal award information and applicable compliance requirements at the time of awards to subrecipients, for monitoring the subrecipient’s use of Federal awards to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, ensuring that subrecipients have the required audits completed and reviewing the results of those audits, and evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable Federal regulations.

Cause - The City was unaware of the A-133 compliance requirements related to subrecipient monitoring.

Effect - Improper subrecipient monitoring could result in non-compliance related to Federal regulations passed through to the subrecipients and improper evaluation of the impact of the subrecipient activities on the City’s compliance with the Federal regulations.

Recommendation - We recommend the City review the A-133 requirements related to subrecipient monitoring and ensure they are following the monitoring requirements for any Federal awards passed through to subrecipients.

Response - The City will review the A-133 requirements related to subrecipient monitoring and ensure they are following the monitoring requirements for any Federal awards passed through to subrecipients.

2010-06 Procurement, Highway Planning and Construction – ARRA, CFDA # 20.205

Condition - The City did not maintain documentation to support that quotes were solicited for purchases of supplies where the estimated costs were more than \$5,000 but less than \$25,000.

Criteria - Per the City's procurement policy, purchases of supplies and contractual services, when the estimated costs is more than \$5,000 but less than \$25,000, may be made in the open market without competitive bids, provided that documentation is submitted showing that prices or informal quotes were solicited from a minimum of three suppliers, or if fewer than three suppliers are available, then from all available suppliers, unless otherwise required by law.

Cause - The City obtained verbal quotes for the procurement of the supplies, but did not maintain documentation to show that prices or informal quotes were solicited as required. The City did not have internal control policies implemented to monitor that the procurement of supplies and contractual services that were more than \$5,000 but less than \$25,000 were purchased in accordance with the policy.

Effect - This could result in non-compliance with the City's procurement policy.

Recommendation - We recommend the City implement internal control procedures to review that all purchases of supplies and contractual services are completed in accordance with the procurement policy. We also recommend that the City maintain documentation of any informal quotes or prices solicited for the purchases.

Response - The City will continue to implement internal control procedures with departments to review that all purchases of supplies and contractual services are completed in accordance with the procurement policy. The City will also continue to require departments to maintain documentation of any informal quotes or prices solicited for the purchases.