



Financial Statements
December 31, 2012
City of Mandan

**CITY OF MANDAN, NORTH DAKOTA
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Page(s)</u>
List of Elected and Appointed Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
- General Fund	48
- Cemetery Fund	49
- City Sales Tax/Mandan Growth Fund	50
- Morton Mandan Public Library Fund	51
Notes to the Required Supplementary Information	52

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	53
Combining Balance Sheets	
- Nonmajor Special Revenue Funds	54
- Nonmajor Debt Service Funds	55
- Nonmajor Capital Projects Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	57
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances	
- Nonmajor Special Revenue Funds	58
- Nonmajor Debt Service Funds	59
- Nonmajor Capital Projects Funds	60

**CITY OF MANDAN, NORTH DAKOTA
LIST OF ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2012**

Elected Officials

Mayor/President	Arlyn Van Beek
Vice President	Sandy Tibke
Commissioner	Dennis Rohr
Commissioner	Dot Frank
Commissioner	Mike Braun
Municipal Judge	DeNae Kautzman

Appointed Officials

City Attorney	Malcolm Brown
City Administrator	Jim Neubauer
Business Development and Communications Director	Ellen Huber
Finance	Greg Welch
Assessing/Building Inspection	Rich Barta
Planning and Zoning/Engineering	Kim Fettig
Police	Dennis Bullinger
Fire	Steve Nardello
Public Works	Jeff Wright
Water Treatment	Duane Friesz
Wastewater Treatment	Steve Himmelspach



Independent Auditor's Report

The Honorable Mayor and Board
of City Commissioners
City of Mandan
Mandan, North Dakota

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 Audit 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2012, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mandan, North Dakota's financial statements. The list of elected and appointed officials and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The list of elected and appointed officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2013 on our consideration of City of Mandan, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City of Mandan's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
August 30, 2013

CITY OF MANDAN
Mandan, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012

As management of the City of Mandan, we offer readers of the City of Mandan's financial statements this narrative overview and analysis of the financial activities of the City of Mandan for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 15 - 47 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Mandan exceeded its liabilities at the close of the most recent fiscal year by \$125,619,459 (net position). Of this amount, \$13,178,683 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,739,908 (2%) during the current fiscal year due to \$1,540,284 from governmental activities and \$1,199,624 from business-type activities.
- As of the close of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$14,336,081, an increase of \$1,978,018 (16%) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,285,781 which is 59% of total General Fund revenues and 56% of total General Fund expenditures.
- Revenue from all sources totaled \$27,289,244 which was a decrease of \$2,315,829 (8%) during the current fiscal year due to a decrease of \$3,812,261 from governmental activities and an increase of \$1,496,432 from business-type activities. Expenses from all activities totaled \$24,549,336 which was a decrease of \$3,607,872 (13%) during the current fiscal year due to a decrease of \$4,352,137 from governmental activities and an increase of \$744,265 from business-type activities.
- The City of Mandan's total capital assets increased by \$5,501,918 (4%) during the current fiscal year due to an increase of \$5,529,046 from governmental activities and a decrease of \$27,128 from business-type activities.
- The City of Mandan's total debt increased by \$1,085,718 (2%) during the current fiscal year due to an increase of \$1,981,412 from governmental activities and a decrease of \$895,694 from business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Mandan's basic financial statements. The City of Mandan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mandan's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Mandan's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mandan is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City of Mandan that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mandan include general government, public safety, public works, cemetery, culture and recreation, urban redevelopment and housing, and economic development and assistance. The business-type activities of the City of Mandan include the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority.

The government-wide financial statements can be found on pages 15 - 16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mandan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mandan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mandan maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mandan adopts an annual appropriated budget for its governmental funds, except for capital projects funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary Funds - The City of Mandan maintains two different types of proprietary funds. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide financial statements. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City of Mandan's various functions. The internal service fund is reported with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility, Solid Waste Utility, Street Light Utility, and Mandan Airport Authority which are considered major funds. The internal service fund is also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mandan's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 - 25 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 26 - 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 53 - 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mandan, assets exceeded liabilities by \$125,619,459 at the close of the most recent fiscal year.

The following table presents condensed financial information on the City's Net Position as of December 31, 2012 and December 31, 2011.

**TABLE I
NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	\$ 36,564,793	\$ 12,605,976	\$ 49,170,769
Capital Assets	75,238,337	71,257,537	146,495,874
Total Assets	<u>\$ 111,803,130</u>	<u>\$ 83,863,513</u>	<u>\$ 195,666,643</u>
LIABILITIES			
Long-term Liabilities Outstanding	\$ 33,698,503	\$ 34,126,754	\$ 67,825,257
Other Liabilities	1,581,769	640,158	2,221,927
Total Liabilities	<u>\$ 35,280,272</u>	<u>\$ 34,766,912</u>	<u>\$ 70,047,184</u>
NET POSITION			
Net investment in Capital Assets	\$ 43,956,509	\$ 37,204,529	\$ 81,161,038
Restricted	29,531,771	1,747,967	31,279,738
Unrestricted	3,034,578	10,144,105	13,178,683
Total Net Position	<u>\$ 76,522,858</u>	<u>\$ 49,096,601</u>	<u>\$ 125,619,459</u>

**TABLE I
NET POSITION
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current and Other Assets	\$ 37,859,311	\$ 12,823,741	\$ 50,683,052
Capital Assets	69,709,291	71,284,665	140,993,956
Total Assets	<u>\$ 107,568,602</u>	<u>\$ 84,108,406</u>	<u>\$ 191,677,008</u>
LIABILITIES			
Long-term Liabilities Outstanding	\$ 31,717,091	\$ 35,022,448	\$ 66,739,539
Other Liabilities	868,941	1,188,985	2,057,926
Total Liabilities	<u>\$ 32,586,032</u>	<u>\$ 36,211,433</u>	<u>\$ 68,797,465</u>
NET POSITION			
Net investment in Capital Assets	\$ 40,543,850	\$ 36,334,557	\$ 76,878,407
Restricted	32,682,900	1,434,542	34,117,442
Unrestricted	1,755,820	10,127,874	11,883,694
Total Net Position	<u>\$ 74,982,570</u>	<u>\$ 47,896,973</u>	<u>\$ 122,879,543</u>

A large portion of the City of Mandan's net position (65%) reflects its investment in capital assets (e.g., land, construction work in progress, buildings and improvements, buildings and infrastructure, and machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Mandan uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mandan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City of Mandan's ratio of long-term liabilities to capital assets is 46%. The ratio reflects the City of Mandan's strategy of using current resources and cash balance to finance capital assets with the exception of special assessment districts.

An additional portion of the City of Mandan's net position (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$13,178,683 (10%) may be used to meet the City's ongoing services to the citizens.

As capital projects are finalized and closed, the majority of infrastructure improvements are financed through the issuance of bonds, which are then repaid through special assessments from the benefiting property owners. As the bonds are issued and special assessments are approved, then special assessments are recorded as receivables. However, many infrastructure projects remain open at year-end, resulting in a deficit net position amount.

The City of Mandan's ratio of total assets/total liabilities for the governmental activities is 3.17 and for the business-type activities is 2.41 which represents a strong capacity to meet current obligations.

The following table presents condensed financial information on the City's Changes in Net Position for the fiscal year ending December 31, 2012 and December 31, 2011.

**TABLE II
CHANGES IN NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,184,003	\$ 8,243,416	\$ 10,427,419
Operating Grants and Contributions	1,680,15	6,093	1,686,246
Capital Grants and Contributions	1,757,99	1,434,646	3,192,645
General Revenues:			
Property, Delinquent, Mobile Home Taxes	4,088,98	176,006	4,264,995
Financial Institutions Taxes	49,956		49,956
Road and Bridge	2,038		2,03
Cable TV Franchise Fees	304,247		304,247
State Aid Distribution	1,885,06		1,885,065
Cigarette Taxes	56,598		56,598
Gaming Taxes	13,143		13,143
Disabled Veterans Credit	24,478	1,045	25,523
Homestead Credit	48,153	2,091	50,244
Morton County-LEC Taxes	35,000		35,000
Telecommunications Taxes	82,220		82,220
Highway Tax Distribution	1,573,75		1,573,750
Occupancy Taxes	69,451		69,451
City Sales Taxes	1,998,69	6,778	2,005,468
Fire Insurance Taxes	58,385		58,385
Restaurant and Lodging Taxes	371,266		371,266
Interest	67,290	1,211	68,501
Other	87,202	169,508	256,710
Sale of Land Held for Resale	788,199		788,199
Sale of Capital Assets	16,475	5,700	22,175
Total Revenues	\$ 17,242,750	\$ 10,046,49	\$ 27,289,244
Expenses:			
General Government	\$ 2,611,06	\$	\$ 2,611,061
Public Safety	4,143,53		4,143,538
Public Works	5,795,54		5,795,545
Cemetery	158,341		158,341
Culture and Recreation	821,716		821,716
Urban Redevelopment and	67,861		67,861
Economic Development and Assistance	542,544		542,544
Construction	10,721		10,721
Interest on Long-term Debt	1,096,732		1,096,732
Debt Service Charges and Costs	33,375		33,375
Water and Sewer Utility		6,700,753	6,700,753
Solid Waste Utility		1,538,490	1,538,490
Street Light Utility		338,435	338,435
Mandan Airport Authority		690,224	690,224
Total Expenses	\$ 15,281,434	\$ 9,267,902	\$ 24,549,336
Increase in Net Position before Transfers	\$ 1,961,316	\$ 778,592	\$ 2,739,908
Transfers	(421,032)	421,032	
Increase in Net Position	\$ 1,540,284	\$ 1,199,624	\$ 2,739,908
Net Position - 1/1/2012	\$ 74,982,574	\$ 47,896,977	\$ 122,879,551
Net Position - 12/31/2012	\$ 76,522,858	\$ 49,096,601	\$ 125,619,459

TABLE II
CHANGES IN NET POSITION
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,552,675	\$ 7,644,709	\$ 9,197,384
Operating Grants and Contributions	5,887,202	7,979	5,895,181
Capital Grants and Contributions	3,946,501	579,339	4,525,840
General Revenues:			
Property, Delinquent, Mobile Home Taxes	3,943,759	173,462	4,117,221
Financial Institutions Taxes	40,541		40,541
Cable TV Franchise Fees	290,479		290,479
State Aid Distribution	1,411,234		1,411,234
Cigarette Taxes	52,249		52,249
Gaming Taxes	11,016		11,016
Disabled Veterans Credit	16,704	713	17,417
Homestead Credit	51,388	2,191	53,579
Morton County-LEC Taxes	35,000		35,000
Telecommunications Taxes	82,220		82,220
Highway Tax Distribution	1,477,045		1,477,045
Occupancy Taxes	63,570		63,570
City Sales Taxes	1,703,099	3,252	1,706,351
Fire Insurance Taxes	59,338		59,338
Restaurant and Lodging Taxes	319,400		319,400
Interest	56,559	30,777	87,336
Other	101,161	107,640	208,801
Loss on Sale of Land Held for Resale	(46,129)		(46,129)
Total Revenues	\$ 21,055,011	\$ 8,550,062	\$ 29,605,073
Expenses:			
General Government	\$ 2,426,166		\$ 2,426,166
Public Safety	4,208,552		4,208,552
Public Works	10,095,949		10,095,949
Cemetery	146,054		146,054
Culture and Recreation	1,022,502		1,022,502
Urban Redevelopment and Housing	69,696		69,696
Economic Development and Assistance	398,182		398,182
Construction	5,157		5,157
Interest on Long-term Debt	1,222,857		1,222,857
Debt Service Charges and Costs	38,456		38,456
Water and Sewer Utility		6,128,267	6,128,267
Solid Waste Utility		1,378,932	1,378,932
Street Light Utility		343,519	343,519
Mandan Airport Authority		672,911	672,911
Total Expenses	\$ 19,633,571	\$ 8,523,629	\$ 28,157,200
Increase in Net Position before Transfers	\$ 1,421,440	\$ 26,433	\$ 1,447,873
Transfers	(42,392)	42,392	
Increase in Net Position	\$ 1,379,048	\$ 68,825	\$ 1,447,873
Net Position - 1/1/2011	\$ 73,603,526	\$ 47,828,152	\$ 121,431,678
Net Position - 12/31/2011	\$ 74,982,574	\$ 47,896,977	\$ 122,879,551

Governmental Activities

Governmental activities increased the City of Mandan's net position by \$1,540,284 (2%), accounting for 56% of the total increase in the net position of the City of Mandan. During the year, revenues decreased by \$3,812,261 (18%) primarily due to operating grants and contributions, and expenses decreased by \$4,352,137 (22%) primarily due to public works.

Business-type Activities

Business-type activities increased the City of Mandan's net position by \$1,199,624 (3%), accounting for 44% of the total growth in the City of Mandan's net position. During the year, revenues increased by \$1,496,432 (18%) primarily due to charges for services and capital grants and contributions, and expenses increased by \$744,273 (9%) primarily due to the Water and Sewer Utility and Solid Waste Utility.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Mandan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Mandan's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Mandan's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Mandan's governmental funds reported combined ending fund balances of \$14,336,081, an increase of \$1,978,018 in comparison with the prior year. Fund balances have been classified as follows: nonspendable \$430,296, restricted \$11,397,837, committed \$1,409,329, assigned \$257,160, and unassigned \$841,459.

The General Fund is the chief operating fund of the City of Mandan. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,285,781, while total fund balance reached \$4,439,790. The fund balance of the City of Mandan's General Fund increased by \$1,925,089 (77%) during the current fiscal year primarily due to revenues from licenses and permits, intergovernmental, and other financing sources from transfers in.

Proprietary Funds

The City of Mandan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$10,144,105. The net position of the proprietary funds increased by \$1,199,624 (3%) during the current fiscal year primarily due to the Water and Sewer Utility.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were variances between the original and final amended budget as follows:

- \$177,112 increase in revenues or 3% of the original budget primarily due to licenses and permits.
- \$831,900 increase in expenditures or 12% of the original budget primarily due to general government and capital outlay.
- \$6,250 increase in sale of capital assets.
- \$42,327 increase in transfers out.
- The original budget anticipated an increase in fund balance by \$218,800.
- The net effect of the budget amendments was estimated to decrease fund balance by \$690,865.

During the year, revenues were more than budgetary estimates by \$1,404,940, expenditures were less than budgetary estimates by \$142,295, other financing sources and uses were more than budgetary estimates by \$849,919, and ending fund balance exceeded budgetary estimates by \$2,397,155.

Additional information on the City of Mandan's budget amendments can be found on pages 48 and 52 of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City of Mandan's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$81,161,038 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, buildings and improvements, buildings and infrastructure, and machinery and equipment. The total increase in capital assets during the current fiscal year was \$5,501,918 (4%) primarily due to buildings and infrastructure from business-type activities.

**TABLE III
CAPITAL ASSETS (NET OF DEPRECIATION)
DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,624,103	\$ 693,105	\$ 3,317,208
Construction Work in Progress	8,547,637	332,594	8,880,231
Buildings and Improvements	4,137,033		4,137,033
Buildings and Infrastructure	58,802,186	69,855,002	128,657,188
Machinery and Equipment	1,127,378	376,836	1,504,214
Total	<u>\$ 75,238,337</u>	<u>\$ 71,257,537</u>	<u>\$ 146,495,874</u>

**TABLE III
CAPITAL ASSETS (NET OF DEPRECIATION)
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,624,103	\$ 658,302	\$ 3,282,405
Construction Work in Progress	1,113,519	19,894,190	21,007,709
Buildings and Improvements	4,148,030		4,148,030
Buildings and Infrastructure	61,030,675	50,126,377	111,157,052
Machinery and Equipment	792,964	605,796	1,398,760
Total	<u>\$ 69,709,291</u>	<u>\$ 71,284,665</u>	<u>\$ 140,993,956</u>

Additional information on the City of Mandan's capital assets can be found in Note 3F on pages 39 - 40 of this report.

Long-term Debt - At the end of the current fiscal year, the City of Mandan had total long-term debt outstanding of \$67,825,257. Of this amount, \$40,980,188 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The City of Mandan's revenue bonds are secured by city sales taxes, water and sewer revenue, and airport revenue. The total increase in long-term debt during the current fiscal year was \$1,085,719 (2%) primarily due to an increase in special assessments bonds from governmental activities, a decrease in special assessments bonds from business-type activities, and an increase in revenue bonds from business-type activities.

The City of Mandan has received an A1 bond rating from Moody's Investors Service. These ratings are consistent with previous ratings received from this agency.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation, however, the City of Mandan is allowed to issue to 8% of its total assessed valuation. The City of Mandan has \$695,000 of outstanding general obligation debt.

**TABLE IV
OUTSTANDING DEBT
DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 230,014	\$ 73,746	\$ 303,760
General Obligation Bonds	695,000		695,000
Special Assessments Bonds	31,933,489	9,046,699	40,980,188
Revenue Bonds	840,000	25,006,309	25,846,309
Total	\$ 33,698,503	\$ 34,126,754	\$ 67,825,257

**TABLE IV
OUTSTANDING DEBT
DECEMBER 31, 2011**

	Governmental Activities	Business-type Activities	Total
Compensated Absences	\$ 224,989	\$ 72,339	\$ 297,328
General Obligation Bonds	730,000		730,000
Special Assessments Bonds	29,817,102	10,208,926	40,026,028
Revenue Bonds	945,000	8,004,822	8,949,822
Loans		16,736,360	16,736,360
Total	\$ 31,717,091	\$ 35,022,447	\$ 66,739,538

Additional information on the City of Mandan's long-term debt can be found in Note 3G on pages 40 - 44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For budgetary purposes, the City of Mandan requires a 17 percent fund balance reserve of operations and maintenance expenditures for the General Fund and Cemetery Fund, and a 25 percent fund balance reserve of operations and maintenance expenditures for the Water and Sewer Utility Fund, Solid Waste Utility Fund, and Street Light Utility Fund. The City also requires a \$500,000 fund balance reserve for the City Sales Tax Fund and a 17 percent fund balance reserve of restaurant and lodging tax revenues for the City Visitors' Promotion Capital Construction Fund.
- The City of Mandan's 2% city occupancy tax revenues increased by \$5,881 or 9% in comparison with the prior year.
- The City of Mandan's 1% city restaurant and lodging tax revenues increased by \$51,866 or 16% in comparison with the prior year.
- The City of Mandan's taxable sales and purchases increased by \$38,497,174 or 18% in comparison with the prior year, and the 1% city sales tax revenues increased by \$295,591 or 17% in comparison with the prior year.
- The City of Mandan's Water and Sewer Utility Fund indicated an increase in the total gallons of water sold by 65,923,110 gallons or 7% in comparison with the prior year. The total gallons of sewer treated increased by 25,394,342 gallons or 5% in comparison with the prior year.

- The City of Mandan's Solid Waste Utility Fund indicated an increase in the tons of garbage hauled from the transfer station by 193 tons or 3% in comparison with the prior year. Inert material received at the landfill increased by 18,701 tons or 73% in comparison with the prior year.
- The City of Mandan's taxable valuation increased by \$1,718,872 or 4% in comparison with the prior year. The City of Mandan's share of 1 mill is 24% percent. For the 2013 Budget, the annual decrease in property taxes for an existing \$175,000 residential home with an average valuation increase of 0.1% (Board of Equalization), excluding special assessments, is projected to be \$31.
- For the 2013 Budget, the City of Mandan increased the monthly water and sewer base rates by the following: \$1.70 per month for residential accounts, \$3.40 per month for commercial and industrial accounts, and \$5.10 per month for apartment (3+ units) accounts. The City also increased the monthly water and sewer service rates by the following: \$.10 per 100 cubic feet for water, \$.05 per 100 cubic feet for sewer, and \$.07 per 1,000 gallons to the Missouri West Water System. The City increased the street light base rate by \$.90 per month for residential accounts. The annual increase in the utility bill for a customer using 8 units (6,000 gallons or 800 cubic feet) of water per month for a residential home will be \$46.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Mandan's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 205 2nd Avenue NW, City of Mandan, ND 58554 or visit the City's web site at www.cityofmandan.com.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,227,195	\$ 4,539,377	\$ 16,766,572
Investments		210,000	210,000
Taxes Receivable	167,996	7,170	175,166
Accounts Receivable (net of allowance)	160,415	516,764	677,179
Special Assessments Receivable	21,026,112	5,246,783	26,272,895
Intergovernmental Receivable	1,673,499	16,933	1,690,432
Notes Receivable	33,092		33,092
Loans Receivable (net of allowance)	239,643		239,643
Internal Balances	6,394	(6,394)	
Receivable from Fiduciary Funds	4,996		4,996
Inventories	22,842	305,093	327,935
Prepaid Items	209,448	22,283	231,731
Restricted Assets:			
Cash and Cash Equivalents	141,500	1,747,967	1,889,467
Land Held for Resale	651,661		651,661
Capital Assets, not being depreciated:			
Land	2,624,103	693,105	3,317,208
Construction Work in Progress	8,547,637	332,594	8,880,231
Capital Assets (net of depreciation):			
Buildings and Improvements	4,137,033		4,137,033
Buildings and Infrastructure	58,802,186	69,855,002	128,657,188
Machinery and Equipment	1,127,378	376,836	1,504,214
Total Assets	\$ 111,803,130	\$ 83,863,513	\$ 195,666,643
LIABILITIES			
Salaries and Benefits Payable	\$ 203,586	\$ 67,988	\$ 271,574
Accounts Payable	653,289	242,550	895,839
Retainage Payable	486,087		486,087
Interest Payable	182,448	288,507	470,955
Unearned Revenue	56,359	41,113	97,472
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences	141,836	46,938	188,774
General Obligation Bonds Payable	35,000		35,000
Special Assessments Bonds Payable with Governmental Commitment	3,521,910	1,214,651	4,736,561
Revenue Bonds Payable	105,000	1,504,200	1,609,200
Due After One Year:			
Compensated Absences	88,178	26,808	114,986
General Obligation Bonds Payable	660,000		660,000
Special Assessments Bonds Payable with Governmental Commitment	28,411,579	7,832,048	36,243,627
Revenue Bonds Payable	735,000	23,502,109	24,237,109
Total Liabilities	\$ 35,280,272	\$ 34,766,912	\$ 70,047,184
NET POSITION			
Net Investment in Capital Assets	\$ 43,956,509	\$ 37,204,529	\$ 81,161,038
Restricted for:			
Public Safety	165,828		165,828
Public Works	165,921		165,921
Culture and Recreation	16,511		16,511
Urban Redevelopment and Housing	1,575,439		1,575,439
Economic Development and Assistance	1,957,410		1,957,410
Debt Service	24,565,492	1,747,967	26,313,459
Capital Projects	1,085,170		1,085,170
Unrestricted	3,034,578	10,144,105	13,178,683
Total Net Position	\$ 76,522,858	\$ 49,096,601	\$ 125,619,459

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 2,611,061	\$ 787,800	\$	\$ 4,000	\$ (1,823,261)	\$	\$ (1,823,261)
Public Safety	4,143,538	889,644	126,391	1,710,392	(3,123,503)		(3,123,503)
Public Works	5,795,545	327,961	1,271,419	95	(2,485,773)		(2,485,773)
Cemetery	158,341	107,300	95	43,607	(50,946)		(50,946)
Culture and Recreation	821,716	57,898	203,727		(516,484)		(516,484)
Urban Redevelopment and Housing	67,861	8,400	59,119		(342)		(342)
Economic Development and Assistance	542,544	5,000	19,402		(518,142)		(518,142)
Construction	10,721				(10,721)		(10,721)
Interest on Long-term Debt	1,096,732				(1,096,732)		(1,096,732)
Debt Service Charges and Costs	33,375				(33,375)		(33,375)
Total Governmental Activities	\$ 15,281,434	\$ 2,184,003	\$ 1,680,153	\$ 1,757,999	\$ (9,659,279)	\$	\$ (9,659,279)
Business-type Activities:							
Water and Sewer Utility	\$ 6,700,753	\$ 6,071,471	\$	\$ 1,197,675	\$	\$ 568,393	\$ 568,393
Solid Waste Utility	1,538,490	1,457,044			(81,446)		(81,446)
Street Light Utility	338,435	307,089			(31,336)		(31,336)
Mandan Airport Authority	690,224	407,802	6,093	236,971	(39,358)		(39,358)
Total Business-type Activities	\$ 9,267,902	\$ 8,243,416	\$ 6,093	\$ 1,434,646	\$	\$ 416,253	\$ 416,253
Total	\$ 24,549,336	\$ 10,427,419	\$ 1,686,246	\$ 3,192,645	\$ (9,659,279)	\$ 416,253	\$ (9,243,026)

General Revenues		Property, Delinquent, Mobile Home Taxes	Financial Institutions Taxes	Read and Bridge Taxes	Cable TV Franchise Fees	State Aid Distribution	Cigarette Taxes	Gaming Taxes	Disabled Veterans Credit	Homestead Credit	Morton County-LEC Taxes	Telecommunications Taxes	Highway Tax Distribution	Occupancy Taxes	City Sales Taxes	Fire Insurance Taxes	Restaurant and Lodging Taxes	Interest	Other	Sale of Land Held for Resale	Sale of Capital Assets	Transfers
	\$	4,088,989	49,956	2,038	304,247	1,885,065	56,598	13,143	24,478	48,153	35,000	82,220	1,573,750	69,451	1,998,690	58,385	371,266	67,290	87,202	788,199	16,475	(421,032)
	\$	176,006							1,045	2,091				6,778				1,211	169,508		5,700	421,032
	\$	4,264,995	49,956	2,038	304,247	1,885,065	56,598	13,143	25,523	50,244	35,000	82,220	1,573,750	69,451	2,005,468	58,385	371,266	68,501	256,710	788,199	22,175	
Total General Revenues, Sale of Land Held for Resale, Sale of Capital Assets, and Transfers	\$	11,199,563	\$	783,371	\$	11,982,934	\$	1,540,284	\$	1,199,624	\$	47,896,977	\$	122,879,551	\$	76,522,858	\$	49,096,601	\$	125,619,459	\$	11,982,934
Change in Net Position	\$	1,540,284	\$	1,199,624	\$	2,739,908	\$	1,199,624	\$	47,896,977	\$	122,879,551	\$	125,619,459	\$	76,522,858	\$	49,096,601	\$	125,619,459	\$	11,982,934
Net Position - January 1	\$	74,982,574	\$	47,896,977	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551	\$	122,879,551
Net Position - December 31	\$	76,522,858	\$	49,096,601	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459	\$	125,619,459

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Cemetery	City Sales Tax/ Mandan Growth	Morton Mandan Public Library	Refunding Improvement Bonds	Street Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 3,715,752	\$ 100,451	\$ 2,008,643	\$ 331,727	\$ 2,557,558	\$	\$ 3,513,064	\$ 12,227,195
Taxes Receivable	138,390	3,387		12,544	1,794		11,881	167,996
Accounts Receivable (net of allowance)	153,012	6,350	898				155	160,415
Special Assessments Receivable	35,298				20,827,690		163,124	21,028,112
Intergovernmental Receivable	542,382		180,653			7,970	924,709	1,655,714
Notes Receivable			33,092					33,092
Loans Receivable (net of allowance)			239,643					239,643
Interfund Receivable	672,308		201,816		2,728,069		36,093	3,638,286
Receivable from Fiduciary Funds	4,996							4,996
Prepaid Items	10,940	50		1,677			196,781	209,448
Cash and Cash Equivalents-Restricted							141,500	141,500
Total Assets	\$ 5,273,078	\$ 110,238	\$ 2,664,745	\$ 345,948	\$ 26,115,111	\$ 7,970	\$ 4,987,307	\$ 39,504,397
LIABILITIES AND FUND BALANCES								
Liabilities:								
Salaries and Benefits Payable	\$ 179,167	\$ 4,799	\$ 3,393	\$ 13,889	\$	\$	\$ 121,511	\$ 201,248
Accounts Payable	444,822	609	1,423	7,982		75,542		651,889
Retainage Payable						486,087		486,087
Interfund Payable				25,467		2,601,022	1,005,403	3,631,892
Deferred Revenue	209,299	3,116		11,530	19,814,910		158,345	20,197,200
Total Liabilities	\$ 833,288	\$ 8,524	\$ 4,816	\$ 58,868	\$ 19,814,910	\$ 3,162,651	\$ 1,285,259	\$ 25,168,316
Fund Balances:								
Nonspendable:								
Loans Receivable	\$	\$	\$ 220,848	\$	\$	\$	\$ 196,781	\$ 220,848
Prepaid Items	10,940	50		1,677				209,448
Restricted for:								
Public Safety							165,828	165,828
Public Works							132,056	132,056
Culture and Recreation							16,511	16,511
Urban Redevelopment and Housing							1,575,439	1,575,439
Economic Development and Assistance			1,857,410					1,957,410
Debt Service					6,300,201		165,222	6,465,423
Capital Projects							1,085,170	1,085,170
Committed for:								
General Government							4,923	4,923
Public Safety	45,119						152,972	198,091
Cemetery		101,664						101,664
Culture and Recreation				126,193				126,193
Urban Redevelopment and Housing							496,787	496,787
Economic Development and Assistance			481,671					481,671
Assigned for:								
Culture and Recreation				159,210				159,210
Subsequent Year's Budget: Appropriation of Fund Balance	97,950							97,950
Unassigned	4,285,781					(3,154,681)	(289,641)	841,459
Total Fund Balances	\$ 4,439,790	\$ 101,714	\$ 2,659,929	\$ 287,080	\$ 6,300,201	\$ (3,154,681)	\$ 3,702,048	\$ 14,336,081
Total Liabilities and Fund Balances	\$ 5,273,078	\$ 110,238	\$ 2,664,745	\$ 345,948	\$ 26,115,111	\$ 7,970	\$ 4,987,307	\$ 39,504,397

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total Fund Balances for Governmental Funds \$ 14,336,081

Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$	2,624,103	
Buildings and Improvements (net of depreciation)		4,137,033	
Buildings and Infrastructure (net of depreciation)		58,802,186	
Machinery and Equipment (net of depreciation)		1,127,378	
Construction Work in Progress		8,547,637	
Total Capital Assets			75,238,337

Land held for resale is not available to pay for current-period expenditures and therefore is not reported in the funds:

Land Held for Resale	651,661
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Taxes Receivable	\$	154,424	
Special Assessments Receivable		19,986,417	
Total Long-term Assets			20,140,841

Internal service fund is used by management to charge the costs of certain activities, such as fuel, and equipment repairs and maintenance services, to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.

33,865

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Interest Payable	\$	(182,448)	
Compensated Absences		(226,990)	
General Obligation Bonds Payable		(695,000)	
Special Assessments Bonds Payable with Governmental Commitment		(31,933,489)	
Revenue Bonds Payable		(840,000)	
Total Long-term Liabilities			(33,877,927)

Total Net Position of Governmental Activities	\$	76,522,858
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The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Cemetery	City Sales Tax/ Mandan Growth	Morton Mandan Public Library	Refunding Improvement Bonds	Street Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 3,436,404	\$ 80,769	\$ 1,998,690	\$ 308,009	\$ 45,633	\$	\$ 746,490	\$ 6,615,995
Licenses and Permits	1,231,384							1,231,384
Intergovernmental	2,145,747	1,450	11,858	201,895	808	7,969	3,163,160	5,532,887
Charges for Services	90,400	64,000	5,000	4,275			17,237	180,912
Fines and Forfeits	200,804			6,342			122,226	329,372
Special Assessments	46,008				5,443,488		371,000	5,860,496
Interest	59,793			460	1,499		5,537	67,289
Cemetery Lots		43,250						43,250
Loan Repayments			7,544					7,544
Rent	5,000	50		34,800			20,880	60,730
Miscellaneous	72,962	784	1,278	10,389			76,040	161,453
Total Revenues	\$ 7,288,502	\$ 190,303	\$ 2,024,370	\$ 566,170	\$ 5,491,428	\$ 7,969	\$ 4,522,570	\$ 20,091,312
EXPENDITURES								
Current:								
General Government	\$ 2,211,933						\$ 300,880	\$ 2,512,813
Public Safety	3,647,896						275,040	3,922,936
Public Works	1,122,062						1,317,595	2,439,657
Cemetery		139,778						139,778
Culture and Recreation			45,000	563,312			132,634	740,946
Urban Redevelopment and Housing							62,441	62,441
Economic Development and Assistance			541,464					541,464
Construction						10,721		10,721
Debt Service:								
Principal					4,321,471		140,000	4,461,471
Interest					1,040,226		66,563	1,106,789
Service Charges					14,743		1,753	16,496
Issuance Costs					16,879			16,879
Capital Outlay	703,814	9,150	197,147	184,745		7,394,520	477,219	8,966,595
Total Expenditures	\$ 7,685,705	\$ 148,928	\$ 783,611	\$ 748,057	\$ 5,393,319	\$ 7,405,241	\$ 2,774,125	\$ 24,938,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (397,203)	\$ 41,375	\$ 1,240,759	\$ (181,887)	\$ 98,109	\$ (7,397,272)	\$ 1,748,445	\$ (4,847,674)
OTHER FINANCING SOURCES (USES)								
Sale of Land Held for Resale	\$	\$	788,199	\$	\$	\$	\$	788,199
Sale of Capital Assets	9,975			3,000			3,500	16,475
Sale of Bonds					902,858	5,055,000	480,000	6,437,858
Bond Premiums						128,832		128,832
Transfers In	2,796,927		144,262	42,150		311,733	342,491	3,637,563
Transfers Out	(484,610)	(53,306)	(1,074,933)		(316,340)	(36,479)	(2,217,567)	(4,183,235)
Total Other Financing Sources and Uses	\$ 2,322,292	\$ (53,306)	\$ (142,472)	\$ 45,150	\$ 586,518	\$ 5,459,086	\$ (1,391,576)	\$ 6,825,692
Net Change in Fund Balances	\$ 1,925,089	\$ (11,931)	\$ 1,098,287	\$ (136,737)	\$ 684,627	\$ (1,938,186)	\$ 356,869	\$ 1,978,018
Fund Balances - January 1	\$ 2,514,701	\$ 113,645	\$ 1,561,642	\$ 423,817	\$ 5,615,574	\$ (1,216,495)	\$ 3,345,179	\$ 12,358,063
Fund Balances - December 31	\$ 4,439,790	\$ 101,714	\$ 2,659,929	\$ 287,080	\$ 6,300,201	\$ (3,154,681)	\$ 3,702,048	\$ 14,336,081

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net Change in Fund Balances-Total Governmental Funds \$ 1,978,018

Amounts reported for governmental activities in the statement of activities are 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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	\$	8,974,192	
Depreciation		(3,471,607)	
		Total	5,502,585

Various capital asset transactions effecting net position:

Contributions of Capital Assets	\$	9,698	
Transfers In		27,861	
Transfers Out		(11,098)	
		Total	26,461

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Taxes Receivable (net)	\$	(35,602)	
Special Assessments Receivable (net)		(3,973,194)	
		Total	(4,008,796)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Sale of Bonds	\$	(6,437,858)	
Debt Service-Principal		4,461,471	
		Total	(1,976,387)

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

Interest Payable (net)	\$	10,057	
Compensated Absences (net)		(4,952)	
		Total	5,105

Internal service fund is used by management to charge the costs of certain activities such as fuel, and equipment repairs and maintenance services, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

13,298

Change in Net Position of Governmental Activities \$ 1,540,284

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 2,559,904	\$ 1,619,001	\$ 105,660	\$ 254,812	\$ 4,539,377	\$
Investments				210,000	210,000	
Taxes Receivable				7,170	7,170	
Accounts Receivable (net of allowance)	371,555	107,602	29,533	8,074	516,764	
Special Assessments Receivable	1,083,031				1,083,031	
Intergovernmental Receivable	16,933				16,933	17,785
Inventories	227,394	20,168		57,531	305,093	22,842
Prepaid Items	20,106	1,481		696	22,283	
Total Current Assets	<u>\$ 4,278,923</u>	<u>\$ 1,748,252</u>	<u>\$ 135,193</u>	<u>\$ 538,283</u>	<u>\$ 6,700,651</u>	<u>\$ 40,627</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	\$ 1,747,967				\$ 1,747,967	\$
Special Assessments Receivable	4,163,752				4,163,752	
Capital Assets not being Depreciated:						
Land	162,974	88,360		441,771	693,105	
Construction Work in Progress	28,141			304,453	332,594	
Capital Assets (net of depreciation):						
Buildings and Infrastructure	65,146,016	650,887		4,058,099	69,855,002	
Machinery and Equipment	171,817	162,309	5,244	37,466	376,836	
Total Capital Assets	<u>\$ 65,508,948</u>	<u>\$ 901,556</u>	<u>\$ 5,244</u>	<u>\$ 4,841,789</u>	<u>\$ 71,257,537</u>	<u>\$</u>
Total Noncurrent Assets	<u>\$ 71,420,667</u>	<u>\$ 901,556</u>	<u>\$ 5,244</u>	<u>\$ 4,841,789</u>	<u>\$ 77,169,256</u>	<u>\$</u>
Total Assets	<u>\$ 75,699,590</u>	<u>\$ 2,649,808</u>	<u>\$ 140,437</u>	<u>\$ 5,380,072</u>	<u>\$ 83,869,907</u>	<u>\$ 40,627</u>
LIABILITIES						
Current Liabilities:						
Salaries and Benefits Payable	\$ 51,315	\$ 12,214	\$ 1,442	\$ 3,017	\$ 67,988	\$ 2,338
Accounts Payable	108,645	76,834	26,112	30,959	242,550	1,400
Compensated Absences	34,769	8,977	1,340	1,852	46,938	1,609
Interfund Payable				6,394	6,394	
Interest Payable	276,082			12,425	288,507	
Deferred Revenue				41,113	41,113	
Special Assessments Bonds Payable with Governmental Commitment	1,214,651				1,214,651	
Revenue Bonds Payable	1,434,150			70,050	1,504,200	
Total Current Liabilities	<u>\$ 3,119,612</u>	<u>\$ 98,025</u>	<u>\$ 28,894</u>	<u>\$ 165,810</u>	<u>\$ 3,412,341</u>	<u>\$ 5,347</u>
Noncurrent Liabilities:						
Compensated Absences	\$ 19,125	\$ 4,822	\$ 877	\$ 1,984	\$ 26,808	\$ 1,415
Special Assessments Bonds Payable with Governmental Commitment	7,832,048				7,832,048	
Revenue Bonds Payable	22,767,000			735,109	23,502,109	
Total Noncurrent Liabilities	<u>\$ 30,618,173</u>	<u>\$ 4,822</u>	<u>\$ 877</u>	<u>\$ 737,093</u>	<u>\$ 31,360,965</u>	<u>\$ 1,415</u>
Total Liabilities	<u>\$ 33,737,785</u>	<u>\$ 102,847</u>	<u>\$ 29,771</u>	<u>\$ 902,903</u>	<u>\$ 34,773,306</u>	<u>\$ 6,762</u>
NET POSITION						
Net Investment in Capital Assets	\$ 32,261,099	\$ 901,556	\$ 5,244	\$ 4,036,630	\$ 37,204,529	\$
Restricted for Debt Service	1,747,967				1,747,967	
Unrestricted	7,952,739	1,645,405	105,422	440,539	10,144,105	33,865
Total Net Position	<u>\$ 41,961,805</u>	<u>\$ 2,546,961</u>	<u>\$ 110,666</u>	<u>\$ 4,477,169</u>	<u>\$ 49,096,601</u>	<u>\$ 33,865</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
Operating Revenues:						
Charges for Services:	\$ 6,071,471	\$ 1,457,044	\$ 307,099	\$ 407,802	\$ 8,243,416	\$ 217,030
Total Operating Revenues	\$ 6,071,471	\$ 1,457,044	\$ 307,099	\$ 407,802	\$ 8,243,416	\$ 217,030
Operating Expenses:						
Salaries and Benefits	\$ 1,399,258	\$ 368,342	\$ 47,932	\$ 82,933	\$ 1,898,465	\$ 66,798
Professional Fees and Services	165,384	846,920		7,762	1,020,066	
Insurance	59,807	4,698	2,115	3,935	70,555	
Rentals	35	6,270			6,305	
Travel and Training	4,857	189		6,797	11,843	
Utilities	425,823	14,218	216,283	24,545	680,869	645
Publishing and Printing	6,271	836		3,847	10,954	
Dues and Memberships	2,007	100		1,187	3,294	
Supplies and Maintenance	423,519	80,282	856	270,518	775,175	221,433
Repairs and Maintenance	247,568	64,261	66,005	28,589	406,423	22,533
Depreciation	2,618,337	104,860	5,244	204,500	2,932,941	
Miscellaneous	11,069	1,759		13,068	25,896	
Total Operating Expenses	\$ 5,363,935	\$ 1,492,735	\$ 338,435	\$ 647,681	\$ 7,842,786	\$ 311,609
Operating Income (Loss)	\$ 707,536	\$ (35,691)	\$ (31,336)	\$ (239,879)	\$ 400,630	\$ (94,579)
Nonoperating Revenues (Expenses):						
Taxes	\$ 6,778			\$ 176,006	\$ 182,784	\$
Intergovernmental				246,200	246,200	
Special Assessments	90,252				90,252	
Interest				1,211	1,211	
Sale of Meters and Parts	112,964				112,964	
Sale of Capital Assets	5,700				5,700	
Miscellaneous	22,943	1,510	17,605	5,389	47,447	
Capital Outlay (non-capitalized)	(134,467)	(45,755)			(180,222)	
Loss on Disposal of Capital Assets	(27,861)				(27,861)	
Debt Service:						
Interest	(1,039,833)			(42,543)	(1,082,376)	
Service Charges	(120,842)				(120,842)	
Issuance Costs	(41,676)				(41,676)	
Total Nonoperating Revenues (Expenses)	\$ (1,126,042)	\$ (44,245)	\$ 17,605	\$ 386,263	\$ (766,419)	\$
Income (Loss) Before Contributions and Transfers	\$ (418,506)	\$ (79,936)	\$ (13,731)	\$ 146,384	\$ (365,789)	\$ (94,579)
Capital Contributions	1,127,618				1,127,618	
Transfers In	419,644	48,848	2,521	21,600	492,613	107,877
Transfers Out	(31,254)	(15,960)	(7,604)		(54,818)	
Change in Net Position	\$ 1,097,502	\$ (47,048)	\$ (18,814)	\$ 167,984	\$ 1,199,624	\$ 13,298
Net Position - January 1	\$ 40,864,303	\$ 2,594,009	\$ 129,480	\$ 4,309,185	\$ 47,896,977	\$ 20,567
Net Position - December 31	\$ 41,961,805	\$ 2,546,961	\$ 110,666	\$ 4,477,169	\$ 49,096,601	\$ 33,865

The notes to the financial statements are an integral part of this statement.

CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Water and Sewer Utility	Solid Waste Utility	Street Light Utility	Mandan Airport Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers	\$ 6,113,908	\$ 1,446,803	\$ 301,321	\$ 415,013	\$ 8,277,045	\$ 209,635
Receipts from Interfund Services Provided						(66,388)
Payments to Employees	(1,389,455)	(368,601)	(48,049)	(82,406)	(1,888,511)	(250,152)
Payments to Suppliers	(1,696,943)	(1,016,929)	(285,032)	(381,893)	(3,380,797)	
Net Cash Provided (Used) by Operating Activities	\$ 3,027,510	\$ 61,273	\$ (31,760)	\$ (49,286)	\$ 3,007,737	\$ (106,905)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes	\$ 6,778			\$ 177,835	\$ 184,613	
Intergovernmental				9,229	9,229	
Special Assessments	88,890				88,890	
Sale of Meters and Parts	112,964				112,964	
Miscellaneous Receipts	22,943	1,510	17,605	5,389	47,447	
Transfers In	127,420	48,848	2,521	21,600	200,389	107,877
Purchases of Noncapital Assets	(134,467)	(45,755)			(180,222)	
Transfers Out	(31,254)	(15,960)	(7,604)		(54,818)	
Interfund Receivable	140,839				140,839	
Interfund Payable				504	504	(972)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 334,113	\$ (11,357)	\$ 12,522	\$ 214,557	\$ 549,835	\$ 106,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental	\$	\$		\$ 236,971	\$ 236,971	\$
Special Assessments	1,789,783				1,789,783	
Sale of Capital Assets	5,700				5,700	
Proceeds from Capital Debt	2,473,931				2,473,931	
Transfers In	292,224				292,224	
Purchases of Capital Assets	(1,817,912)	(38,167)		(268,199)	(2,124,278)	
Principal Paid on Capital Debt	(3,304,368)			(66,663)	(3,371,031)	
Interest Paid on Capital Debt	(1,049,465)			(43,464)	(1,092,929)	
Service Charges Paid on Capital Debt	(120,842)				(120,842)	
Miscellaneous Paid on Capital Debt	(41,676)				(41,676)	
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (1,772,625)	\$ (38,167)	\$	\$ (141,355)	\$ (1,952,147)	\$
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Received	\$	\$	\$	\$ 1,211	\$ 1,211	\$
Net Cash Provided (Used) by Investing Activities	\$	\$	\$	\$ 1,211	\$ 1,211	\$
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,588,998	\$ 11,749	\$ (19,238)	\$ 25,127	\$ 1,606,636	\$
Cash and Cash Equivalents - January 1	\$ 2,718,873	\$ 1,607,252	\$ 124,898	\$ 229,685	\$ 4,680,708	\$
Cash and Cash Equivalents - December 31	\$ 4,307,871	\$ 1,619,001	\$ 105,660	\$ 254,812	\$ 6,287,344	\$
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 707,536	\$ (35,691)	\$ (31,336)	\$ (239,879)	\$ 400,630	\$ (94,579)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	\$ 2,618,337	\$ 104,860	\$ 5,244	\$ 204,500	\$ 2,932,941	\$
(Increase) Decrease in Accounts Receivable (net of allowance)	35,453	(10,534)	(5,778)	(2,763)	16,378	(7,395)
(Increase) Decrease in Intergovernmental Receivable	6,984	293			7,277	(6,388)
(Increase) Decrease in Inventories	(82,459)	(7,230)		(37,655)	(127,344)	
(Increase) Decrease in Prepaid Items	(2,267)	(1,212)		(15)	(3,494)	
Increase (Decrease) in Salaries and Benefits Payable	7,536	180	(173)	460	8,003	322
Increase (Decrease) in Accounts Payable	(265,545)	11,186	233	16,092	(238,034)	1,062
Increase (Decrease) in Compensated Absences	1,935	(579)	50	-	1,406	73
Increase (Decrease) in Deferred Revenue				9,974	9,974	
Total Adjustments	\$ 2,319,974	\$ 96,964	\$ (424)	\$ 190,593	\$ 2,607,107	\$ (12,326)
Net Cash Provided (Used) by Operating Activities	\$ 3,027,510	\$ 61,273	\$ (31,760)	\$ (49,286)	\$ 3,007,737	\$ (106,905)
Schedule of non-cash capital and related financing activities:						
Contributions of Capital Assets	\$ 1,127,618	\$	\$	\$	\$ 1,127,618	\$
Transfer from loans payable to revenue bonds	\$ 17,673,150	\$	\$	\$	\$ 17,673,150	\$

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	Employee Retirement Plan and Trust	Private- Purpose Trust	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$	\$ 11,753	\$ 2,880,093
Investments, at fair value:			
Mutual Funds	6,443,858		
Accounts Receivable (net of allowance)			1,229
Intergovernmental Receivable			5,553
Total Assets	<u>\$ 6,443,858</u>	<u>\$ 11,753</u>	<u>\$ 2,886,875</u>
LIABILITIES			
Accounts Payable	\$	\$	\$ 9,134
Claims and Judgments Payable			34,297
Due to Primary Government			4,996
Due to Other Governments			2,838,448
Total Liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 2,886,875</u>
NET POSITION			
Held in Trust for Pension Benefits	\$ 6,443,858	\$	
Held in Trust for Police Department		11,753	
Total Net Position	<u>\$ 6,443,858</u>	<u>\$ 11,753</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Employee Retirement Plan and Trust	Private- Purpose Trust
ADDITIONS		
Contributions:		
Employer	\$ 405,520	\$
Investment Earnings:		
Net Increase (Decrease) in Fair Value of Investments	921,938	
Total Additions	\$ 1,327,458	\$
DEDUCTIONS		
Benefits	\$ 891,559	\$
Travel and Training		500
Total Deductions	\$ 891,559	\$ 500
Change in Net Assets	\$ 435,899	\$ (500)
Net Position - January 1	\$ 6,007,959	\$ 12,253
Net Position - December 31	\$ 6,443,858	\$ 11,753

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mandan, North Dakota, is a municipal corporation governed by an elected mayor and four-member commission, and operates under a Home Rule Charter. The City has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are as follows:

A. REPORTING ENTITY

For financial reporting purposes, the City has included all funds and activities that make up its legal entity. The City has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

BLENDED COMPONENT UNITS

These component units are entities that are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate fund types.

Morton Mandan Public Library (Governmental Fund Type) - The Morton Mandan Public Library serves all the citizens of the City and is governed by a board which is appointed by the City's commission. The City is financially accountable for the Library because the City's commission approves the Library's budget, levies taxes, and must approve any debt issuances.

Mandan Airport Authority (Proprietary Fund Type) - The Mandan Airport Authority manages the local airport facility. The Authority is governed by a board which is appointed by the City's commission. The City is financially accountable for the Airport because the City's commission levies taxes and must approve any debt issuances.

Complete financial statements for each of these individual component units may be obtained by contacting the City's finance director.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and statement of activities report information on all non-fiduciary activities of the City and its component units. The City's activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PREPARATION

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes, intergovernmental, and special assessments. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

FINANCIAL STATEMENT PRESENTATION

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as general government, public safety, and public works.

Cemetery Fund - This fund accounts for a specific annual property tax levy, charges for services, and sale of lots for the purpose and to be used exclusively for the care, maintenance, and improvement of the cemetery.

City Sales Tax/Mandan Growth Fund – This fund accounts for a 1% city sales tax for the purpose of reducing property taxes and municipal debt, street, water and sewer system improvements, and for job and economic development. This fund also accounts for the activities of the City's business development, communications, and economic development and assistance provided to various businesses.

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

Refunding Improvement Bonds Fund - This fund accounts for the various specific annual property tax levies and special assessment levies for payment of special assessment bond principal and interest.

Street Construction Fund - This fund accounts for the construction of street improvements. Financing is provided by the proceeds from special assessment bonds.

The City reports the following major enterprise funds:

Water and Sewer Utility Fund - This fund accounts for the activities of the City's water and sewer operations.

Solid Waste Utility Fund - This fund accounts for the activities of the City's solid waste operations.

Street Light Utility Fund - This fund accounts for the activities of the City's street light operations.

Mandan Airport Authority Fund - This fund accounts for the operations of the Mandan Airport Authority.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like City activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The City's various utility operations and the Mandan Airport Authority are reported in this type.

Internal Service Fund accounts for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include fuel, and equipment repairs and maintenance services. In the government-wide statements, the internal service fund is included with governmental activities.

FIDUCIARY FUND TYPES

Pension Trust Fund accounts for resources that are required to be held in trust for the members and beneficiaries of the City's defined contribution plan.

Private Purpose Trust Fund accounts for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The Isabelle Krueger Trust is restricted for the City's police department.

Agency Funds account for assets held by the City as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for reporting purposes includes cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less.

E. INVESTMENTS

State statutes authorize the City to invest in bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, certificates of deposit fully insured by the federal deposit insurance corporation or the state, obligations of the state.

In addition to the above-mentioned investments, the Pension Trust Fund is authorized to invest its surplus funds in other investments by selecting a funding agent to hold and invest such funds for the City's pension committee and shall be placed for investment only with a firm whose primary endeavor is money management.

Investments for the City, as well as for its component units, are reported at fair value.

F. 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.

G. ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed on open accounts from private individuals or organizations for goods and services furnished by the City and are shown net of an allowance. Accounts receivable in excess of 90 days comprise the accounts receivable allowance.

H. SPECIAL ASSESSMENTS RECEIVABLE

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

I. INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due to the City from other governments.

J. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment.

INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

K. INVENTORIES AND PREPAID ITEMS

Inventories of Proprietary Funds consist of chemicals at the Water Treatment Plant, water meters at City Hall, crushed concrete at the Landfill, and fuel at the City Shop and Airport. All inventories are valued at cost using the first-in/first-out method.

Prepaid items reflect payments for costs applicable to future accounting periods. Prepaid items in the governmental fund financial statements are reflected as a reservation of fund balance on the balance sheet.

L. RESTRICTED ASSETS

Certain resources set aside for debt service in 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 and loan covenants.

M. LAND HELD FOR RESALE

The City acquired land for remediation and development. 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.

N. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, infrastructure, machinery and equipment, and construction work in progress, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of two years are capitalized and reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Exceptions include: buildings and improvements, the threshold is \$25,000; infrastructure assets, the threshold is \$50,000; and improvement districts, grant related and tax financed projects, the threshold is \$5,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Infrastructure consists of major citywide public systems and items attached thereto such as streets, street lighting systems, street drainage systems, street signs, traffic signals, parking lots, sidewalks, water and sewer systems, inert landfill, airport runways, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Fixed assets in governmental funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction work in progress are not depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Infrastructure	30
Machinery and Equipment	5

O. DEFERRED REVENUE

In the government-wide financial statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund financial statements, deferred revenue is recognized when revenue is unearned or unavailable.

P. COMPENSATED ABSENCES

ANNUAL LEAVE

Eligible City employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 120 hours at each year end. The amount of annual leave earned ranges between eight and eighteen hours per month.

Eligible Library employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 240 hours at each year end. The amount of annual leave earned ranges between eight and sixteen hours per month.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary Funds recognize the expense and accrued liability when the annual leave is earned.

SICK LEAVE

Eligible City employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. Employees vesting between the ages of 62 to 64, the City is liable for one-third of the employee's accumulated unused sick leave up to a maximum of 60 days. Employees vesting at age 65 or older, the City is liable for all the employee's accumulated unused sick leave up to a maximum of 60 days. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has reached age 62.

Eligible Library employees accrue sick leave at the rate of 8 hours per month without limitation on the amount that can be accumulated. There is no liability for accumulated unused sick leave since the Library's policy is not to pay employees for accumulated unused sick leave upon termination of employment. The governmental fund financial statements recognize sick leave as it is incurred.

Q. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

R. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities. Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction, available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. When revenues are not restricted or do not have constraints placed on their use, the funds are considered by the City's commission to be committed or set aside for a specific purpose. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City's commission has provided otherwise in its commitment or assignment actions.

In the governmental fund financial statements, expenditures are reported by character: "Current", "Capital Outlay," or "Debt Service". Current expenditures are subclassified by function.

Capital outlay includes expenditures for capital assets. Debt service includes both interest and principal outlays related to bonds and loans.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object. Operating revenues consist of sales of goods and services and quasi-external operating transactions with other funds. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET POSITION/FUND BALANCE

NET POSITION

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund financial statements, and "Fund Balance" on governmental fund financial statements.

FUND BALANCE CLASSIFICATIONS

In the fund financial statements, fund balance for governmental funds are reported in five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted results when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (simple majority vote) of the City's highest level of decision-making authority (City commission) and cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit the amounts.

Assigned consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, as expressed by the finance director to which the City's commission has delegated the authority to assign amounts to be used for specific purposes. The budget and finance committee has the authority to remove or change the assignment of funds.

Unassigned is the residual classification for the general fund and represents the amount that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

MINIMUM FUND BALANCE

The unrestricted fund balance is the amount in the fund balance less nonspendable and restricted fund balance. The City will strive to maintain a minimum unrestricted general fund balance equal to 17% of the general fund's subsequent year budgeted expenditures (less debt service and capital outlay). This will assist in maintaining an adequate level of fund balance to provide for economic and financial stability and assist in maintaining the City's bond rating. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum target, as noted above, the replenishment will be within five years.

The minimum fund balance in the General Fund at December 31, 2012 was \$1,328,533.

T. CHANGE IN ACCOUNTING PRINCIPLES

The following GASB Statements became effective and were implemented for the fiscal year ended December 31, 2012:

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", is effective for periods beginning after December 15, 2011. This statement is intended to improve the financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2012, expenditures exceeded appropriations in the City Sales Tax/Mandan Growth Fund by \$251,831. The excess of expenditures over appropriations was due to a \$252,874 allowance for uncollectible accounts for the Loan Receivable from Thermo-Cool Products. No remedial action is anticipated or required by the City regarding these excess expenditures.

DEFICIT FUND EQUITY

The following funds had a deficit fund balance as of December 31, 2012:

<u>Fund</u>		<u>Funding</u>
Public Transportation System	\$ (243)	General Fund
Downtown Redevelopment	(3,079)	Mandan Remediation Trust
Flood Control	(19,082)	General Fund and Water and Sewer Utility Fund
Health and Safety	(139,522)	Special assessments
Sidewalk, Curb and Gutter Construction	(125,581)	Sale of bonds
Street Construction	(3,154,681)	Sale of bonds

NOTE 3 – DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

CUSTODIAL CREDIT RISK

The City minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the City would not be able to recover its deposits or collateralized securities that are in the possession of outside parties. The City does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the City's commission requires that all City funds be deposited at financial institutions that are covered by federal deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

At December 31, 2012, the carrying amount of the City's deposits was \$21,756,585 and the bank balance was \$21,614,647, all of which was insured and collateralized. The City also maintains a petty cash balance of \$1,300.

The deposits presented in the financial statements at December 31, 2012, are as follows:

<u>Primary Government</u>	
Cash and Cash Equivalents	\$16,766,572
Investments	210,000
Restricted Cash and Cash Equivalents	<u>1,889,467</u>
Total Primary Government	18,866,039
<u>Fiduciary Funds</u>	
Cash and Cash Equivalents	2,891,846
Less: Petty cash	<u>(1,300)</u>
Total Deposits	<u>\$21,756,585</u>

B. INVESTMENTS

The investment policies of the City are governed by state statutes, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of debt security typically moves in the opposite direction of the change in interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

At December 31, 2012, the City's investments of \$210,000 consisted of certificates of deposit. In addition, the City held mutual funds for the City's Employee Retirement Plan and Trust in the amount of \$6,443,858. The investments are due within one year.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that specifically addresses credit risk.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City does not have a formal investment policy governing foreign currency risk.

C. NOTES RECEIVABLE

Notes receivable are made from the Mandan Growth Fund to promote of economic and job development within the City. Notes receivable at December 31, 2012, consist of the following:

Grizella Corporation

\$9,690 Loan due in monthly installments of \$222 through December 1, 2012 and \$323 through December 1, 2014; interest at 7%. \$ 8,092

North Dakota Small Business Investment Company 25,000

Total Notes Receivable \$33,092

D. LOANS RECEIVABLE

Loans receivable are made from the Mandan Growth Fund to promote of economic and job development within the City. Loans receivable at December 31, 2012, consist of the following:

<u>Carter Chiropractic Clinic</u> \$75,000 Loan due in monthly installments of \$497 through January 1, 2017 and \$46,418 due on January 1, 2017; interest at 5%.	\$ 59,452
<u>Coffees and Kitchens</u> \$50,000 Loan due in monthly installments of \$189 until paid in full; interest at 0%.	36,712
<u>Hopfauf Custom Builders</u> \$100,000 Loan due in monthly installments of \$666 through December 1, 2016 and \$52,728 due on December 1, 2016; interest at 5%.	71,566
<u>Huff Hills Ski Area</u> \$117,431 Loan due in annual installments of \$5,520 through March 15, 2025 and \$3,340 due on March 15, 2026; interest at 1.5%.	71,913
<u>Lindy Sue's Candies & Soda Fountain</u> \$42,500 Loan due in monthly installments of \$486 through August 1, 2017 and \$23,523 due on August 1, 2017; interest at 6%.	42,500
<u>Thermo-Cool Products</u> \$252,874 Loan due in full at maturity, November 30, 2012; interest at 6%.	<u>252,874</u>
Total Loans Receivable	\$535,017
Less: Allowance for uncollectible accounts	<u>(295,374)</u>
Net Loans Receivable	<u>\$239,643</u>

E. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at December 31, 2012, consist of the following:

<u>Due To General Fund</u>	
Due From Morton Mandan Public Library Fund	\$ 25,467
Due From Nonmajor Governmental Funds	640,447
Due From Mandan Airport Authority Fund	<u>6,394</u>
Total Due To General Fund	<u>\$672,308</u>
<u>Due To City Sales Tax/Mandan Growth Fund</u>	
Due From Flood Control Fund	\$201,816
<u>Due To Refunding Improvement Bonds Fund</u>	
Due From Street Construction Fund	\$2,601,022
Due From Nonmajor Governmental Funds	<u>127,047</u>
Total Due To Refunding Improvement Bonds Fund	<u>\$2,728,069</u>
<u>Due To Nonmajor Governmental Funds</u>	
Due From Downtown Redevelopment Fund	\$15,040
Due From Bike Path Construction Fund	<u>21,053</u>
Total Due To Nonmajor Governmental Funds	<u>\$36,093</u>

These balances are a result when a fund has a cash deficit. The interfund balances will be repaid in 2013.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended December 31, 2012, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$2,796,927	\$ 484,610
Cemetery		53,306
City Sales Tax/Mandan Growth	144,262	1,074,933
Morton Mandan Public Library	42,150	
Refunding Improvement Bonds		316,340
Street Construction	311,733	36,479
Nonmajor Governmental	342,491	2,217,567
Water and Sewer Utility	419,644	31,254
Solid Waste Utility	48,848	15,960
Street Light Utility	2,521	<u>7,604</u>
Mandan Airport Authority	21,600	
Internal Service	<u>107,877</u>	
Total	<u>\$4,238,053</u>	<u>\$4,238,053</u>

Transfers are used for various budgetary and financial management purposes.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

F. CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year:

Governmental Activities	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
Capital Assets, not being depreciated:					
Land	\$2,624,103				\$2,624,103
Construction Work in Progress	1,113,519	\$7,744,382	\$(7,052)	\$(303,212)	8,547,637
Total Capital Assets, not being depreciated	\$3,737,622	\$7,744,382	\$(7,052)	\$(303,212)	\$11,171,740
Capital Assets, being depreciated:					
Buildings and Improvements	\$5,792,025	\$74,521		\$31,598	\$5,898,144
Buildings and Infrastructure	100,379,874	424,646		271,614	101,076,134
Machinery and Equipment	6,212,983	747,394	\$(320,302)	171,612	6,811,687
Total Capital Assets, being depreciated	\$112,384,882	\$1,246,561	\$(320,302)	\$474,824	\$113,785,965
Less Accumulated Depreciation for:					
Buildings and Improvements	\$1,643,995	\$117,116			\$1,761,111
Buildings and Infrastructure	39,349,199	2,924,749			42,273,948
Machinery and Equipment	5,420,019	429,742	\$(320,302)	\$154,850	5,684,309
Total Accumulated Depreciation	\$46,413,213	\$3,471,607	\$(320,302)	\$154,850	\$49,719,368
Total Capital Assets, being depreciated, net	\$65,971,669	\$(2,225,046)		\$319,974	\$64,066,597
Governmental Activities Capital Assets, net	\$69,709,291	\$5,519,336	\$(7,052)	\$16,762	\$75,238,337

Business-type Activities	Balance 1-1-12	Increases	Decreases	Transfers	Balance 12-31-12
Capital Assets, not being depreciated:					
Land	\$658,302	\$406		\$34,397	\$693,105
Construction Work in Progress	19,894,190	278,615	\$(16,025)	(19,824,186)	332,594
Total Capital Assets, not being depreciated	\$20,552,492	\$279,021	\$(16,025)	\$(19,789,789)	\$1,025,699
Capital Assets, being depreciated:					
Buildings and Infrastructure	\$89,562,525	\$2,604,098		\$19,676,435	\$111,843,058
Machinery and Equipment	3,213,811	64,481	\$(7,500)	24,596	3,295,388
Total Capital Assets, being depreciated	\$92,776,336	\$2,668,579	\$(7,500)	\$19,701,031	\$115,138,446
Less Accumulated Depreciation for:					
Buildings and Infrastructure	\$39,436,148	\$2,589,908		\$(38,000)	\$41,988,056
Machinery and Equipment	2,608,015	352,033	\$(7,500)	(33,996)	2,918,552
Total Accumulated Depreciation	\$42,044,163	\$2,941,941	\$(7,500)	\$(71,996)	\$44,906,608
Total Capital Assets, being depreciated, net	\$50,732,173	\$(273,362)		\$19,773,027	\$70,231,838
Business-type Activities Capital Assets, net	\$71,284,665	\$5,659	\$(16,025)	\$(16,762)	\$71,257,537

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

<u>Governmental Activities</u>	
General Government	\$ 98,879
Public Safety	225,463
Public Works	3,045,471
Cemetery	18,021
Culture and Recreation	77,273
Urban Redevelopment and Housing	5,420
Economic Development and Assistance	1,080
Total Governmental Activities Depreciation Expense	\$3,471,607

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

Business-type Activities

Water and Sewer Utility	\$2,618,337
Solid Waste Utility	104,860
Street Light Utility	5,244
Mandan Airport Authority	<u>204,500</u>
Total Business-type Activities Depreciation Expense	<u>\$2,932,941</u>

CONSTRUCTION COMMITMENTS

The City has active construction project commitments of \$7,184,517 as of December 31, 2012.

G. LONG-TERM DEBT

Debt authorized is generally limited by the state constitution. Bonds and loans payable at December 31, 2012, consisted of bonds and loans issued by the City and are accounted for by the respective City funds in the government-wide financial statements that issued the bonds and loans.

GENERAL OBLIGATION BONDS PAYABLE

The City issues general obligation funds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

\$870,000 General Obligation Bridge Bonds of 2006,
 due in annual installments of \$20,000 to \$65,000,
 through May 1, 2026; interest at 3.7% - 4.4% \$695,000

Debt service requirements to maturity on general obligation bond issue are summarized below:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2013	\$35,000	\$28,538
2014	35,000	27,155
2015	35,000	25,755
2016	40,000	24,255
2017	45,000	22,532
2018-2022	255,000	82,675
2023-2026	250,000	22,410
Total	\$695,000	\$233,320

SPECIAL ASSESSMENTS BONDS PAYABLE WITH GOVERNMENTAL COMMITMENT

The City issues special assessment bonds to provide funds for the construction of infrastructure. These bonds are repaid from amounts levied against the property owners benefited by the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources (general taxes) to cover the deficiency until other resources are received.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

Special assessment bonds currently outstanding are as follows:

Issue	Amount of Issue	Date of Issue	Date of Maturity	Interest Rates	Total Outstanding
Refunding 2003, Series A	6,205,000	5/1/2003	5/1/2018	3% - 3.875%	\$1,960,000
Refunding 2004, Series A	360,000	1/1/2004	5/1/2018	2.55% - 4.2%	150,000
Refunding 2004, Series SCG-2004	220,000	1/1/2005	5/1/2014	2.75% - 3.6%	40,000
Refunding 2005, Series SCG-2005	245,000	12/15/2005	5/1/2015	3.5% - 4%	80,000
Refunding 2006, Series B	3,070,000	8/1/2006	5/1/2021	4% - 4.25%	1,885,000
Refunding 2006, Series SCG-2006	245,000	1/1/2007	5/1/2016	3.55% - 4%	105,000
Refunding 2007, Series A	5,315,000	1/1/2007	5/1/2021	3.5% - 4.125%	3,195,000
Refunding 2007, Series B	9,460,000	3/15/2007	5/1/2022	4% - 4.5%	6,385,000
Refunding 2007, Series C	2,645,000	11/1/2007	5/1/2022	3.45% - 4.5%	1,750,000
Refunding 2007, Series D	6,860,000	12/1/2007	5/1/2023	4% - 4.375%	4,860,000
Refunding 2007, Series SCG-2007	285,000	12/1/2007	5/1/2017	3.75% - 4.1%	150,000
Refunding 2008, Series B	2,405,000	7/1/2008	5/1/2023	3% - 4.2%	1,790,000
Refunding 2008, Series C	5,000,000	12/1/2008	5/1/2024	3.5% - 4.3%	3,735,000
Refunding 2008, Series SCG-2008	335,000	12/1/2008	5/1/2018	3.2% - 4.15%	210,000
Refunding 2009, Series A	4,420,000	12/15/2009	5/1/2024	2% - 4%	3,735,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	2.5% - 3.5%	165,000
Refunding 2010, Series A	4,020,000	2/15/2010	5/1/2019	1% - 3.2%	2,575,000
Street #160	109,611	12/23/2010	5/1/2025	4%	101,552
Sidewalk, Curb and Gutter 2010	159,187	12/23/2010	5/1/2020	3.25%	138,636
Refunding 2011, Series A	960,000	3/1/2011	5/1/2020	1.15% - 3.25%	845,000
Refunding 2012, Series A	1,490,000	4/1/2012	5/1/2020	0.35% - 1.55%	1,490,000
Refunding 2012, Series B	5,155,000	11/15/2012	5/1/2028	2% - 2.15%	5,155,000
Refunding 2012, Series SCG-2012	480,000	12/15/2012	5/1/2022	0.5% - 1.35%	480,000
Total					\$40,980,188

Debt service requirements to maturity on special assessment bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$3,521,910	\$1,023,977	\$1,214,651	\$307,703	\$4,736,561	\$1,331,680
2014	3,497,093	920,710	1,115,214	273,529	4,612,307	1,194,239
2015	3,315,410	812,919	1,002,668	240,770	4,318,078	1,053,689
2016	3,248,848	703,209	980,031	207,755	4,228,879	910,964
2017	3,103,814	592,714	895,893	174,308	3,999,707	767,022
2018-2022	12,254,524	1,463,567	3,496,909	409,389	15,751,433	1,872,956
2023-2027	2,661,890	151,139	341,333	11,630	3,003,223	162,769
2028	330,000	3,548			330,000	3,548
Total	\$31,933,489	\$5,671,783	\$9,046,699	\$1,625,084	\$40,980,188	\$7,296,867

REVENUE BONDS PAYABLE

Current state statutes empower the City to issues bonds as part of its activities and pledge income derived from operations to pay debt service. This debt is not backed by the full faith and credit of the City.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

The Limited Tax Refunding Revenue Bonds of 2005, Series B were issued to finance improvements for the Mandan Community Center. The Bonds are payable only from and secured by a pledge of the City's 1% City sales tax receipts and are payable through December 2019, and recorded in the Mandan Community Center Debt Service Fund. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$979,893. Principal and interest paid for the current year and total net revenues were \$141,660 and \$142,362, respectively.

The Water and Sewer Revenue Bonds were issued to finance improvements for the City's Water and Sewer Utility Fund. The Bonds are payable solely from charges for services received from the Water and Sewer Utility Fund and are payable through September 2030. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$30,232,177. Principal and interest paid for the current year and total net revenues were \$798,725 and \$3,361,624, respectively.

The Airport Improvement Revenue Bonds were issued to finance improvements for the Mandan Airport Facility. The Bonds are payable solely from charges for services received from the Mandan Airport Authority and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than the net revenues. The total principal and interest remaining to be paid on the bonds is \$1,028,297. Principal and interest paid for the current year and total net revenues were \$110,127 and \$166,483, respectively.

Revenue bonds outstanding:

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%. \$ 840,000

Proprietary 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%. \$ 755,000

\$3,504,565 Water Improvement Revenue Bonds of 2002, due in annual installments of \$198,565 to \$278,000, through September 1, 2021; interest at 2.5%. 2,253,000

\$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%. 2,110,000

\$1,545,663 Sewer Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$65,663 to \$110,000 through September 1, 2028; interest at 2.5% 1,410,000

\$840,000 Sewer Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$40,000 to \$60,000 through September 1, 2028; interest at 2.5%. 840,000

\$3,782,000 Water Improvement Revenue Bonds of 2008, Series A, due in annual installments of \$192,000 to \$280,000 through September 1, 2028; interest at 2.5% 3,782,000

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

\$6,667,283 Water Improvement Revenue Bonds of 2008, Series B, due in annual installments of \$312,283 to \$545,000 through September 1, 2028; interest at 3.27% 6,667,283

\$6,383,867 Water Improvement Revenue Bonds of 2010, Series A, due in annual installments of \$268,867 to \$460,000 through September 1, 2030; interest at 2.84% 6,383,867

\$649,071 Airport Improvement Revenue Bonds of 2005, due in annual installments of \$30,517 through, August 15, 2020; interest at 4.76%. 402,146

\$500,000 Airport Improvement Revenue Bonds of 2008, due in annual installments of \$24,547 through, October 8, 2023; interest at 5.41%. 403,013

Total Proprietary Funds \$25,006,309

Total \$25,846,309

Debt service requirements to maturity on revenue bond issues are summarized below:

Year Ending December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$105,000	\$32,933	\$1,504,200	\$727,738	\$1,609,200	\$760,671
2014	110,000	29,100	1,539,608	689,269	1,649,608	718,369
2015	115,000	24,975	1,599,348	644,585	1,714,348	669,560
2016	120,000	20,548	1,635,279	598,156	1,755,279	618,704
2017	125,000	15,868	1,690,410	550,607	1,815,410	566,475
2018-2022	265,000	16,470	7,915,293	2,006,158	8,180,293	2,022,628
2023-2027			6,787,171	931,759	6,787,171	931,759
2028-2030			2,335,000	105,894	2,335,000	105,894
Total	\$840,000	\$139,894	\$25,006,309	\$6,254,166	\$25,846,309	\$6,394,060

Current Refunding

The City issued \$1,490,000 of Refunding Improvement Bonds of 2012, Series A for a current refunding of \$805,000 of Refunding Improvement Bonds of 2005, Series C and \$685,000 Refunding Improvement bonds of 2008, Series A. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a net present value benefit of \$101,558 and a reduction of \$107,415 in future debt service payments.

Changes in Long-term Liabilities

Changes in Long-term Liabilities for the year ended December 31, 2012, are summarized as follows:

Governmental Activities	Balance 1-1-12	Additions	Reductions	Balance 12-31-12	Due Within One Year
Compensated Absences	\$224,989	\$388,120	\$(383,095)	\$230,014	\$141,836
General Obligation Bonds	730,000		(35,000)	695,000	35,000
Special Assessment Bonds	29,817,102	6,437,858	(4,321,471)	31,933,489	3,521,910
Revenue Bonds	945,000		(105,000)	840,000	105,000
Governmental Activities	\$31,717,091	\$6,825,978	\$(4,844,566)	\$33,698,503	\$3,803,746

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

Business-type Activities	Balance 1-1-12	Additions	Reductions	Transfers	Balance 12-31-12	Due Within One Year
Compensated Absences	\$72,339	\$132,034	\$(130,627)		\$73,746	\$46,938
Special Assessment Bonds	10,208,926	687,141	(1,849,368)		9,046,699	1,214,651
Revenue Bonds	8,004,822		(671,663)	\$17,673,150	25,006,309	1,504,200
Loans	16,736,360	1,786,790	(850,000)	(17,673,150)		
Business-type Activities	\$35,022,447	\$2,605,965	\$(3,501,658)		\$34,126,754	\$2,765,789

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2012.

Loans Payable was transferred to Revenue Bonds Payable in the Water and Sewer Utility Fund since the Interim Certificates were fully funded by the North Dakota Public Finance Authority's State Revolving Fund Program.

H. CONDUIT DEBT

MUNICIPAL INDUSTRIAL DEVELOPMENT BONDS

From time to time, the City has approved issuance of 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 the financed property and are payable solely from payments received on the underlying mortgage loans. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the bonds. Neither the City, 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, 2012, there was one series of MIDA Bonds outstanding; the aggregate principal amount payable was \$2,200,000. Neither the State nor the City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval. The amount is most often in excess of the actual amount issued. When completely paid or called, they must notify the City of this event.

COMMUNITY DEVELOPMENT BLOCK GRANTS

From time to time, the City has obtained Community Development Block Grants (CDBG) 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 the financed property and are payable solely from payments received on the underlying mortgage grants. Ownership of the acquired facilities will transfer to the private-sector entity upon repayment of the grants. Neither the City, 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, 2012, there were six CDBG loans outstanding, with an aggregate principal amount payable of \$583,903.

NOTE 4 – EMPLOYEE PENSION PLAN

DEFINED CONTRIBUTION PLAN

The City of Mandan Employee Retirement Plan and Trust is a Defined Contribution Plan that covers eligible City employees. The Defined Contribution Plan had 159 participants as of December 31, 2012.

Upon the death of a participating employee or former participating employee, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). An employee who becomes totally and permanently disabled while employed by the City is eligible to receive a distribution of the vested account balance. To qualify under this section, the employee must meet the criteria established by the Plan for being totally disabled.

CITY OF MANDAN, NORTH DAKOTA
Notes to the Financial Statements – Continued

Employees are entitled to their vested account balance. A participating employee is immediately 100% vested in the employee's contributions. A participating employee vests in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service	25%
Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution.

Contributions are set by City ordinance and are a percentage of salaries and wages. Employee contributions are established at 2%, and employer contributions are established at 7% of regular compensation. The employer's required contributions for the years ended December 31, 2012, 2011, and 2010, were \$405,520, \$423,417, and \$420,472, respectively.

The City, or vendors contracted by the City, has exclusive authority to invest and manage the assets of the Employee Retirement Plan and Trust. The Plan allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the City.

NOTE 5 – RESTRICTED ASSETS

The balances of the restricted asset accounts for cash and cash equivalents are as follows:

Governmental Funds

Revenue Bond Debt Service Account	<u>\$ 141,500</u>
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Proprietary Funds

Revenue Bond Debt Service Accounts	<u>\$1,747,967</u>
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Total	<u>\$1,889,467</u>
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NOTE 6 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlements, resulting from these risks, have not exceeded insurance coverage in any of the past three fiscal years.

NORTH DAKOTA INSURANCE RESERVE FUND

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 2,500 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 \$2,000,000 per occurrence for general liability and automobile coverage and to \$3,585,772 for public assets (mobile equipment and portable property) coverage.

STATE FIRE AND TORNADO FUND

The City participates in the State Fire and Tornado Fund. The City pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund is reimbursed by a third-party insurance carrier for all losses in excess of \$1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than \$1,000,000 during each twelve month period.

STATE BONDING FUND

The City participates in the State Bonding Fund. The Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its public employees and public officials. The Fund does not currently charge any premium for this coverage.

WORKFORCE SAFETY & INSURANCE

The City participates in the Workforce Safety & Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

PERS UNIFORM GROUP INSURANCE PROGRAM

The City participates in the PERS Uniform Group Insurance Program who contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The City contributes a percentage of the monthly premium based upon an employee’s years of service.

NOTE 7 – REMEDIATION TRUST

The City is one of the beneficiaries of the Mandan Remediation Trust. As a 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 Environmental Projects Trust, a governmental fund of the City. The Trust had a net position of \$7,931,136 at December 31, 2011, the most recent year audited.

NOTE 8 – COMMITMENTS

FINANCIAL SUBSIDY COMMITMENTS

The City has financial subsidy commitments of \$15,810 as of December 31, 2012.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to December 31, 2012, the City issued \$1,675,000 of Refunding Improvement Bonds of 2013, Series A for a current refunding of \$1,675,000 of Refunding Improvement Bonds of 2006, Series B. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a net present value benefit of \$178,531 and a reduction of \$229,043 in future debt service payments.

Subsequent to December 31, 2012, the City issued \$1,400,000 of Refunding Improvement Bonds of 2013, Series B for a current refunding of \$1,380,000 of Refunding Improvement Bonds of 2003, Series A. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a net present value benefit of \$77,208 and a reduction of \$79,431 in future debt service payments.

Subsequent to December 31, 2012, the City was approved by the Industrial Commission of North Dakota for a Loan in the amount of \$1,200,000 from the North Dakota Public Finance Authority's Drinking Water State Revolving Fund Program to finance the Phase II Optimization Improvements Project scheduled for fiscal years 2013 and 2014 at the Water Treatment Plant. The interest rate on the Loan is 2% and the maturity date is September 1, 2033.

Subsequent to December 31, 2012, the City was approved by the Industrial Commission of North Dakota for a Loan in the amount of \$2,230,000 from the North Dakota Public Finance Authority's Clean Water State Revolving Fund Program to finance the Wastewater Treatment Facility Outfall Rehabilitation Project, the Roughrider Estates Collection System Extension Improvements Project, and the Central Lift Station Alarm System Project scheduled for fiscal years 2013 and 2014. The interest rate on the Loan is 2% and the maturity date is September 1, 2033.

Subsequent to December 31, 2012, the City entered into a Joint Powers Agreement with the Mandan Park District whereby the Park District desires to purchase 5.25 acres adjacent to its property and the City will assist with the purchase of the real property through the allocation of funding from the City Visitors' Promotion Capital Construction Fund. The City will provide \$1,500,000 from the Fund to be used by the Park District for acquisition of the real property. The funding will be paid by payment of an initial payment of \$750,000 on July 9, 2013, with subsequent payments of \$150,000 for five years commencing on January 15, 2014 and each January 15th thereafter until paid in full. The Park District shall restrict its use of the real property to a recreation/wellness center or such other use as may be agreed to by the City in writing. The Park District shall be solely responsible for the development of the real property and all costs associated therewith. If the real property or any portion thereof is subsequently sold, the Park District shall receive 11.76% of the net sale proceeds and the City shall receive 88.24% of the net sale proceeds.

NOTE 10 – NEW PRONOUNCEMENTS

The City will implement the following new pronouncements for fiscal years ending after 2012:

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus" will be effective for financial statement periods beginning after June 15, 2012 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "The Financial Reporting Entity", and the requirements of Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" is effective for financial statements for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", is effective for financial statements for periods beginning after December 15, 2012. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989, FASB and AICPA Pronouncements".

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,537,000	\$ 3,536,350	\$ 3,436,404	\$ (99,946)
Licenses and Permits	595,900	754,712	1,231,384	476,672
Intergovernmental	1,223,700	1,229,150	2,145,747	916,597
Charges for Services	79,050	79,050	90,400	11,350
Fines and Forfeits	182,000	182,000	200,804	18,804
Special Assessments	36,200	47,700	46,008	(1,692)
Interest	18,300	18,300	59,793	41,493
Rent	3,000	5,000	5,000	
Miscellaneous	31,300	31,300	72,962	41,662
Total Revenues	\$ 5,706,450	\$ 5,883,562	\$ 7,288,502	\$ 1,404,940
EXPENDITURES				
Current:				
General Government	\$ 1,916,300	\$ 2,211,960	\$ 2,211,933	\$ 27
Public Safety	3,849,450	3,827,540	3,647,896	179,644
Public Works	1,133,900	1,084,686	1,122,062	(37,376)
Capital Outlay	96,450	703,814	703,814	
Total Expenditures	\$ 6,996,100	\$ 7,828,000	\$ 7,685,705	\$ 142,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,289,650)	\$ (1,944,438)	\$ (397,203)	\$ 1,547,235
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$	\$ 6,250	\$ 9,975	\$ 3,725
Transfers In	1,710,400	1,710,400	2,796,927	1,086,527
Transfers Out	(201,950)	(244,277)	(484,610)	(240,333)
Total Other Financing Sources and Uses	\$ 1,508,450	\$ 1,472,373	\$ 2,322,292	\$ 849,919
Net Change in Fund Balances	\$ 218,800	\$ (472,065)	\$ 1,925,089	\$ 2,397,154
Fund Balances - January 1	\$ 2,514,701	\$ 2,514,701	\$ 2,514,701	
Fund Balances - December 31	<u>\$ 2,733,501</u>	<u>\$ 2,042,636</u>	<u>\$ 4,439,790</u>	<u>\$ 2,397,154</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 83,200	\$ 83,150	\$ 80,769	\$ (2,381)
Intergovernmental	850	850	1,450	600
Charges for Services	48,500	48,500	64,000	15,500
Interest	300	300		(300)
Cemetery Lots	22,000	22,000	43,250	21,250
Rent	50	50	50	
Miscellaneous	100	100	784	684
Total Revenues	\$ 155,000	\$ 154,950	\$ 190,303	\$ 35,353
EXPENDITURES				
Current:				
Cemetery	\$ 141,900	\$ 141,900	\$ 139,778	\$ 2,122
Capital Outlay		9,150	9,150	
Total Expenditures	\$ 141,900	\$ 151,050	\$ 148,928	\$ 2,122
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 13,100	\$ 3,900	\$ 41,375	\$ 37,475
OTHER FINANCING USES				
Transfers Out	\$	\$	\$ (53,306)	\$ (53,306)
Total Other Financing Uses	\$	\$	\$ (53,306)	\$ (53,306)
Net Change in Fund Balances	\$ 13,100	\$ 3,900	\$ (11,931)	\$ (15,831)
Fund Balances - January 1	\$ 113,645	\$ 113,645	\$ 113,645	
Fund Balances - December 31	\$ 126,745	\$ 117,545	\$ 101,714	\$ (15,831)

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
CITY SALE TAX/MANDAN GROWTH FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,527,000	\$ 1,527,000	\$ 1,998,690	\$ 471,690
Intergovernmental	9,000	9,000	11,858	2,858
Charges for Services		5,472	5,000	(472)
Interest	700	700		(700)
Loan Repayments	18,500	18,500	7,544	(10,956)
Miscellaneous	1,000	1,000	1,278	278
Total Revenues	\$ 1,556,200	\$ 1,561,672	\$ 2,024,370	\$ 462,698
EXPENDITURES				
Current:				
Culture and Recreation	\$ 45,000	\$ 45,000	\$ 45,000	
Economic Development and Assistance	153,750	241,606	541,464	(299,858)
Capital Outlay		245,174	197,147	48,027
Total Expenditures	\$ 198,750	\$ 531,780	\$ 783,611	\$ (251,831)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,357,450	\$ 1,029,892	\$ 1,240,759	\$ 210,867
OTHER FINANCING SOURCES (USES)				
Sale of Land Held for Resale	\$	\$ 746,927	\$ 788,199	\$ 41,272
Transfers In	250,000	250,000	144,262	(105,738)
Transfers Out	(1,103,250)	(1,140,288)	(1,074,933)	65,355
Total Other Financing Sources and Uses	\$ (853,250)	\$ (143,361)	\$ (142,472)	\$ 889
Net Change in Fund Balances	\$ 504,200	\$ 886,531	\$ 1,098,287	\$ 211,756
Fund Balances - January 1	\$ 1,561,642	\$ 1,561,642	\$ 1,561,642	
Fund Balances - December 31	\$ 2,065,842	\$ 2,448,173	\$ 2,659,929	\$ 211,756

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
MORTON MANDAN PUBLIC LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 316,400	\$ 316,400	\$ 308,009	\$ (8,391)
Intergovernmental	234,823	234,823	201,895	(32,928)
Charges for Services	2,850	2,850	4,275	1,425
Fines and Forfeits	5,000	5,000	6,342	1,342
Interest	850	850	460	(390)
Rent	36,000	36,000	34,800	(1,200)
Miscellaneous	6,300	6,300	10,389	4,089
Total Revenues	\$ 602,223	\$ 602,223	\$ 566,170	\$ (36,053)
EXPENDITURES				
Current:				
Culture and Recreation	\$ 608,696	\$ 608,696	\$ 563,312	\$ 45,384
Capital Outlay		184,745	184,745	
Total Expenditures	\$ 608,696	\$ 793,441	\$ 748,057	\$ 45,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (6,473)	\$ (191,218)	\$ (181,887)	\$ 9,331
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$	\$	\$ 3,000	\$ 3,000
Transfers In	10,000	10,000	42,150	32,150
Transfers Out	(10,000)	(10,000)		10,000
Total Other Financing Sources (Uses)	\$	\$	\$ 45,150	\$ 45,150
Net Change in Fund Balances	\$ (6,473)	\$ (191,218)	\$ (136,737)	\$ 54,481
Fund Balances - January 1	\$ 423,817	\$ 423,817	\$ 423,817	
Fund Balances - December 31	\$ 417,344	\$ 232,599	\$ 287,080	\$ 54,481

The notes to the financial statements are an integral part of this statement.

**CITY OF MANDAN, NORTH DAKOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

NOTE 1 – GENERAL BUDGETARY POLICIES AND PROCEDURES

The City of Mandan, North Dakota, is required to prepare the annual Budget in accordance with the state's Municipal Budget Law and also with existing City Ordinances, Resolutions, contracts and agreements. In addition to these legal requirements, the City's Significant Budget Policies provide further direction and guidance to the budgeting process.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations for operations and maintenance expenditures within a department. Transfers of appropriations for salaries and benefits, capital outlay, or between departments require the approval of the City's commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The City's commission made several supplemental budgetary appropriations throughout the year.

**CITY OF MANDAN, NORTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,394,537	\$ 23,492	\$ 1,095,035	\$ 3,513,064
Taxes Receivable	9,044	2,837		11,881
Accounts Receivable (net of allowance)	155			155
Special Assessments Receivable	146,599		16,525	163,124
Intergovernmental Receivable	854,403		70,306	924,709
Interfund Receivable	15,040		21,053	36,093
Prepaid Items	196,020		761	196,781
Cash and Cash Equivalents-Restricted		141,500		141,500
Total Assets	\$ 3,615,798	\$ 167,829	\$ 1,203,680	\$ 4,987,307
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 37,678		\$ 83,833	\$ 121,511
Interfund Payable	857,303		148,100	1,005,403
Deferred Revenue	144,341	2,607	11,397	158,345
Total Liabilities	\$ 1,039,322	\$ 2,607	\$ 243,330	\$ 1,285,259
Fund Balances:				
Nonspendable:				
Prepaid Items	\$ 196,020		\$ 761	\$ 196,781
Restricted for:				
Public Safety	165,828			165,828
Public Works	132,056			132,056
Culture and Recreation	16,511			16,511
Urban Redevelopment and Housing	1,575,439			1,575,439
Debt Service		165,222		165,222
Capital Projects			1,085,170	1,085,170
Committed for:				
General Government	4,923			4,923
Public Safety	152,972			152,972
Urban Redevelopment and Housing	496,787			496,787
Unassigned	(164,060)		(125,581)	(289,641)
Total Fund Balances	\$ 2,576,476	\$ 165,222	\$ 960,350	\$ 3,702,048
Total Liabilities and Fund Balances	\$ 3,615,798	\$ 167,829	\$ 1,203,680	\$ 4,987,307

CITY OF MANDAN, NORTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2012

	Highway Distribution	City's Share of Special Assessments	City Visitors' Promotion	Alarm-Equipment Reserve	Public Transportation System	Fire Equipment Reserve	Narcotics Task Force Grants	BIUSF Settlement	Mandan SEP Trust	Downtown Redevelopment	Flood Control	Health and Safety	Total Nonmajor Special Revenue Funds
ASSETS													
Cash and Cash Equivalents	\$	\$	\$ 15,923	\$ 41,747	\$	\$ 111,190	\$ 168,491	\$ 496,787	\$ 1,560,399	\$	\$	\$	\$ 2,394,537
Taxes Receivable		5,462			3,582								9,044
Accounts Receivable (net of allowance)				155									155
Special Assessments Receivable		4,463	5,877				4,812			15,040	696,618	142,136	146,569
Intergovernmental Receivable	132,056								15,040				854,403
Interfund Receivable										2,134			15,040
Prepaid Items						193,886							196,020
Total Assets	\$ 132,056	\$ 9,925	\$ 21,800	\$ 41,902	\$ 3,582	\$ 305,076	\$ 173,303	\$ 496,787	\$ 1,575,439	\$ 17,174	\$ 696,618	\$ 142,136	\$ 3,615,798
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts Payable	\$	\$	\$ 5,289	\$	\$ 532	\$	\$ 3,975	\$	\$	\$ 5,213	\$ 19,973	\$ 2,696	\$ 37,678
Interfund Payable										15,040	696,727	146,536	857,303
Deferred Revenue		5,002		120	3,293		3,500						144,341
Total Liabilities	\$	\$ 5,002	\$ 5,289	\$ 120	\$ 3,825	\$	\$ 7,475	\$	\$	\$ 20,253	\$ 715,700	\$ 281,658	\$ 1,039,322
Fund Balances:													
Nonspendable:													
Prepaid Items	\$	\$	\$	\$	\$	\$ 193,886	\$	\$	\$	\$ 2,134	\$	\$	\$ 196,020
Restricted for:													
Public Safety							165,828						165,828
Public Works	132,056												132,056
Culture and Recreation			16,511										16,511
Urban Redevelopment and Housing									1,575,439				1,575,439
Committed for:													
General Government		4,923		41,782		111,190							4,923
Public Safety													152,972
Urban Redevelopment and Housing													496,787
Unassigned					(243)					(5,213)	(19,082)	(139,622)	(184,060)
Total Fund Balances	\$ 132,056	\$ 4,923	\$ 16,511	\$ 41,782	\$ (243)	\$ 305,076	\$ 165,828	\$ 496,787	\$ 1,575,439	\$ (3,079)	\$ (19,082)	\$ (139,622)	\$ 2,576,476
Total Liabilities and Fund Balances	\$ 132,056	\$ 9,925	\$ 21,800	\$ 41,902	\$ 3,582	\$ 305,076	\$ 173,303	\$ 496,787	\$ 1,575,439	\$ 17,174	\$ 696,618	\$ 142,136	\$ 3,615,798

**CITY OF MANDAN, NORTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012**

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$	\$ 23,492	\$ 23,492
Taxes Receivable		2,837	2,837
Cash and Cash Equivalents-Restricted	141,500		141,500
Total Assets	\$ 141,500	\$ 26,329	\$ 167,829
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred Revenue	\$	\$ 2,607	\$ 2,607
Total Liabilities	\$	\$ 2,607	\$ 2,607
Fund Balances:			
Restricted for:			
Debt Service	\$ 141,500	\$ 23,722	\$ 165,222
Total Liabilities and Fund Balances	\$ 141,500	\$ 26,329	\$ 167,829

CITY OF MANDAN, NORTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2012

	Building Reserve	Bike Path Construction	City Visitor's Capital Construction	Sidewalk, Curb and Gutter Construction	Total Nonmajor Capital Projects Funds
ASSETS					
Cash and Cash Equivalents	\$ 60,600	\$	\$ 1,034,435	\$	\$ 1,095,035
Special Assessments Receivable				16,525	16,525
Intergovernmental Receivable		40,624	29,682		70,306
Interfund Receivable			21,053		21,053
Prepaid Items			761		761
Total Assets	\$ 60,600	\$ 40,624	\$ 1,085,931	\$ 16,525	\$ 1,203,680

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts Payable	\$ 60,600	\$ 19,571	\$	\$ 3,662	\$ 83,833
Interfund Payable		21,053		127,047	148,100
Deferred Revenue				11,397	11,397
Total Liabilities	\$ 60,600	\$ 40,624	\$	\$ 142,106	\$ 243,330

Fund Balances:					
Nonspendable:					
Prepaid Items	\$	\$	\$ 761	\$	\$ 761
Restricted for:					
Capital Projects			1,085,170	(125,581)	1,085,170
Unassigned					(125,581)
Total Fund Balances	\$	\$	\$ 1,085,931	\$ (125,581)	\$ 960,350

Total Liabilities and Fund Balances	\$ 60,600	\$ 40,624	\$ 1,085,931	\$ 16,525	\$ 1,203,680
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CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 304,348	\$ 70,876	\$ 371,266	\$ 746,490
Intergovernmental	3,122,121	415	40,624	3,163,160
Charges for Services	12,580		4,657	17,237
Fines and Forfeits	122,226			122,226
Special Assessments	356,782		14,218	371,000
Interest	5,537			5,537
Rent	8,400		12,480	20,880
Miscellaneous	68,816		7,224	76,040
Total Revenues	\$ 4,000,810	\$ 71,291	\$ 450,469	\$ 4,522,570
EXPENDITURES				
Current:				
General Government	\$ 300,880			\$ 300,880
Public Safety	275,040			275,040
Public Works	1,317,595			1,317,595
Culture and Recreation	62,506		70,128	132,634
Urban Redevelopment and Housing	62,441			62,441
Debt Service:				
Principal		140,000		140,000
Interest		66,563		66,563
Service Charges		1,753		1,753
Capital Outlay	113,175		364,044	477,219
Total Expenditures	\$ 2,131,637	\$ 208,316	\$ 434,172	\$ 2,774,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,869,173	\$ (137,025)	\$ 16,297	\$ 1,748,445
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 3,500			\$ 3,500
Sale of Bonds			480,000	480,000
Transfers In	200,129	142,362		342,491
Transfers Out	(2,144,686)		(72,881)	(2,217,567)
Total Other Financing Sources and Uses	\$ (1,941,057)	\$ 142,362	\$ 407,119	\$ (1,391,576)
Net Change in Fund Balances	\$ (71,884)	\$ 5,337	\$ 423,416	\$ 356,869
Fund Balances - January 1	\$ 2,648,360	\$ 159,885	\$ 536,934	\$ 3,345,179
Fund Balances - December 31	<u>\$ 2,576,476</u>	<u>\$ 165,222</u>	<u>\$ 960,350</u>	<u>\$ 3,702,048</u>

CITY OF WANDAN, NORTH DAKOTA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Highway Distribution	City's Share of Special Assessments	City Visitors' Promotion	Alarm- Equipment Resource	Public Transportation System	Fire Equipment Resource	Narcotics Task Force Grants	Traffic Safety Grants	Underage Drinking Enforcement Grant	BNSF Settlement	Meridian SEP Trust	Downtown Redevelopment	Flood Control	Health and Safety	Total Nonmajor Revenue Funds
REVENUES															
Taxes	\$ 1,573,752	\$ 148,897	\$ 69,451	\$ 88,000	\$ 5,712	\$ 705	\$ 1,368,844	\$ 5,712	\$ 705	\$ 2,400	\$ 5,537	\$ 6,000	\$ 36,497	\$ 304,348	
Intergovernmental		2,578		1,567										1,222,121	
Charges for Services		520,202		10,900										12,590	
Fines and Forfeits				83										12,590	
Special Assessments														356,782	
Interest														5,537	
Rent														8,400	
Miscellaneous														69,616	
Total Revenue \$	1,573,752	459,677	69,451	11,033	69,567	59,395	244,131	5,712	705	2,400	5,537	65,119	1,358,844	36,497	4,000,610
EXPENDITURES															
Current:															
General Government	\$	\$ 200,880	\$	\$ 2,216	\$ 100,000	\$	\$ 286,407	\$ 5,712	\$ 705	\$	\$	\$	\$	\$	\$ 300,880
Public Works															275,040
Public Utilities															1,317,595
Culture and Recreation															62,596
Urban Redevelopment and Housing															62,411
Capital Outlay															113,175
Total Expenditures \$		\$ 200,880	\$ 62,596	\$ 14,386	\$ 100,000	\$	\$ 286,407	\$ 5,712	\$ 705	\$ 1,746	\$ 1,765	\$ 58,910	\$ 1,350,208	\$ 68,412	\$ 2,131,637
Excess (Deficiency) of Revenues Over (Under) Expenditures															
OTHER FINANCING SOURCES (USES)															
Sale of Capital Assets															\$ 3,500
Transfers In															200,139
Transfers Out															(2,144,686)
Total Other Financing Sources and Uses															\$ 200,139
Net Change in Fund Balance															\$ (1,941,927)
Fund Balances - January 1															\$ (71,884)
Fund Balances - December 31															\$ (2,548,360)

**CITY OF MANDAN, NORTH DAKOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Mandan Community Center Revenue Bonds of 2005	Liberty Memorial Bridge General Obligation Bonds	Total Nonmajor Debt Service Funds
REVENUES			
Taxes	\$	\$ 70,876	\$ 70,876
Intergovernmental		415	415
Total Revenues	\$	\$ 71,291	\$ 71,291
EXPENDITURES			
Debt Service:			
Principal	\$ 105,000	\$ 35,000	\$ 140,000
Interest	36,660	29,903	66,563
Service Charges	702	1,051	1,753
Total Expenditures	\$ 142,362	\$ 65,954	\$ 208,316
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (142,362)	\$ 5,337	\$ (137,025)
OTHER FINANCING SOURCES			
Transfers In	\$ 142,362	\$	\$ 142,362
Total Other Financing Sources	\$ 142,362	\$	\$ 142,362
Net Change in Fund Balances	\$	\$ 5,337	\$ 5,337
Fund Balances - January 1	\$ 141,500	\$ 18,385	\$ 159,885
Fund Balances - December 31	\$ 141,500	\$ 23,722	\$ 165,222

CITY OF MANDAN, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Building Reserve	Bike Path Construction	City Visitors' Promotion Capital Construction	Sidewalk, Curb and Gutter Construction	Total Nonmajor Capital Projects Funds
REVENUES					
Taxes	\$	\$	\$ 371,266	\$	\$ 371,266
Intergovernmental		40,624			40,624
Charges for Services				4,657	4,657
Special Assessments				14,218	14,218
Rent			12,480		12,480
Miscellaneous			2,982	4,242	7,224
Total Revenues	\$	\$ 40,624	\$ 386,728	\$ 23,117	\$ 450,469
EXPENDITURES					
Current:					
Culture and Recreation	\$	\$ 40,624	\$ 29,504	\$	\$ 70,128
Capital Outlay	74,521		26,182	263,341	364,044
Total Expenditures	\$ 74,521	\$ 40,624	\$ 55,686	\$ 263,341	\$ 434,172
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (74,521)	\$	\$ 331,042	\$ (240,224)	\$ 16,297
OTHER FINANCING SOURCES (USES)					
Sale of Bonds	\$	\$	\$	\$ 480,000	\$ 480,000
Transfers Out	(58,353)			(14,528)	(72,881)
Total Other Financing Sources and Uses	\$ (58,353)	\$	\$	\$ 465,472	\$ 407,119
Net Change in Fund Balances	\$ (132,874)	\$	\$ 331,042	\$ 225,248	\$ 423,416
Fund Balances - January 1	\$ 132,874	\$	\$ 754,889	\$ (350,829)	\$ 536,934
Fund Balances - December 31	\$	\$	\$ 1,085,931	\$ (125,581)	\$ 960,350