



Financial Statements  
December 31, 2009

# City of Mandan

# CITY OF MANDAN

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**CITY OF MANDAN  
OFFICIAL DIRECTORY  
DECEMBER 31, 2009**

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**Elected Officials**

Tim Helbling  
Sandy Tibke  
Jerome Gangl  
Tom Jackson  
Jerry Serhienko  
DeNae Kautzman

**Position**

President  
Vice President  
Commissioner  
Commissioner  
Commissioner  
Municipal Judge

**Appointed Officials**

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

**Position**

City Attorney  
City Administrator  
Business Development Director  
Assessor/Building Official  
Cemetery Superintendent  
Finance Director  
Fire Chief  
Police Chief  
Principal Engineer  
Public Works Director  
Wastewater Treatment Plant Superintendent  
Water Treatment Plant Superintendent



## INDEPENDENT AUDITOR'S REPORT

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Board of City Commissioners  
**City of Mandan**  
Mandan, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Mandan**, North Dakota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Mandan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Mandan**, North Dakota, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have audited the adjustments described in Note 22 that were applied to restate the 2008 financial statements, to correct errors discovered during the current year. Such adjustments are appropriate and have been properly applied.

Subsequent to the issuance of the **City of Mandan's** December 31, 2009 financial statements and our report dated November 19, 2010, modifications were made to the Schedule of Expenditures of Federal Awards. The modification and the reason for the re-issuance are detailed in Note 2 to the Schedule of Expenditures of Federal Awards.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the **City of Mandan's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison schedules on pages 38 - 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
November 19, 2010

*Except for the items detailed in Note 2 to the Schedule of Expenditures of Federal Awards which is dated November 17, 2011.*

**CITY OF MANDAN**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 5,954,765	\$ 4,668,776	\$ 10,623,541
Taxes receivable	233,060	9,278	242,338
Accounts receivable	32,438	463,548	495,986
Intergovernmental receivable	2,022,050	308,027	2,330,077
Special assessments receivable	32,304,484	8,990,109	41,294,593
Contract receivable	570,000		570,000
Notes receivable ( net of allowance)	25,000		25,000
Loans receivable (net of allowance)	493,667		493,667
Internal balances	(4,493)	4,493	-
Receivable from fiduciary funds	32,871		32,871
Inventories	30,225	161,509	191,734
Restricted assets			
Cash and cash equivalents	323,181	900,571	1,223,752
Land and buildings held for resale	5,074,167		5,074,167
Capital assets not being depreciated			
Land	663,535	1,198,584	1,862,119
Construction work in progress	13,241,600	15,273,216	28,514,816
Capital assets (net of accumulated depreciation)			
Buildings and improvements	5,762,294	4,054,573	9,816,867
Buildings and infrastructure	48,672,457	38,733,897	87,406,354
Machinery and equipment	693,209	774,826	1,468,035
Total capital assets	<u>69,033,095</u>	<u>60,035,096</u>	<u>129,068,191</u>
 Total assets	 <u>\$ 116,124,510</u>	 <u>\$ 75,541,407</u>	 <u>\$ 191,665,917</u>

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 320,435	\$ 703,826	\$ 1,024,261
Retainage payable	124,403	437,477	561,880
Interest payable	228,974	242,728	471,702
Unearned revenue	3,511	2,080	5,591
Noncurrent liabilities			
Due within one year			
Compensated absences	134,524	50,943	185,467
General obligation bonds payable	30,000		30,000
Special assessments bonds payable	3,465,520	1,324,480	4,790,000
Revenue bonds payable	140,000	571,377	711,377
Loans payable		418,430	418,430
Due after one year			
Compensated absences	86,433	37,503	123,936
General obligation bonds payable	760,000		760,000
Special assessments bonds payable	33,202,787	11,447,213	44,650,000
Revenue bonds payable	1,045,000	7,108,265	8,153,265
Loans payable		10,031,071	10,031,071
	<u>\$ 39,541,587</u>	<u>\$ 32,375,393</u>	<u>\$ 71,916,980</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 30,389,788	\$ 29,134,260	\$ 59,524,048
Restricted for			
Special revenue	2,971,977		2,971,977
Debt service	2,379,928	900,571	3,280,499
Capital projects		173,265	173,265
Unrestricted	40,841,230	12,957,918	53,799,148
	<u>\$ 76,582,923</u>	<u>\$ 43,166,014</u>	<u>\$ 119,748,937</u>

**CITY OF MANDAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>							
General government	\$ 1,949,294	\$ 576,920	\$ 1,019,540	\$ 10,000	\$ (342,834)	\$ -	\$ (342,834)
Public safety	3,404,029	281,307	313,685	162,382	(2,646,655)		(2,646,655)
Public works	4,745,955	196	1,476,862	2,768,355	(500,542)		(500,542)
Culture and recreation	1,039,137	10,107	215,878		(813,152)		(813,152)
Economic development	905,341	5,000			(900,341)		(900,341)
Other	241,938	81,055	5,500		(155,383)		(155,383)
Interest on long-term debt	1,438,284				(1,438,284)		(1,438,284)
Total governmental activities	13,723,978	954,585	3,031,465	2,940,737	(6,797,191)	-	(6,797,191)
<b>Business-type activities</b>							
Water and sewer utility	5,342,867	5,563,400				220,533	220,533
Solid waste utility	1,252,631	1,220,673				(31,958)	(31,958)
Mandan airport authority	541,392	278,597		226,854		(35,941)	(35,941)
Street light utility	328,382	299,396				(28,986)	(28,986)
Mandan parking authority	5,922	16,795		40,540		51,413	51,413
Total business-type activities	7,471,194	7,378,861	-	267,394	-	175,061	175,061
Total primary government	\$ 21,195,172	\$ 8,333,446	\$ 3,031,465	\$ 3,208,131	(6,797,191)	175,061	(6,622,130)
<b>General revenues</b>							
Taxes							
Property taxes levied for general purposes					3,672,986	147,920	3,820,906
Property taxes levied for special purposes					1,988,656		1,988,656
City sales tax					1,427,290	1,674	1,428,964
Restaurant, lodging and occupancy taxes					318,572		318,572
Grants and contributions not restricted					167,580	32,353	199,933
Interest					57,584	50,778	108,362
Miscellaneous					259,711	79,869	339,580
Gain (loss) on sale of assets					(641,060)	16,971	(624,089)
Transfers					27,073	(27,073)	-
Total general revenues and transfers					7,278,392	302,492	7,580,884
Change in net assets					481,201	477,553	958,754
Net assets - January 1, as previously reported					76,043,313	45,296,646	121,339,959
Prior period adjustment (note 22)					58,409	(2,608,185)	(2,549,776)
Net assets - January 1, as restated					76,101,722	42,688,461	118,790,183
Net assets - December 31					\$ 76,582,923	\$ 43,166,014	\$ 119,748,937

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

**CITY OF MANDAN**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2009**

	<u>General</u>	<u>Street Construction</u>	<u>Refunding Improvement Bonds - Street</u>	<u>Morton Mandan Public Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,593,102	\$ -	\$ 349,056	\$ 407,253	\$ 3,605,354	\$ 5,954,765
Taxes receivable	198,724		2,026	16,262	16,048	233,060
Accounts receivable	31,589				849	32,438
Intergovernmental receivable	452,522		1,059,697	14,049	480,524	2,006,792
Notes receivable ( net of allowance)					25,000	25,000
Loans receivable (net of allowance)					493,667	493,667
Long-term special assessments receivable	31,016		30,997,498		1,275,970	32,304,484
Interfund receivable	65,001				889,390	954,391
Receivable from fiduciary funds	32,871					32,871
Advance to other funds	113,504					113,504
Cash and cash equivalents - restricted					323,181	323,181
<b>Total assets</b>	<b><u>\$ 2,518,329</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 32,408,277</u></b>	<b><u>\$ 437,564</u></b>	<b><u>\$ 7,109,983</u></b>	<b><u>\$ 42,474,153</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 164,031	\$ 64,698	\$ -	\$ 7,186	\$ 83,250	\$ 319,165
Retainage payable		122,869			1,534	124,403
Interfund payable		712,174			346,226	1,058,400
Deferred revenue	231,430		30,999,524	16,262	1,293,839	32,541,055
<b>Total liabilities</b>	<b><u>395,461</u></b>	<b><u>899,741</u></b>	<b><u>30,999,524</u></b>	<b><u>23,448</u></b>	<b><u>1,724,849</u></b>	<b><u>34,043,023</u></b>
<b>FUND BALANCES</b>						
Reserved for:						
Debt service			1,408,753			1,408,753
Long-term receivables					518,667	518,667
Interfund loans	65,001				889,390	954,391
Advance to other funds	113,504					113,504
Unreserved, designated for operations and maintenance	1,019,655				19,988	1,039,643
Unreserved, undesignated reported in:						
General fund	924,708					924,708
Special revenue funds				414,116	2,557,861	2,971,977
Debt service funds					971,175	971,175
Capital projects funds		(899,741)			428,053	(471,688)
<b>Total fund balances</b>	<b><u>2,122,868</u></b>	<b><u>(899,741)</u></b>	<b><u>1,408,753</u></b>	<b><u>414,116</u></b>	<b><u>5,385,134</u></b>	<b><u>8,431,130</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,518,329</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 32,408,277</u></b>	<b><u>\$ 437,564</u></b>	<b><u>\$ 7,109,983</u></b>	<b><u>\$ 42,474,153</u></b>

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

**CITY OF MANDAN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF**  
**NET ASSETS**  
**DECEMBER 31, 2009**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 8,431,130
Total net assets reported for government activities in the statement of net assets is different because		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	\$ 110,458,463	
Less accumulated depreciation	<u>(41,425,368)</u>	
Net capital assets		69,033,095
Land held for resale is not available to pay for current-period expenditures and therefore is not recorded in the funds.		5,074,167
Property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Taxes receivable	233,060	
Special assessments receivable	<u>32,304,484</u>	32,537,544
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		570,000
Internal service funds are used by management to charge the costs of certain activities as fuel services to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net assets. The net assets of internal service funds total		
		27,416
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities-both current and long-term are reported in the statement of net assets. Balances at December 31, 2009 are the following:		
Revenue bonds payable	(1,185,000)	
Special assessments bonds payable	(36,668,307)	
General obligation bonds payable	(790,000)	
Interest payable	(228,974)	
Compensated absences	<u>(218,148)</u>	
Total long-term liabilities		<u>(39,090,429)</u>
Total net assets of governmental activities		<u>\$ 76,582,923</u>

**CITY OF MANDAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Street Construction</u>	<u>Refunding Improvement Bonds - Street</u>	<u>Morton Mandan Public Library</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 3,074,806	\$ -	\$ 32,369	\$ 252,542	\$ 1,998,034	\$ 5,357,751
Licenses and permits	498,908					498,908
Intergovernmental	1,350,294	607,510		231,442	2,160,765	4,350,011
Charges for services	56,268			3,322	65,452	125,042
Fines and forfeits	181,698			6,785	59,361	247,844
Special assessments	12,858		4,003,193		385,504	4,401,555
Interest	17,341		5,378	13,654	21,211	57,584
Miscellaneous	52,832	36,107		40,953	199,953	329,845
Total revenues	<u>5,245,005</u>	<u>643,617</u>	<u>4,040,940</u>	<u>548,698</u>	<u>4,890,280</u>	<u>15,368,540</u>
<b>EXPENDITURES</b>						
Current						
General government	1,457,264				355,284	1,812,548
Public safety	2,863,725				319,872	3,183,597
Public works	1,581,144	314,167			165,284	2,060,595
Culture and recreation	198,622			524,952	198,166	921,740
Economic development					904,261	904,261
Other					237,722	237,722
Capital outlay	626,624	1,520,510			1,449,069	3,596,203
Debt service						
Principal			3,253,556		285,000	3,538,556
Interest and service charges			1,330,718		133,178	1,463,896
Total expenditures	<u>6,727,379</u>	<u>1,834,677</u>	<u>4,584,274</u>	<u>524,952</u>	<u>4,047,836</u>	<u>17,719,118</u>
Excess (deficiency) of revenues over expenditures	(1,482,374)	(1,191,060)	(543,334)	23,746	842,444	(2,350,578)
Other financing sources (uses)						
Transfers in	2,101,802	276,667	16,545		1,666,923	4,061,937
Transfers out	(528,568)	(16,545)	(687,241)		(2,792,925)	(4,025,279)
Sale of capital assets	490				1,465	1,955
Proceeds from bond issuance		3,599,108	117,728		225,000	3,941,836
Total other financing sources and uses	<u>1,573,724</u>	<u>3,859,230</u>	<u>(552,968)</u>	<u>-</u>	<u>(899,537)</u>	<u>3,980,449</u>
Net change in fund balances	<u>91,350</u>	<u>2,668,170</u>	<u>(1,096,302)</u>	<u>23,746</u>	<u>(57,093)</u>	<u>1,629,871</u>
Fund balances - January 1	<u>2,031,518</u>	<u>(3,567,911)</u>	<u>2,505,055</u>	<u>390,370</u>	<u>5,442,227</u>	<u>6,801,259</u>
Fund balances - December 31	<u>\$ 2,122,868</u>	<u>\$ (899,741)</u>	<u>\$ 1,408,753</u>	<u>\$ 414,116</u>	<u>\$ 5,385,134</u>	<u>\$ 8,431,130</u>

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

**CITY OF MANDAN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**ACTIVITIES**  
**DECEMBER 31, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,629,871
<p>The change in net assets reported for governmental activities in the statement of activities is different because</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Current year capital outlay	\$ 3,596,203	
Current year depreciation expense	<u>(3,183,410)</u>	412,793
<p>In the statement of activities, donations of capital assets increase net assets but donations of capital assets do not appear in the governmental funds because they are not financial resources. Thus, the change in net assets differs from the change in fund balance by the value of donated assets.</p>		
		1,853,931
<p>In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.</p>		
		(56,362)
<p>The net effect of various sale transactions involving land held for resale is to decrease net assets. In the Statement of Activities, only the gain or loss on the sale of land held for resale is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land sold.</p>		
		(586,653)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds</p>		
Net increase in compensated absences	(3,492)	
Net decrease in interest payable	<u>25,612</u>	22,120
<p>The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long term liabilities in the statement of net assets.</p>		
		(3,941,836)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		3,538,556
<p>Repayment of long-term contracts receivable is a revenue in the governmental funds, but the repayment reduces long-term contracts receivable in the statement of net assets.</p>		
		(47,500)
<p>Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase (decrease) in taxes and special assessments receivable.</p>		
Net increase in taxes receivable	61,094	
Net decrease in special assessments receivable	<u>(2,412,899)</u>	(2,351,805)
<p>The net increase of certain activities of the internal service funds is reported with governmental activities.</p>		
		<u>8,086</u>
Change in net assets of governmental activities		<u>\$ 481,201</u>

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

**CITY OF MANDAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2009**

	<b>Business Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Mandan Airport Authority</b>	<b>Non Major Enterprise Funds</b>	<b>Total</b>	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 2,323,476	\$ 1,831,508	\$ 229,435	\$ 149,357	\$ 4,533,776	\$ -
Investments			135,000		135,000	
Taxes receivable			9,278		9,278	
Accounts receivable	329,271	92,760		41,517	463,548	
Intergovernmental receivable	307,992	35			308,027	15,258
Interfund receivable	117,997				117,997	
Inventories	145,430		16,079		161,509	30,225
Total current assets	<u>3,224,166</u>	<u>1,924,303</u>	<u>389,792</u>	<u>190,874</u>	<u>5,729,135</u>	<u>45,483</u>
<b>Noncurrent Assets</b>						
Restricted assets						
Cash and cash equivalents	900,571				900,571	
Special assessments receivable	8,990,109				8,990,109	
Capital assets not being depreciated						
Land	162,974	88,360	406,968	540,282	1,198,584	
Construction work in progress	15,251,631	20,483	1,102		15,273,216	
Capital assets (net of accumulated depreciation)						
Buildings and improvements			4,054,573		4,054,573	
Buildings and infrastructure	37,959,084	662,089		112,724	38,733,897	
Machinery and equipment	507,979	146,321	99,551	20,975	774,826	
Total capital assets	<u>53,881,668</u>	<u>917,253</u>	<u>4,562,194</u>	<u>673,981</u>	<u>60,035,096</u>	<u>-</u>
Total noncurrent assets	<u>63,772,348</u>	<u>917,253</u>	<u>4,562,194</u>	<u>673,981</u>	<u>69,925,776</u>	<u>-</u>
Total assets	<u>\$ 66,996,514</u>	<u>\$ 2,841,556</u>	<u>\$ 4,951,986</u>	<u>\$ 864,855</u>	<u>\$ 75,654,911</u>	<u>\$ 45,483</u>

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

	<b>Business Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Mandan Airport Authority</b>	<b>Non Major Enterprise Funds</b>	<b>Total</b>	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 617,374	\$ 64,971	\$ -	\$ 21,481	\$ 703,826	\$ 1,270
Compensated absences	39,963	7,824	1,884	1,272	50,943	1,440
Retainage payable	437,477				437,477	
Interfund payable					-	13,988
Interest payable	227,561		15,167		242,728	
Deferred revenue				2,080	2,080	
Special assessments bonds payable	1,324,480				1,324,480	
Revenue bonds payable	511,000		60,377		571,377	
Loans payable	418,430				418,430	
Total current liabilities	<u>3,576,285</u>	<u>72,795</u>	<u>77,428</u>	<u>24,833</u>	<u>3,751,341</u>	<u>16,698</u>
<b>Noncurrent Liabilities</b>						
Advance from other funds				113,504	113,504	
Compensated absences	29,756	5,197	1,803	747	37,503	1,369
Special assessments bonds payable	11,447,213				11,447,213	
Revenue bonds payable	6,173,000		935,265		7,108,265	
Loans payable	10,031,071				10,031,071	
Total noncurrent liabilities	<u>27,681,040</u>	<u>5,197</u>	<u>937,068</u>	<u>114,251</u>	<u>28,737,556</u>	<u>1,369</u>
Total liabilities	<u>31,257,325</u>	<u>77,992</u>	<u>1,014,496</u>	<u>139,084</u>	<u>32,488,897</u>	<u>18,067</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	23,976,474	917,253	3,566,552	673,981	29,134,260	
Restricted for debt service	900,571				900,571	
Restricted for capital projects	173,265				173,265	
Unrestricted	<u>10,688,879</u>	<u>1,846,311</u>	<u>370,938</u>	<u>51,790</u>	<u>12,957,918</u>	<u>27,416</u>
Total net assets	<u>\$ 35,739,189</u>	<u>\$ 2,763,564</u>	<u>\$ 3,937,490</u>	<u>\$ 725,771</u>	<u>\$ 43,166,014</u>	<u>\$ 27,416</u>

**CITY OF MANDAN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Business Type Activities - Enterprise Funds</u>				<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water and Sewer Utility</u>	<u>Solid Waste Utility</u>	<u>Mandan Airport Authority</u>	<u>Non Major Enterprise Funds</u>		
<b>Operating Revenues</b>						
Charges for services						
Water and sewer	\$ 5,277,938	\$ -	\$ -	\$ -	\$ 5,277,938	\$ -
Solid waste		1,220,673			1,220,673	
Airport			278,597		278,597	
Street light				299,396	299,396	
Parking				16,795	16,795	
City shop					-	227,365
Total operating revenues	<u>5,277,938</u>	<u>1,220,673</u>	<u>278,597</u>	<u>316,191</u>	<u>7,093,399</u>	<u>227,365</u>
<b>Operating Expenses</b>						
Salaries and benefits	1,337,427	314,945	75,098	44,775	1,772,245	53,218
Fees and other service charges	127,069	673,068	11,924		812,061	
Utilities	369,946	12,671	26,205	181,343	590,165	546
Supplies and maintenance	386,915	53,807	171,759	1,121	613,602	141,030
Repairs and maintenance	238,455	33,183	10,991	78,246	360,875	17,588
Depreciation	1,875,059	146,986	178,430	27,643	2,228,118	
Miscellaneous	91,311	17,971	15,630	1,176	126,088	200
Total operating expenses	<u>4,426,182</u>	<u>1,252,631</u>	<u>490,037</u>	<u>334,304</u>	<u>6,503,154</u>	<u>212,582</u>
Operating income (loss)	<u>851,756</u>	<u>(31,958)</u>	<u>(211,440)</u>	<u>(18,113)</u>	<u>590,245</u>	<u>14,783</u>
<b>Nonoperating Revenues (Expenses)</b>						
Taxes	1,674		147,920		149,594	
Fines and forfeits					-	
Special assessments	285,462				285,462	
Intergovernmental			32,353		32,353	
Federal grants			226,854		226,854	
Interest	47,197	2,867		714	50,778	
Gain on sale/trade of capital assets	16,971				16,971	
Miscellaneous	49,480	529	6,900	22,960	79,869	2,888
Debt service						
Interest and service charges	(916,685)		(51,355)		(968,040)	
Total nonoperating revenues (expenses)	<u>(515,901)</u>	<u>3,396</u>	<u>362,672</u>	<u>23,674</u>	<u>(126,159)</u>	<u>2,888</u>

(continued on next page)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS –  
page 2**

	<b>Business Type Activities - Enterprise Funds</b>				<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Mandan Airport Authority</b>	<b>Non Major Enterprise Funds</b>		
Income (loss) before capital contributions and transfers	335,855	(28,562)	151,232	5,561	464,086	17,671
Capital contributions				40,540	40,540	
Transfers in	28,470				28,470	43,589
Transfers out	(18,385)	(17,093)		(20,065)	(55,543)	(53,174)
Change in net assets	345,940	(45,655)	151,232	26,036	477,553	8,086
Net assets - January 1, as previously reported	38,162,959	2,790,119	3,643,833	699,735	45,296,646	19,330
Prior period adjustment (note 22)	(2,769,710)	19,100	142,425		(2,608,185)	
Net assets - January 1, as restated	35,393,249	2,809,219	3,786,258	699,735	42,688,461	19,330
Net assets - December 31	<u>\$ 35,739,189</u>	<u>\$ 2,763,564</u>	<u>\$ 3,937,490</u>	<u>\$ 725,771</u>	<u>\$ 43,166,014</u>	<u>\$ 27,416</u>

**CITY OF MANDAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Business Type Activities - Enterprise Funds</b>					<b>Activities - Internal Service Funds</b>
	<b>Water and Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Mandan Airport Authority</b>	<b>Non Major Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 5,103,467	\$ 1,184,161	\$ 278,597	\$ 309,622	\$ 6,875,847	\$ 227,824
Payments to employees	(1,337,049)	(315,636)	(241,827)	(45,488)	(1,940,000)	(53,043)
Payments to suppliers	(821,366)	(791,724)	(68,490)	(279,316)	(1,960,896)	(167,221)
Net cash provided (used) by operating activities	<u>2,945,052</u>	<u>76,801</u>	<u>(31,720)</u>	<u>(15,182)</u>	<u>2,974,951</u>	<u>7,560</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Taxes	1,822		145,220		147,042	
Special assessments collected	32,056				32,056	
Intergovernmental			32,353		32,353	
Miscellaneous receipts	56,830	530	5,399	21,769	84,528	2,888
Transfers from other funds	28,470				28,470	43,589
Transfers to other funds	(18,385)	(17,093)		(20,065)	(55,543)	(53,174)
Interfund receivable	15,253				15,253	
Interfund payable					-	(863)
Net cash provided (used) by noncapital financing activities	<u>116,046</u>	<u>(16,563)</u>	<u>182,972</u>	<u>1,704</u>	<u>284,159</u>	<u>(7,560)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Special assessments collected	1,154,896				1,154,896	
Grants			226,854		226,854	
Interest received	971				971	
Proceeds from capital debt	10,035,763				10,035,763	
Purchases of capital assets	(9,917,337)	(68,081)	(614,111)	(26,218)	(10,625,747)	
Principal paid on capital debt	(2,312,444)		(57,461)		(2,369,905)	
Interest & service charges paid on capital debt	(838,097)		(52,667)		(890,764)	
Net cash used by capital and related financing activities	<u>(1,876,248)</u>	<u>(68,081)</u>	<u>(497,385)</u>	<u>(26,218)</u>	<u>(2,467,932)</u>	<u>-</u>

(continued on next page)

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS – page 2**

	<b>Business Type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Mandan Airport Authority</b>	<b>Non Major Enterprise Funds</b>	<b>Total</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	46,226	2,867	1,501	714	51,308	
Net cash provided by investing activities	46,226	2,867	1,501	714	51,308	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,231,076</b>	<b>(4,976)</b>	<b>(344,632)</b>	<b>(38,982)</b>	<b>842,486</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1</b>	<b>1,992,971</b>	<b>1,836,484</b>	<b>574,067</b>	<b>188,339</b>	<b>4,591,861</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31</b>	<b>\$ 3,224,047</b>	<b>\$ 1,831,508</b>	<b>\$ 229,435</b>	<b>\$ 149,357</b>	<b>\$ 5,434,347</b>	<b>\$ -</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 851,756	\$ (31,958)	\$ (211,440)	\$ (18,113)	\$ 590,245	\$ 14,783
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation expense	1,875,059	146,986	178,430	27,643	2,228,118	
Change in assets and liabilities						
Accounts receivable	(174,472)	(36,512)		(8,169)	(219,153)	459
Inventories	63,276		576		63,852	(23,915)
Accounts payable	124,297	(880)		(829)	122,588	16,058
Retainage payable	205,358				205,358	
Compensated absences	(222)	(835)	714	(714)	(1,057)	175
Deferred revenue				1,600	1,600	
Advance from other funds				(16,600)	(16,600)	
Total adjustments	2,093,296	108,759	179,720	2,931	2,384,706	(7,223)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 2,945,052</b>	<b>\$ 76,801</b>	<b>\$ (31,720)</b>	<b>\$ (15,182)</b>	<b>\$ 2,974,951</b>	<b>\$ 7,560</b>

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

**CITY OF MANDAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2009**

	<u>Employee Retirement Plan and Trust Fund</u>	<u>Investment Trust Fund</u>	<u>Private- Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 716,934	\$ 14,669	\$ 29,445
Investments, at fair value				
Mutual funds	5,535,831			
Taxes receivable				25,554
Intergovernmental receivable				49,651
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 5,535,831</u>	<u>\$ 716,934</u>	<u>\$ 14,669</u>	<u>\$ 104,650</u>
<b>LIABILITIES</b>				
Due to other parties	\$ -	\$ -	\$ -	\$ 71,779
Due to primary government				32,871
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,650</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	\$ 5,535,831	\$ -	\$ -	\$ -
Held in trust for Mandan Parks and Recreation District		716,934		
Held in trust for Police Department			14,669	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>\$ 5,535,831</u>	<u>\$ 716,934</u>	<u>\$ 14,669</u>	<u>\$ -</u>

**CITY OF MANDAN**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Employee Retirement Plan and Trust Fund</b>	<b>Investment Trust Fund</b>	<b>Private- Purpose Trust Fund</b>
<b>ADDITIONS</b>			
Employer contributions	\$ 404,497	\$ -	\$ -
Investment income			
Net increase in fair value of investments	1,152,970		
Interest		3,977	37
Total investment income	<u>1,152,970</u>	<u>3,977</u>	<u>37</u>
Total additions	<u>1,557,467</u>	<u>3,977</u>	<u>37</u>
<b>DEDUCTIONS</b>			
Withdrawals	180,422	3,977	
Travel and training			1,000
Total deductions	<u>180,422</u>	<u>3,977</u>	<u>1,000</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,377,045</u>	<u>-</u>	<u>(963)</u>
<b>NET ASSETS - JANUARY 1</b>	<u>4,158,786</u>	<u>716,934</u>	<u>15,632</u>
<b>NET ASSETS - DECEMBER 31</b>	<u>\$ 5,535,831</u>	<u>\$ 716,934</u>	<u>\$ 14,669</u>

**CITY OF MANDAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*Financial Reporting Entity*

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

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

Component Units

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

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

Blended component units of the City are as follows:

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### *Basis of Presentation*

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

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

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

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

The City reports the following major governmental funds:

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

**Street Construction Fund** – This fund is used to account for financial resources to be used for acquisition or construction of major street projects within the City (other than those financed by proprietary funds).

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

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

The City reports the following major enterprise funds:

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

## NOTES TO FINANCIAL STATEMENTS

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

### *Measurement Focus, Basis of Accounting*

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

### *Cash, Cash Equivalents and Investments*

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

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

The investments of the City consist of an investment in the MBBM joint investment pool and investments of the pension trust funds consisting of mutual funds. These investments are stated at fair value at December 31, 2009.

### *Inventories*

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

### *Restricted Assets*

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

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

## NOTES TO FINANCIAL STATEMENTS

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### *Capital Assets*

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

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

Buildings and improvements	50 years
Land improvements	30 years
Infrastructure	30 years
Vehicles, machinery and equipment	5 years

### *Compensated Absences*

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

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits, however, no payment will be made for sick pay benefits upon termination of employment. Employees may accumulate up to 240 hours of vacation leave as of the end of any fiscal year.

### *Fund Equity*

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

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

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

## NOTES TO FINANCIAL STATEMENTS

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

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

At December 31, 2009, the City's carrying amount of pooled deposits was \$12,608,341. The carrying amount of the City's deposits was \$12,578,896 and the Agency fund's deposits were \$29,445. The bank balances of the pooled deposits were \$12,930,017. Of the bank balances, \$1,228,894 was covered by Federal Depository Insurance and \$517,149 was covered under the Temporary Liquidity Guarantee Program. The remaining balances of \$11,183,974 were collateralized with securities held by the pledging financial institution's agent in the government's name.

### *Credit Risk*

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

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d) Obligations of the state.

As of December 31, 2009, the City held certificates of deposit in the amount of \$1,500,000, which are considered deposits. In addition the City held mutual funds for the City's retirement plan and trust in the amount of \$5,535,831.

### *Concentration of Credit Risk*

The City does not have a limit on the amount the City may invest in any one issuer. The City's current bond rating is A3.

### *Interest Rate Risk*

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

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 3 - ACCOUNTS RECEIVABLE**

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

### **NOTE 4 - TAXES RECEIVABLE**

Taxes receivable represent the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments; the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5 percent discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5 percent discount on the property taxes.

### **NOTE 5 - SPECIAL ASSESSMENTS RECEIVABLE**

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

### **NOTE 6 - INTERGOVERNMENTAL RECEIVABLE**

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

### **NOTE 7 - NOTES RECEIVABLE**

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - LOANS RECEIVABLE

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

\$100,000 loan receivable due in monthly installments of \$666 through December 1, 2016; interest at 5%. (Hopfauf Custom Builders)	\$ 91,169
\$75,000 loan receivable due in monthly installments of \$497 through January 1, 2017; interest at 5.0% (Carter Chiropractic)	67,661
\$42,500 loan receivable due in monthly installments of \$486 through August 1, 2017; interest at 6.0% (Lindy Sue's Candies & Soda Fountain)	42,500
\$50,000 loan receivable due in monthly installments of \$400 through April 13, 2011; interest at 5.5% (Coffees and Kitchens)	41,510
\$252,874 loan receivable due in full at maturity, November 30, 2012; interest at 6% (Thermo-Cool Products)	252,874
\$121,134 loan receivable due in annual installments of \$5,520 through March 15, 2026; interest at 1.5% (Huff Hills Ski Area)	<u>81,963</u>
Total loans receivable	577,677
Less allowance for uncollectible accounts	<u>(84,010)</u>
Net loans receivable	<u><u>\$ 493,667</u></u>

### NOTE 9 - LAND AND BUILDINGS HELD FOR RESALE

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 - CAPITAL ASSETS

The following is a summary of changes in capital assets of the City for the year ended December 31, 2009:

	<b>Balance 1-1-09 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-09</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 654,370	\$ 9,165	\$ -	\$ 663,535
Construction in progress	19,771,558	4,233,212	10,763,170	13,241,600
Total capital assets, not being depreciated	<u>20,425,928</u>	<u>4,242,377</u>	<u>10,763,170</u>	<u>13,905,135</u>
Capital assets, being depreciated				
Buildings and improvements	8,440,995	452,035		8,893,030
Buildings and infrastructure	71,196,186	11,028,476		82,224,662
Machinery and equipment	5,219,952	490,416	274,732	5,435,636
Total capital assets, being depreciated	<u>84,857,133</u>	<u>11,970,927</u>	<u>274,732</u>	<u>96,553,328</u>
Less accumulated depreciation for				
Buildings and improvements	2,953,721	177,015		3,130,736
Buildings and infrastructure	31,076,320	2,475,885		33,552,205
Machinery and equipment	4,430,287	530,510	218,370	4,742,427
Total accumulated depreciation	<u>38,460,328</u>	<u>3,183,410</u>	<u>218,370</u>	<u>41,425,368</u>
Total capital assets being depreciated, net	<u>46,396,805</u>	<u>8,787,517</u>	<u>56,362</u>	<u>55,127,960</u>
Governmental activities - capital assets, net	<u>\$ 66,822,733</u>	<u>\$ 13,029,894</u>	<u>\$ 10,819,532</u>	<u>\$ 69,033,095</u>

**NOTES TO FINANCIAL STATEMENTS**

	<b>Balance 1-1-09 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-09</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,173,584	\$ 25,000	\$ -	\$ 1,198,584
Construction work in progress	6,191,584	9,352,692	271,060	15,273,216
Total capital assets, not being depreciated	<u>7,365,168</u>	<u>9,377,692</u>	<u>271,060</u>	<u>16,471,800</u>
Capital assets, being depreciated				
Buildings and improvements	5,686,735	810,270		6,497,005
Buildings and infrastructure	69,627,312	621,186		70,248,498
Machinery and equipment	2,806,653	87,659	33,964	2,860,348
Total capital assets, being depreciated	<u>78,120,700</u>	<u>1,519,115</u>	<u>33,964</u>	<u>79,605,851</u>
Less accumulated depreciation for				
Buildings and improvements	2,296,566	145,866		2,442,432
Buildings and infrastructure	29,815,820	1,698,781		31,514,601
Machinery and equipment	1,736,015	383,471	33,964	2,085,522
Total accumulated depreciation	<u>33,848,401</u>	<u>2,228,118</u>	<u>33,964</u>	<u>36,042,555</u>
Total capital assets being depreciated, net	<u>44,272,299</u>	<u>(709,003)</u>	<u>-</u>	<u>43,563,296</u>
Business-type activities - capital assets, net	<u>\$ 51,637,467</u>	<u>\$ 8,668,689</u>	<u>\$ 271,060</u>	<u>\$ 60,035,096</u>

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

	<b>Amounts</b>
<b>Governmental Activities</b>	
General government	\$ 154,925
Public safety	220,432
Public works	2,685,360
Culture and recreation	117,397
Economic development	1,080
Other	4,216
Total depreciation expense - governmental activities	<u>\$ 3,183,410</u>

**NOTES TO FINANCIAL STATEMENTS**

**Business-type Activities**

Water and sewer utility	\$ 1,875,059
Solid waste utility	146,986
Street light utility	21,805
Mandan airport authority	178,430
Mandan parking authority	5,838
	<u>5,838</u>
Total depreciation expense - business type activities	<u><u>\$ 2,228,118</u></u>

**NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2009, is as follows:

<u>Due From</u>	<u>Due To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	
Street Construction	\$ -	\$ 712,174	\$ -	\$ 712,174
Nonmajor Governmental Funds	51,013	177,216	117,997	346,226
Internal Service Fund	13,988			13,988
	<u>65,001</u>	<u>889,390</u>	<u>117,997</u>	<u>1,072,388</u>
Total	<u><u>\$ 65,001</u></u>	<u><u>\$ 889,390</u></u>	<u><u>\$ 117,997</u></u>	<u><u>\$ 1,072,388</u></u>

**NOTE 12 - CONTRACTS RECEIVABLE**

The City of Mandan, Mandan Park District and Mandan Public School entered into a joint cost sharing agreement for the 1999 renovation and repair of the Mandan Community Center. The park district and school district were responsible for 25% of the cost each and the City was responsible for 50%. This receivable represents the amount owed the City from the park district and school district that totaled \$570,000 at December 31, 2009.

**NOTE 13 - LONG-TERM LIABILITIES**

During the year ended December 31, 2009, the following changes occurred in long-term liabilities of the City:

**NOTES TO FINANCIAL STATEMENTS**

**Governmental Activities**

	<b>Balance 1-1-09</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-09</b>	<b>Due Within One Year</b>
Special assessments debt	\$ 36,100,027	\$ 3,941,836	\$ 3,373,556	\$ 36,668,307	\$ 3,465,520
Revenue bonds payable	1,320,000	-	135,000	1,185,000	140,000
General obligation bonds	820,000	-	30,000	790,000	30,000
Compensated absences	217,291	356,349	352,683	220,957	134,524
Total governmental activities	<u>\$38,457,318</u>	<u>\$ 4,298,185</u>	<u>\$3,891,239</u>	<u>\$38,864,264</u>	<u>\$ 3,770,044</u>

**Business-Type Activities (Proprietary Funds)**

	<b>Balance 1-1-09</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-09</b>	<b>Due Within One Year</b>
Revenue bonds	\$ 8,238,103	\$ -	\$ 558,461	\$ 7,679,642	\$ 571,377
Special assessments debt	13,289,973	703,164	1,221,444	12,771,693	1,324,480
Loans payable	1,706,902	9,332,599	590,000	10,449,501	418,430
Compensated absences	89,501	121,478	122,533	88,446	50,943
Total governmental activities	<u>\$23,324,479</u>	<u>\$10,157,241</u>	<u>\$2,492,438</u>	<u>\$30,989,282</u>	<u>\$ 2,365,230</u>

**Revenue Bonds**

The City issues bonds where the City pledges income derived from operations to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. The Lodging and Restaurant Tax Capital Improvement and Refunding Revenue Bonds are special obligations of the City payable solely from, and secured as to payment of principle and interest by a pledge of, the receipts from a 1% lodging and restaurant tax imposed by the City which are recorded in the City Visitors' Promotion Fund.

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

## NOTES TO FINANCIAL STATEMENTS

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Revenue bonds outstanding at December 31, 2009 are as follows:

### Governmental Funds

\$650,000 Lodging and Restaurant Tax Capital Improvement and Refunding of 1994, due in annual installments of \$25,000 to \$60,000 through December 1, 2010; interest at 5.5% to 7.5%	\$ 45,000
\$1,415,000 Limited Tax Refunding Bonds of 2005, Series B, due in annual installments of \$90,000 to \$135,000 through December 1, 2019; interest at 3.1% to 4.15%	<u>1,140,000</u>
Total governmental funds	<u><u>\$ 1,185,000</u></u>

### Enterprise Funds

\$1,000,000 Water and Sewer Revenue Bonds, Series 2005, due in annual installments of \$15,000 to \$75,000 through May 1, 2025; interest at 3.6% to 4.8%	\$ 875,000
\$3,504,565 Water Improvement Revenue Bonds of 2002 due in semi-annual installments of \$198,565 to \$278,000 through September 1, 2021; interest at 2.5%	2,899,000
\$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%	2,910,000
\$500,00 Airport Improvement Revenue Bonds of 2008, due in semi-annual installments of \$24,547 through October 2023; interest at 4.76%	477,659
\$649,071 Airport Improvement Revenue Bonds of 2005 due in semi-annual installments of \$30,517 through August 2020; interest at 4.46%	<u>517,983</u>
Total enterprise funds	<u><u>\$ 7,679,642</u></u>

**NOTES TO FINANCIAL STATEMENTS**

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<b>Primary Government</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 140,000	\$ 46,667	\$ 571,377	\$ 233,490
2011	100,000	40,110	603,442	197,049
2012	105,000	36,660	601,665	200,189
2013	105,000	32,932	621,049	182,642
2014	110,000	29,100	634,608	164,544
2015-2019	625,000	77,856	3,476,105	534,613
2020-2024	-	-	1,096,396	103,370
2025	-	-	75,000	1,800
Totals	<u>\$ 1,185,000</u>	<u>\$ 263,325</u>	<u>\$ 7,679,642</u>	<u>\$ 1,617,697</u>

**Special Assessments Debt**

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

Special assessments debt outstanding at December 31, 2009 is as follows:

**NOTES TO FINANCIAL STATEMENTS**

<u>Issue</u>	<u>Amount of Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Refunding 2001	\$ 4,780,000	3/28/2001	5/1/2011	3.55% - 4.4%	\$ 655,000
Refunding 2002, Series B	2,260,000	12/15/2002	5/1/2017	2.5% - 4.25%	1,210,000
Refunding 2003, Series A	6,205,000	5/1/2003	5/1/2018	3.0% - 3.875%	3,735,000
Refunding 2004	360,000	1/1/2004	5/1/2018	2.55% - 4.2%	225,000
Refunding 2004, Series B	490,000	4/15/2004	5/1/2010	1.2% - 2.7%	15,000
Refunding 2004, Series SCG-2004	220,000	1/1/2005	5/1/2014	2.75% - 3.6%	100,000
Refunding 2004, Series C	2,225,000	1/1/2005	5/1/2019	2.0% - 4.0%	1,495,000
Refunding 2005	1,620,000	9/1/2005	5/1/2020	4.0%	1,190,000
Refunding 2005, Series SCG-2005	245,000	12/15/2005	5/1/2015	3.5% - 4.0%	155,000
Refunding 2005, Series C	1,490,000	12/15/2005	5/1/2020	3.2% - 4.1%	1,095,000
Refunding 2006	3,130,000	2/23/2006	5/1/2015	3.25% - 3.8%	1,940,000
Refunding 2006, Series B	3,070,000	8/1/2006	5/1/2021	4.0% - 4.25%	2,515,000
Refunding 2006, Series SCG-2006	245,000	1/1/2007	5/1/2016	3.55% - 4.0%	180,000
Refunding 2007	5,315,000	1/1/2007	5/1/2021	3.5% - 4.125%	4,290,000
Refunding 2007, Series B	9,460,000	3/15/2007	5/1/2022	4.0% - 4.5%	8,335,000
Refunding 2007, Series C	2,645,000	11/1/2007	5/1/2022	3.45% - 4.5%	2,335,000
Refunding 2007, Series D	6,860,000	12/1/2007	5/1/2023	4.0% - 4.375%	6,360,000
Refunding 2007, Series SCG-2007	285,000	12/1/2007	5/1/2017	3.75% - 4.1%	235,000
Refunding 2008, Series A	1,410,000	4/1/2008	5/1/2016	2.1% - 3.45%	1,225,000
Refunding 2008, Series B	2,405,000	7/1/2008	5/1/2023	3.0% - 4.2%	2,330,000
Refunding 2008, Series C	5,000,000	12/1/2008	5/1/2024	3.5% - 4.3%	4,860,000
Refunding 2008, Series SCG-2008	335,000	12/1/2008	5/1/2018	3.2% - 4.15%	315,000
Refunding 2009, Series A	4,420,000	12/15/2009	5/1/2024	2.0% - 4.0%	4,420,000
Refunding 2009, Series SCG-2009	225,000	12/15/2009	5/1/2019	2.5% - 3.5%	225,000
Total special assessments debt					<u><u>\$ 49,440,000</u></u>

Special assessment bond debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Primary Government</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,465,520	\$ 1,332,547	\$ 1,324,480	\$ 470,784	\$ 4,790,000	\$ 1,803,331
2011	3,618,973	1,219,643	1,301,027	425,405	4,920,000	1,645,048
2012	3,431,022	1,093,780	1,218,978	379,256	4,650,000	1,473,036
2013	3,409,461	970,847	1,205,539	334,688	4,615,000	1,305,535
2014	3,142,285	850,673	1,117,715	291,500	4,260,000	1,142,173
2015-2019	13,218,822	2,595,324	4,316,178	914,625	17,535,000	3,509,949
2020-2024	6,382,224	467,002	2,287,776	171,463	8,670,000	638,465
Totals	<u><u>\$ 36,668,307</u></u>	<u><u>\$ 8,529,816</u></u>	<u><u>\$ 12,771,693</u></u>	<u><u>\$ 2,987,721</u></u>	<u><u>\$ 49,440,000</u></u>	<u><u>\$ 11,517,537</u></u>

**NOTES TO FINANCIAL STATEMENTS**

**General Obligation Bonds Payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds payable at December 31, 2009 are as follows:

\$870,000 General Obligation Bridge Bonds, due in annual installments of \$20,000 to \$65,000 through May 1, 2026; interest at 3.7% to 4.4% \$ 790,000

General obligation bonds payable requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 30,000	\$ 32,310
2011	30,000	31,170
2012	35,000	29,903
2013	35,000	28,583
2014	35,000	27,155
2015-2019	215,000	111,970
2020-2024	280,000	59,938
2025-2029	130,000	5,720
Totals	<u><u>\$ 790,000</u></u>	<u><u>\$ 326,749</u></u>

**Loans Payable**

Loans payable at December 31, 2009 are as follows:

Water Improvement Interim Certificate of 2008, Series A, due September 2028, interest at 2.5%	\$ 3,727,904
Water Improvement Interim Certificate of 2008, Series B, due September 2028, interest at 3.27%	4,931,613
Sewer Improvement Interim Certificate of 2008, Series A, due September 2028, interest at 2.5%	1,525,054
Sewer Improvement Interim Certificate of 2008, Series B, due September 2028, interest at 2.5%	<u>264,930</u>
Total loans payable outstanding	<u><u>\$ 10,449,501</u></u>

**NOTES TO FINANCIAL STATEMENTS**

Loan payable debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 418,430	\$ 313,441
2011	430,273	305,047
2012	444,478	301,679
2013	461,422	287,694
2014	495,840	273,234
2015-2019	2,544,852	1,135,906
2020-2024	2,976,947	708,372
2025-2029	2,677,259	244,797
Totals	<u>\$ 10,449,501</u>	<u>\$ 3,570,170</u>

**NOTE 14 - CONDUIT DEBT**

**Municipal Industrial Development Bonds**

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

As of December 31, 2009, there were two series of MIDA Bonds outstanding. The aggregate principal amount currently payable for the two series could not be determined; however, their original issue amounts totaled \$6,100,000, and a modified amount of \$6,376,631.

**Community Development Block Grants**

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

As of December 31, 2009, there were eight CDBG loans outstanding, with an aggregate principal amount payable of \$414,515.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15 - RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and public asset insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$3,124,501 for public assets (mobile equipment and portable property) coverage.

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

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

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

### NOTE 16 - COMMITMENTS

The City had outstanding construction project commitments of \$1,825,603 as of December 31, 2009.

The City had outstanding financial subsidy commitments of \$87,387 as of December 31, 2009.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 17 - PENSION PLAN

#### Defined Contribution Plan

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

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

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

The City's required contributions for the years ended December 31, 2009, 2008 and 2007, were \$404,497, \$389,801, and \$355,621, respectively.

### NOTE 18 - FUND DEFICITS

The following funds were in a deficit position at December 31, 2009:

<u>Fund</u>	<u>Amount</u>
City Visitors' Promotion	\$ (3,326)
Public Transportation System	(389)
Traffic Safety Grants	(270)
Narcotics Task Force Grant	(8,453)
Safer Grant	(15,411)
Justice Assistance Grant (257)	(23,041)
Justice Assistance Grant (258)	(12,786)
Heritage Home Tours Grant	(16,611)
Downtown Redevelopment Fund	(18,861)
Health and Safety Fund	(117,997)
Bike Path Construction Fund	(61,939)
Liberty Memorial Bridge Construction Fund	(2,448)
Street Construction Fund	(899,741)

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 19 - TRANSFERS**

The following shows the transfers in and transfers out for the year ended December 31, 2009:

<b>Transfers Out</b>	<b>Transfers In</b>						
	General	Street Construction	Refunding Improvement Bonds Street	Other Governmental	Water and Sewer Utility	Internal Service Fund	Total
General	\$	\$ 276,667	\$	\$ 210,748	\$	\$ 41,153	\$ 528,568
Street Construction			16,545				16,545
Refunding Improvement Bonds - Street				687,241			687,241
Other Governmental	2,016,733			768,934	7,258		2,792,925
Water and Sewer Utility	17,099					1,286	18,385
Solid Waste Utility	401				15,909	783	17,093
Non Major Enterprise	14,395				5,303	367	20,065
Internal Service Fund	53,174						53,174
<b>Total</b>	<b>\$ 2,101,802</b>	<b>\$ 276,667</b>	<b>\$ 16,545</b>	<b>\$ 1,666,923</b>	<b>\$ 28,470</b>	<b>\$ 43,589</b>	<b>\$ 4,133,996</b>

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

**NOTE 20 - RESTRICTED CASH AND INVESTMENTS**

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

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
Economic Development and Assistance	\$ 133,306	\$ -	\$ 133,306
Revenue Bonds - Debt Service	189,875	900,571	1,090,446
<b>Total</b>	<b>\$ 323,181</b>	<b>\$ 900,571</b>	<b>\$ 1,223,752</b>

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 21 - REMEDIATION TRUST**

The City is one of the beneficiaries of the Mandan Remediation Trust. As the beneficiary of the Trust, the City has no legal title, claim or right to the Trust Estate and does not have any authority to transact business on behalf of the Trust. The Trust is irrevocable and will terminate when the North Dakota Department of Health determines that no further remediation is required of the contamination and the purposes of the Trust have been fully executed and fulfilled. Upon termination of the Trust, any residue of the Trust money shall be paid to the Mandan Special Environment Projects Trust, a special revenue fund of the City. The Trust had net assets of \$9,205,124 at December 31, 2008, the most recent year audited.

**NOTE 22 - PRIOR PERIOD ADJUSTMENT**

The governmental activities and water and sewer utility fund net assets have been adjusted to restate special assessments receivable and revenues for interest calculated for the life of the special assessments that was recorded as part of the special assessments receivable and revenues prior to January 1, 2009.

The governmental activities, solid waste utility and Mandan airport authority net assets have been adjusted to restate capital assets for additions and related accumulated depreciation that was not recorded prior to January 1, 2009.

The adjustments to the beginning net assets are as follows:

	Governmental Activities	Business-type Activities		
		Water and Sewer Utility	Solid Waste Utility	Mandan Airport Authority
Net Assets, as previously reported	\$ 76,043,313	\$ 38,162,959	\$ 2,790,119	\$ 3,643,833
Prior period adjustment				
Special assessments	(11,096,780)	(2,769,710)		
Capital assets, net	11,155,189		19,100	142,425
Net Assets, as restated	<u>\$ 76,101,722</u>	<u>\$ 35,393,249</u>	<u>\$ 2,809,219</u>	<u>\$ 3,786,258</u>

**NOTE 23 - SUBSEQUENT EVENT**

Subsequent to December 31, 2009, the City disbursed the funds held in the Investment Trust Fund to the Mandan Park District and no longer reports the Investment Trust Fund as one of its funds.

Subsequent to December 31, 2009, the City issued Refunding Improvement Bonds of 2010, Series A. The bond issuance was \$4,020,000.

**CITY OF MANDAN**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 3,175,650	\$ 3,175,526	\$3,074,806	\$ (100,720)
Licenses and permits	615,350	620,590	498,908	(121,682)
Intergovernmental	1,113,250	1,243,411	1,350,294	106,883
Charges for services	46,750	46,750	56,268	9,518
Fines and forfeits	128,600	128,600	181,698	53,098
Special assessments	5,800	7,559	12,858	5,299
Interest	54,200	54,200	17,341	(36,859)
Miscellaneous	126,900	127,020	52,832	(74,188)
Total revenues	<u>5,266,500</u>	<u>5,403,656</u>	<u>5,245,005</u>	<u>(158,651)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	1,879,100	2,071,345	1,457,264	614,081
Public safety	3,463,850	3,436,442	2,863,725	572,717
Public works	943,350	1,167,833	1,581,144	(413,311)
Culture and recreation	129,100	124,220	198,622	(74,402)
Capital outlay	114,700	249,741	626,624	(376,883)
Total expenditures	<u>6,530,100</u>	<u>7,049,581</u>	<u>6,727,379</u>	<u>322,202</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,263,600)</u>	<u>(1,645,925)</u>	<u>(1,482,374)</u>	<u>163,551</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,406,550	1,420,197	2,101,802	681,605
Transfers out	(503,550)	(466,619)	(528,568)	(61,949)
Sale of capital assets			490	490
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>903,000</u>	<u>953,578</u>	<u>1,573,724</u>	<u>620,146</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(360,600)</u>	<u>(692,347)</u>	<u>91,350</u>	<u>783,697</u>
<b>FUND BALANCE - JANUARY 1</b>	<u>2,031,518</u>	<u>2,031,518</u>	<u>2,031,518</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 1,670,918</u>	<u>\$ 1,339,171</u>	<u>\$2,122,868</u>	<u>\$ 783,697</u>

**CITY OF MANDAN  
 BUDGETARY COMPARISON SCHEDULE  
 MORTON MANDAN PUBLIC LIBRARY  
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Taxes	\$ 260,650	\$ 260,650	\$ 252,542	\$ (8,108)
Intergovernmental	231,243	231,243	231,442	199
Charges for services	3,200	3,200	3,322	122
Fines and forfeits	5,000	5,000	6,785	1,785
Interest	1,000	1,000	13,654	12,654
Miscellaneous	41,924	41,924	40,953	(971)
Total revenues	<u>543,017</u>	<u>543,017</u>	<u>548,698</u>	<u>5,681</u>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	<u>586,068</u>	<u>561,535</u>	<u>524,952</u>	<u>36,583</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(43,051)</u>	<u>(18,518)</u>	<u>23,746</u>	<u>42,264</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(43,051)</u>	<u>(18,518)</u>	<u>23,746</u>	<u>42,264</u>
<b>FUND BALANCE - JANUARY 1</b>	<u>390,370</u>	<u>390,370</u>	<u>390,370</u>	<u>-</u>
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 347,319</u>	<u>\$ 371,852</u>	<u>\$ 414,116</u>	<u>\$ 42,264</u>

**CITY OF MANDAN**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2009**

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**NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

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

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

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

**CITY OF MANDAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>DEPARTMENT OF COMMERCE</u></b>		
<u>Passed through the State Department of Emergency Services</u> Public Safety Interoperable Communications Grant Program	11.555	\$ 74,628
<b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
<u>Passed through the State Division of Community Services</u> Community Development Block Grants/States Program	14.228	5,500
<b><u>DEPARTMENT OF JUSTICE</u></b>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12,786
<u>Passed through the State Attorney's General Office</u> High Intensity Drug Trafficking Areas Program	16.000	62,457
Law Enforcement Assistance - Narcotics and Dangerous Drugs	16.003	10,171
Edward Byrne Memorial Justice Assistance Grant Program	16.803	23,041
<u>Passed through ND Highway Patrol</u> Enforcing Underage Drinking Laws Program	16.727	335
Total Department of Justice		108,790
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>		
<u>Passed through the State Department of Transportation</u> Highway Planning and Construction	20.205	662,026
ARRA - Highway Planning and Construction	20.205	1,101,145
		1,763,171
Highway Safety Cluster State and Community Highway Safety	20.600	2,987
Alcohol Impaired Driving Countermeasures Incentive Grants Cluster Total	20.601	11,611
		14,598
<u>Passed through the State Department of Emergency Services</u> Interagency Hazardous Materials Public Sector Training & Planning Grants	20.703	9,862
Total Department of Transportation		1,787,631
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>		
<u>Passed through the State Department of Health</u> Capitalization Grants for Clean Water State Revolving Funds	66.458	886,067
Capitalization Grants for Drinking Water State Revolving Funds	66.468	7,846,388
Total Environmental Protection Agency		8,732,455
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>		
Assistance to Firefighters Grant	97.044	61,618
<u>Passed through the State Department of Emergency Services</u> Disaster Grants - Public Assistance	97.036	160,820
Law Enforcement Terrorism Prevention Program	97.074	18,291
Total Department of Homeland Security		240,729
Total Expenditures of Federal Awards		\$ 10,949,733

**CITY OF MANDAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**NOTE 1 – BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the year ended December 31, 2009 as determined based on the modified accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the accounting records from which the financial statements have been reported.

**NOTE 2 – RESTATEMENT**

The City of Mandan December 31, 2009 financial statements were reissued to add the ARRA funds of \$1,101,145 to CFDA # 20.205 – Highway Planning and Construction. The following changes were made to the December 31, 2009 financial statements and are dated November 17, 2011:

- a) Independent Auditor’s Report – There were no changes made to this report, but the report is dual dated due to the report including the Independent Auditor’s opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole which was modified to add the federal funds noted in item b below.
- b) Schedule of Expenditures of Federal Awards – The ARRA - Highway Planning and Construction, CFDA # 20.205, federal funds of \$1,101,145 were added to this schedule.
- c) Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* – There were no changes made to this report, but the report is dual dated due to the update to finding 2009-02 to address the material misstatement of the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.
- d) Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 – There were no changes made to this report, but the report is dual dated due to the report including the Independent Auditor’s opinion on the compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Highway Planning and Construction program, CFDA # 20.205, was previously identified as a major program, but the scope of the major program was expanded to include the additional ARRA funds of \$1,101,145 for CFDA # 20.205. As such, the Independent Auditor’s audit of compliance was also expanded to audit the additional ARRA funds and therefore, the opinion on compliance is dual dated.
- e) Schedule of Findings and Questioned Costs – Summary of Audit Results
  - Item 7 was modified to report the ARRA - Highway Planning and Construction, CFDA # 20.205, as part of the major federal programs tested.
  - Item 8 was changed to report the updated Type A program threshold of \$328,492 due to the addition of the federal funds to the Schedule of Expenditures of Federal Awards.
- f) Schedule of Findings and Questioned Costs – Findings – Financial Statement Audit
  - Finding 2009-02 was updated to include the material misstatement of the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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City Commissioners  
**City of Mandan**  
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Mandan**, North Dakota as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Subsequent to the issuance of the **City of Mandan's** December 31, 2009 financial statements and our report dated November 19, 2010, modifications were made to the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-02. The modification and the reason for the re-issuance are detailed in Note 2 to the Schedule of Expenditures of Federal Awards.

*Internal Control Over Financial Reporting*

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-03 to be a significant deficiency.

#### *Compliance and Other Matters*

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

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

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
November 19, 2010

*Except for the items detailed in Note 2 to the Schedule of Expenditures of Federal Awards which is dated November 17, 2011.*



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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City Commission  
**City of Mandan**  
Mandan, North Dakota

*Compliance*

We have audited the compliance of the **City of Mandan**, North Dakota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the **City of Mandan**, North Dakota's management. Our responsibility is to express an opinion on the **City of Mandan**, North Dakota's compliance based on our audit.

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

In our opinion, the **City of Mandan**, North Dakota, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Subsequent to the issuance of the **City of Mandan's** December 31, 2009 financial statements and our report dated November 19, 2010, we became aware of amounts that were omitted from the Schedule of Expenditures of Federal Awards. This omission also resulted in certain testing procedures required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, not being performed. In our original report we expressed an unqualified opinion on the 2009 compliance, and our opinion on compliance, as expressed herein, remains unqualified.

### *Internal Control Over Compliance*

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2009-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Bismarck, North Dakota  
November 19, 2010

*Except for the items detailed in Note 2 to the Schedule of Expenditures of Federal Awards which is dated November 17, 2011.*

**CITY OF MANDAN  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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None

**CITY OF MANDAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the **City of Mandan**.
2. Three significant deficiencies were disclosed during the audit of the financial statements. We consider significant deficiencies 2009-01 and 2009-02 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the **City of Mandan** were disclosed during the audit.
4. One significant deficiency was reported by our audit of internal control over the major federal award programs. We do not consider the significant deficiency to be a material weakness.
5. The auditor's report on compliance for the major federal award programs for the **City of Mandan** expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for the **City of Mandan** are reported in Part C of this schedule.
7. The programs tested as major programs were Highway Planning and Construction and ARRA - Highway Planning and Construction, CFDA # 20.205; Capitalization Grants for Clean Water State Revolving Funds, CFDA # 66.458; and Capitalization Grants for Drinking Water State Revolving Funds, CFDA # 66.468.
8. The threshold for distinguishing a Type A program was \$328,492.
9. The **City of Mandan** was determined to be a high-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

2009-01 Recording of Transactions

Condition – We identified misstatements in the City's financial statements causing us to propose material audit adjustments.

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

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

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

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Response - The recording of these transactions was consistent with the City's prior accounting practices and have not been considered in the past to be material misstatements to the financial statements by the City's previous auditors, Office of the State Auditor. Therefore, effective for 2010, the City will make the following changes to its accounting practices:

- Interest accrued from uncertified and uncollected special assessments will not be recorded as a receivable at year end.
- Proceeds from long-term debt will not be recorded as a receivable at year end.
- Reclassify transfers to agency funds as expenditures at year end.
- Limit the number of years outstanding for certified and uncollected special assessments to four years to coincide with Morton County.
- Prior period adjustments, if immaterial, will be recorded in the current year.
- Interfund transfers within the Water and Sewer Utility Fund will be reversed at year end.
- Unbilled Utility Billing receivables will be recorded at year end.

### 2009-02 Preparation of Financial Statements

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

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

Cause – The City had material misstatements related to special assessments receivable and capital assets that resulted in prior period adjustments being recorded in order to present financial statements and accompanying notes to the financial statements that are materially correct. The City also had a material misstatement related to the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.

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

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

Response – The preparation of the financial statements was consistent with the City's prior accounting practices and has not been considered in the past to be materially misstated by the City's previous auditors, Office of the State Auditor. Therefore, effective for 2010, the City will make the following changes to its accounting practices:

- Interest accrued from uncertified and uncollected special assessments will not be recorded as a receivable at year end.
- Capital expenditures paid on behalf of the City from federal and state sources will be recorded at year end.
- Utilities incurred for the operation of capital assets will not be capitalized at year end.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### 2009-03 Department Controls over Cash

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

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

Cause – The process for reporting receipts in some departments is manual which creates an inadequate audit trail and there is a lack of segregation of duties.

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

Recommendation – We recommend the City review their procedures over cash receipts in all departments and implement an adequate system of internal controls to create a sufficient audit trail.

Response – The City will review the procedures over cash receipts in all departments and implement an adequate system of internal controls to create a sufficient audit trail.

### **C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

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

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

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

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

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

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

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