

AUDIT REPORT

CITY OF FORT YATES
Fort Yates, North Dakota

For the Years Ended December 31, 2012 and 2011

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FORT YATES
Fort Yates, North Dakota

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CITY OF FORT YATES
Fort Yates, North Dakota

CITY OFFICIALS

Larry Silbernagel	Mayor
Miles Allard	Council Member
Carl Iron Eyes	Council Member
Ellen Murphy	Council Member
Verdell Wolf Necklace	Council Member
Amanda Bahm	Auditor

Rath & Mehrer

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Fort Yates
Fort Yates, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Yates, Fort Yates, North Dakota, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Yates, Fort Yates, North Dakota, as of December 31, 2012 and 2011, the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgeting comparison information on pages 4 through 12 and 39 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013 on our consideration of the city'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 6, 2013

CITY OF FORT YATES

Management's Discussion and Analysis

December 31, 2012 and 2011

The Management's Discussion and Analysis (MD&A) of the City of Fort Yates's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2012 and 2011. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2012 are as follows:

- * Total net assets of the city increased \$8,711 as a result of the current year's operations. Net assets of the governmental activities increased \$3,064 and net assets of the business-type activities increased \$5,647.
- * Governmental net assets totaled \$239,274 and business-type net assets totaled \$35,474.
- * Total revenues from all sources were \$92,273 for governmental activities and \$15,247 for business-type activities.
- * Total expenses were \$89,209 for governmental activities and \$9,600 for business-type activities.
- * The city's general fund had \$27,284 in total revenues and \$21,050 in total expenditures. Overall, the general fund balance increased by \$6,233 for the year ending December 31, 2012.

Key financial highlights for the year ended December 31, 2011 are as follows:

- * Total net assets of the city increased \$23,159 as a result of the current year's operations. Net assets of the governmental activities increased \$18,113 and net assets of the business-type activities increased \$5,046.
- * Governmental net assets totaled \$236,210 and business-type net assets totaled \$29,827.
- * Total revenues from all sources were \$86,050 for governmental activities and \$14,646 for business-type activities.
- * Total expenses were \$67,937 for governmental activities and \$9,600 for business-type activities.
- * The city's general fund had \$23,851 in total revenues and \$21,186 in total expenditures. Overall, the general fund balance increased by \$2,665 for the year ended December 31, 2011.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- * Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- * Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The remaining governmental fund is reported as a nonmajor fund.

REPORTING ON THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2012 and 2011?"

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

The Statement of Activities presents information on how the city's net assets changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Assets and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government and streets and public works. Business-type activities are where the city's enterprise services are reported including, but not limited to, sewer and garbage.

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, building fund and streets and roads fund are considered "major governmental funds". The city's enterprise fund is considered a "major enterprise fund".

The city's other fund, which is used to account for CDBG transactions is summarized under the heading "CDBG".

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net assets as of December 31, 2012, 2011 and 2010. A comparative analysis of city-wide data is presented for both current and prior years.

As indicated in the financial highlights above, the city's net assets increased by \$8,711 for the year ended December 31, 2012 and increased by \$23,159 for the year ended December 31, 2011. Changes in net assets may serve over time as a useful indicator of the city's financial position.

As of December 31, 2012, the city's net assets of \$274,748 are segregated into three separate categories. Net assets invested in capital assets represents 59% of the city's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 25% of the city's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net assets represent 16% of the city's net assets. The unrestricted net assets are available to meet the city's ongoing obligations.

Table I

Net Assets
As of December 31, 2012

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	77,198	35,474
Capital Assets (net of accumulated depreciation)	162,076	
Total Assets	<u>239,274</u>	<u>35,474</u>
<u>Net Assets</u>		
Invested in Capital Assets	162,076	
Restricted	68,299	
Unrestricted	8,899	35,474
Total Net Assets	<u>239,274</u> =====	<u>35,474</u> =====

As of December 31, 2011, the city's net assets of \$266,037 are segregated into three separate categories. Net assets invested in capital assets represents 62% of the city's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 26% of the city's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net assets represent 12% of the city's net assets. The unrestricted net assets are available to meet the city's ongoing obligations.

Net Assets
As of December 31, 2011

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	72,724	29,827
Capital Assets (net of accumulated depreciation)	163,486	
Total Assets	<u>236,210</u>	<u>29,827</u>
<u>Net Assets</u>		
Invested in Capital Assets	163,486	
Restricted	70,058	
Unrestricted	2,665	29,827
Total Net Assets	<u>236,210</u> =====	<u>29,827</u> =====

Net Assets
As of December 31, 2010

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	48,701	24,781
Capital Assets (net of accumulated depreciation)	169,396	
Total Assets	218,097	24,781
<u>Net Assets</u>		
Invested in Capital Assets	169,396	
Restricted	9,903	
Unrestricted	38,797	24,781
Total Net Assets	218,097	24,781

Table II shows the changes in net assets for the fiscal years ended December 31, 2012, 2011 and 2010. A comparative analysis of city-wide data is presented for both current and prior years.

Table II

Changes in Net Assets
As of December 31, 2012

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services		15,247
Operating Grants and Contributions	46,387	
<u>General Revenues:</u>		
Property Taxes	7,700	
Other Taxes	568	
Intergovernmental - Unrestricted	18,028	
Interest Earnings and Other Revenue	19,590	
Total Revenues	92,273	15,247
Expenses		
General Government	60,456	
Streets and Public Works	28,752	
Enterprise		9,600
Total Expenses	89,209	9,600
Net Change in Assets	3,064	5,647

Property taxes constituted 7%, other taxes 1%, unrestricted intergovernmental 17%, operating grants and contributions 43%, and charges for services made up 14% of the total revenues of all activities of the city for the fiscal year ended December 31, 2012.

General government constituted 61%, streets and public works 29%, and enterprise 10% of total expenses for all activities during the fiscal year ended December 31, 2012.

Changes in Net Assets
As of December 31, 2011

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services		14,646
Operating Grants and Contributions	43,595	
<u>General Revenues:</u>		
Property Taxes	9,900	
Other Taxes	609	
Intergovernmental - Unrestricted	12,910	
Interest Earnings and Other Revenue	19,036	
Total Revenues	86,050	14,646
Expenses		
General Government	42,897	
Streets and Public Works	25,040	
Enterprise		9,600
Total Expenses	67,937	9,600
Net Change in Assets	18,113	5,046

Property taxes constituted 10%, other taxes 1%, unrestricted intergovernmental 13%, operating grants and contributions 43%, and charges for services made up 15% of the total revenues of all activities of the city for the fiscal year ended December 31, 2011.

General government constituted 55%, streets and public works 32%, and enterprise 13% of total expenses for all activities during the fiscal year ended December 31, 2011.

Changes in Net Assets
As of December 31, 2010

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services		12,975
Operating Grants and Contributions	27,276	
<u>General Revenues:</u>		
Property Taxes	4,400	
Other Taxes	661	
Intergovernmental - Unrestricted	9,572	
Interest Earnings and Other Revenue	20,087	
Total Revenues	61,996	12,975
Expenses		
General Government	39,768	
Streets and Public Works	40,478	
Enterprise		9,600
Total Expenses	80,246	9,600
Net Change in Assets	(18,250)	3,375

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services
As of December 31, 2012

	Total Cost Year Ended <u>Dec. 31, 2012</u>	Net Cost Year Ended <u>Dec. 31, 2012</u>
General Government	60,456	60,456
Streets and Public Works	28,752	(17,635)
Total Expenses	<u>89,209</u> =====	<u>42,822</u> =====

Total and Net Cost of Services
As of December 31, 2011

	Total Cost Year Ended <u>Dec. 31, 2011</u>	Net Cost Year Ended <u>Dec. 31, 2011</u>
General Government	42,897	42,897
Streets and Public Works	25,040	(18,555)
Total Expenses	<u>67,937</u> =====	<u>24,342</u> =====

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$92,273 and expenditures of \$87,799 for the year ended December 31, 2012. For the year ended December 31, 2011, the city's governmental funds had total revenue of \$86,050 and expenditures of \$62,027. As of December 31, 2012, the total unassigned fund balances for the city's general fund was \$8,899. As of December 31, 2011, the unassigned fund balances for the city's general fund was \$2,665.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2012 and 2011, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2012 was \$22,966 less than budgeted. Actual expenditures for the year ended December 31, 2012 were under budget by \$24,450.

Actual revenue for the year ended December 31, 2011 was \$21,737 less than budgeted. Actual expenditures for the year ended December 31, 2011 were under budget by \$24,014.

CAPITAL ASSETS

As of December 31, 2012 and 2011, the city had \$162,076 and \$163,486, respectively, invested in capital assets. The following tables show the balances, for governmental activities, as of December 31, 2012, 2011 and 2010.

Table IV

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2012

	<u>Governmental</u>
Land	6,300
Buildings and Infrastructure	145,055
Machinery and Vehicles	10,721
Total (net of depreciation)	<u>162,076</u> =====

This total represents a decrease of \$1,410 in capital assets from January 1, 2012.

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2011

	<u>Governmental</u>
Land	6,300
Buildings and Infrastructure	148,682
Machinery and Vehicles	8,504
Total (net of depreciation)	<u>163,486</u> =====

This total represents a decrease of \$5,910 in capital assets from January 1, 2011.

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2010

	<u>Governmental</u>
Land	6,300
Buildings and Infrastructure	152,309
Machinery and Vehicles	10,787
Total (net of depreciation)	<u>169,396</u> =====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

The city had no outstanding debt at December 31, 2012 and 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Amanda Bahm, City Auditor, Fort Yates, ND.

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Net Assets - Modified Cash Basis
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments	77,198.03	35,473.85	112,671.88
Capital Assets (net of accumulated depreciation):			
Land	6,300.00		6,300.00
Buildings and Infrastructure	145,055.00		145,055.00
Machinery and Vehicles	10,721.00		10,721.00
Total Capital Assets	162,076.00		162,076.00
Total Assets	239,274.03	35,473.85	274,747.88
NET ASSETS:			
Invested in Capital Assets	162,076.00		162,076.00
Restricted for:			
Special Purposes	68,299.48		68,299.48
Unrestricted	8,898.55	35,473.85	44,372.40
Total Net Assets	239,274.03	35,473.85	274,747.88

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Net Assets - Modified Cash Basis
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments	72,723.59	29,827.15	102,550.74
Capital Assets (net of accumulated depreciation):			
Land	6,300.00		6,300.00
Buildings and Infrastructure	148,682.00		148,682.00
Machinery and Vehicles	8,504.00		8,504.00
Total Capital Assets	163,486.00		163,486.00
Total Assets	236,209.59	29,827.15	266,036.74
NET ASSETS:			
Invested in Capital Assets	163,486.00		163,486.00
Restricted for:			
Special Purposes	70,058.37		70,058.37
Unrestricted	2,665.22	29,827.15	32,492.37
Total Net Assets	236,209.59	29,827.15	266,036.74

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

	Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	60,456.45			(60,456.45)	(60,456.45)
Streets and Public Works	28,752.34		46,387.27	17,634.93	17,634.93
Total Governmental Activities	89,208.79		46,387.27	(42,821.52)	(42,821.52)
<u>Business-Type Activities:</u>					
Enterprise	9,600.00	15,246.70		5,646.70	5,646.70
Total Primary Government	98,808.79	15,246.70	46,387.27	(42,821.52)	(37,174.82)
=====					
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			7,700.00		7,700.00
Cigarette taxes			568.11		568.11
Intergovernmental revenue not restricted to specific programs			18,028.11		18,028.11
Earnings on investments and other revenue			19,589.74		19,589.74
Total General Revenues			45,885.96		45,885.96
Change in Net Assets			3,064.44	5,646.70	8,711.14
Net Assets - January 1			236,209.59	29,827.15	266,036.74
Net Assets - December 31			239,274.03	35,473.85	274,747.88
=====					

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2011

	Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	42,897.32			(42,897.32)	(42,897.32)
Streets and Public Works	25,039.91		43,594.96	18,555.05	18,555.05
Total Governmental Activities	67,937.23		43,594.96	(24,342.27)	(24,342.27)
<u>Business-Type Activities:</u>					
Enterprise	9,600.00	14,646.05		5,046.05	5,046.05
Total Primary Government	77,537.23	14,646.05	43,594.96	(24,342.27)	(19,296.22)
=====					
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes			9,900.00		9,900.00
Cigarette taxes			609.14		609.14
Intergovernmental revenue not restricted to specific programs			12,909.87		12,909.87
Earnings on investments and other revenue			19,036.23		19,036.23
Total General Revenues			42,455.24		42,455.24
Change in Net Assets			18,112.97	5,046.05	23,159.02
Net Assets - January 1			218,096.62	24,781.10	242,877.72
Net Assets - December 31			236,209.59	29,827.15	266,036.74
=====					

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

CITY OF FORT YATES
Fort Yates, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2012

	Major Funds				Total
	General	Building	Streets and Roads	CDBG	Governmental Funds
ASSETS:					
Cash and Investments	8,898.55	19,865.75	46,159.35	2,274.38	77,198.03
FUND BALANCES:					
Restricted for:					
Streets and Public Works			46,159.35		46,159.35
Building		19,865.75			19,865.75
CDBG				2,274.38	2,274.38
Unassigned	8,898.55				8,898.55
Total Fund Balances	8,898.55	19,865.75	46,159.35	2,274.38	77,198.03

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

CITY OF FORT YATES
Fort Yates, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2011

	Major Funds				Total Governmental Funds
	General	Building	Streets and Roads	CDBG	
ASSETS:					
Cash and Investments	2,665.22	37,044.78	30,741.42	2,272.17	72,723.59
FUND BALANCES:					
Restricted for:					
Streets and Public Works			30,741.42		30,741.42
Building		37,044.78			37,044.78
CDBG				2,272.17	2,272.17
Unassigned	2,665.22				2,665.22
Total Fund Balances	2,665.22	37,044.78	30,741.42	2,272.17	72,723.59

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

CITY OF FORT YATES
Fort Yates, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets - Modified Cash Basis
For the Year Ended December 31, 2012

Total Fund Balances for Governmental Funds 77,198.03

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	336,550.00	
Less Accumulated Depreciation	(174,474.00)	
	<hr/>	
Net Capital Assets		162,076.00

Total Net Assets of Governmental Activities 239,274.03
=====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets - Modified Cash Basis
For the Year Ended December 31, 2011

Total Fund Balances for Governmental Funds		72,723.59
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	331,550.00	
Less Accumulated Depreciation	(168,064.00)	
Net Capital Assets	<hr/>	163,486.00
Total Net Assets of Governmental Activities		<hr/> <u>236,209.59</u> =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	Major Funds				Total Governmental Funds
	General	Building	Streets and Roads	CDBG	
<u>Revenues:</u>					
Taxes	7,700.00				7,700.00
Intergovernmental	18,596.22		46,387.27		64,983.49
Miscellaneous	987.53	18,600.00		2.21	19,589.74
Total Revenues	27,283.75	18,600.00	46,387.27	2.21	92,273.23
<u>Expenditures:</u>					
Current:					
General Government	21,050.42	35,779.03			56,829.45
Streets and Public Works			25,969.34		25,969.34
Capital Outlay			5,000.00		5,000.00
Total Expenditures	21,050.42	35,779.03	30,969.34		87,798.79
Net Change in Fund Balances	6,233.33	(17,179.03)	15,417.93	2.21	4,474.44
Fund Balance - January 1	2,665.22	37,044.78	30,741.42	2,272.17	72,723.59
Fund Balance - December 31	8,898.55	19,865.75	46,159.35	2,274.38	77,198.03

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	Major Funds				Total Governmental Funds
	General	Building	Streets and Roads	CDBG	
<u>Revenues:</u>					
Taxes	9,900.00				9,900.00
Intergovernmental	13,519.01		43,594.96		57,113.97
Miscellaneous	431.97	18,600.00		4.26	19,036.23
Total Revenues	23,850.98	18,600.00	43,594.96	4.26	86,050.20
<u>Expenditures:</u>					
Current:					
General Government	21,185.76	18,084.56			39,270.32
Streets and Public Works			22,756.91		22,756.91
Total Expenditures	21,185.76	18,084.56	22,756.91		62,027.23
Net Change in Fund Balances	2,665.22	515.44	20,838.05	4.26	24,022.97
Fund Balance - January 1	-0-	36,529.34	9,903.37	2,267.91	48,700.62
Fund Balance - December 31	2,665.22	37,044.78	30,741.42	2,272.17	72,723.59

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

CITY OF FORT YATES
Fort Yates, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	4,474.44
--	----------

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

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

Current Year Capital Outlay	5,000.00	
Current Year Depreciation Expense	(6,410.00)	(1,410.00)
Change in Net Assets of Governmental Activities		3,064.44 =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	24,022.97
--	-----------

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(5,910.00)	(5,910.00)
Change in Net Assets of Governmental Activities		18,112.97

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2012

	Enterprise Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Investments	35,473.85 =====
<u>NET ASSETS:</u>	
Unrestricted	35,473.85 =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2011

	Enterprise Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Investments	29,827.15 =====
<u>NET ASSETS:</u>	
Unrestricted	29,827.15 =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2012

	Enterprise Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Garbage and Sewer Charges	15,246.70
<u>Operating Expenses:</u>	
Garbage and Sewer Operating	9,600.00
Operating Income (Loss)	5,646.70
Net Assets - January 1	29,827.15
Net Assets - December 31	35,473.85 =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2011

	Enterprise Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Garbage and Sewer Charges	14,646.05
<u>Operating Expenses:</u>	
Garbage and Sewer Operating	9,600.00
Operating Income (Loss)	5,046.05
Net Assets - January 1	24,781.10
Net Assets - December 31	29,827.15
	=====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2012

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	15,246.70
Payments to suppliers	(9,600.00)
	<hr/>
Net cash provided (used) by operating activities	5,646.70
	<hr/>
Cash and cash equivalents, January 1	29,827.15
	<hr/>
Cash and cash equivalents, December 31	35,473.85
	=====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2011

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	14,646.05
Payments to suppliers	(9,600.00)
	<hr/>
Net cash provided (used) by operating activities	5,046.05
	<hr/>
Cash and cash equivalents, January 1	24,781.10
	<hr/>
Cash and cash equivalents, December 31	29,827.15 =====

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

CITY OF FORT YATES
Fort Yates, North Dakota

Notes to the Financial Statements
December 31, 2012 and 2011

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Yates operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Fort Yates as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the primary government, the City of Fort Yates. 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 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. Separate statements for each fund category - *governmental* and *proprietary* - 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 investments 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.

Building. This fund accounts for the activities of the city owned building.

Streets and Roads. This fund accounts for the accumulation of resources to be used for street repairs.

The city reports the following major enterprise fund:

Enterprise. This fund accounts for the activities of the city's garbage collection system and sewer collection system.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

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

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

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

D. 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.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund 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. 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 over the following estimated useful lives:

Buildings and Infrastructure	75 years
Machinery and Vehicles	10 to 15 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net assets as it is considered immaterial.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- * Committed
- * Assigned
- * Unassigned

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted as described in the fund balance section above. All other net assets are reported as unrestricted.

H. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

I. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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 any 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 other securities approved by the banking board.

At December 31, 2012 the city's carrying amount of deposits was \$112,672 and the bank balance was \$73,443. The bank balance was held at the Bank of North Dakota which does not carry FDIC insurance and is not required to provide pledges of securities.

At December 31, 2011 the city's carrying amount of deposits was \$102,551 and the bank balance was \$82,507. The bank balance was held at the Bank of North Dakota which does not carry FDIC insurance and is not required to provide pledges of securities.

Credit Risk

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

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2012 the city held certificates of deposit in the amount of \$58,479, which are all considered deposits.

At December 31, 2011 the city held certificates of deposit in the amount of \$58,275, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2012</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	6,300			6,300
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	272,000			272,000
Machinery and Vehicles	53,250	5,000		58,250
Total	<u>325,250</u>	<u>5,000</u>		<u>330,250</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	123,318	3,627		126,945
Machinery and Vehicles	44,746	2,783		47,529
Total	<u>168,064</u>	<u>6,410</u>		<u>174,474</u>
Total capital assets being depreciated, net	<u>157,186</u>	<u>(1,410)</u>		<u>155,776</u>
Governmental Activities Capital Assets, Net	<u>163,486</u>	<u>(1,410)</u>	<u>-0-</u>	<u>162,076</u>

	<u>2011</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	6,300			6,300
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	272,000			272,000
Machinery and Vehicles	53,250			53,250
Total	<u>325,250</u>			<u>325,250</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	119,691	3,627		123,318
Machinery and Vehicles	42,463	2,283		44,746
Total	<u>162,154</u>	<u>5,910</u>		<u>168,064</u>
Total capital assets being depreciated, net	<u>163,096</u>	<u>(5,910)</u>		<u>157,186</u>
Governmental Activities Capital Assets, Net	<u>169,396</u>	<u>(5,910)</u>	<u>-0-</u>	<u>163,486</u>

Depreciation expense was charged to functions/programs of the city as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
<u>Governmental Activities:</u>		
General Government	3,627	3,627
Streets and Public Works	2,783	2,283
 Total	 <u>6,410</u>	 <u>5,910</u>
	=====	=====

Note 5 RISK MANAGEMENT

The City of Fort Yates 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, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$32,800 for public assets.

The city 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$40,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance.

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

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	40,620.00	40,620.00	7,700.00	(32,920.00)
Intergovernmental	9,600.00	9,600.00	18,596.22	8,996.22
Miscellaneous	30.00	30.00	987.53	957.53
Total Revenues	50,250.00	50,250.00	27,283.75	(22,966.25)
<u>Expenditures:</u>				
Current:				
General Government	45,500.00	45,500.00	21,050.42	24,449.58
Net Change in Fund Balances	4,750.00	4,750.00	6,233.33	1,483.33
Fund Balance - January 1	2,665.22	2,665.22	2,665.22	
Fund Balance - December 31	7,415.22	7,415.22	8,898.55	1,483.33

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	36,303.00	36,303.00	9,900.00	(26,403.00)
Intergovernmental	9,200.00	9,200.00	13,519.01	4,319.01
Miscellaneous	85.00	85.00	431.97	346.97
Total Revenues	45,588.00	45,588.00	23,850.98	(21,737.02)
<u>Expenditures:</u>				
Current:				
General Government	45,200.00	45,200.00	21,185.76	24,014.24
Net Change in Fund Balances	388.00	388.00	2,665.22	2,277.22
Fund Balance - January 1	-0-	-0-	-0-	
Fund Balance - December 31	388.00	388.00	2,665.22	2,277.22

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Building Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Miscellaneous	18,600.00	18,600.00	18,600.00	
<u>Expenditures:</u>				
<u>Current:</u>				
General Government	18,700.00	18,700.00	35,779.03	(17,079.03)
Net Change in Fund Balances	(100.00)	(100.00)	(17,179.03)	(17,079.03)
Fund Balance - January 1	37,044.78	37,044.78	37,044.78	
Fund Balance - December 31	36,944.78	36,944.78	19,865.75	(17,079.03)

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Building Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Miscellaneous	18,600.00	18,600.00	18,600.00	
<u>Expenditures:</u>				
Current:				
General Government	16,700.00	16,700.00	18,084.56	(1,384.56)
Net Change in Fund Balances	1,900.00	1,900.00	515.44	(1,384.56)
Fund Balance - January 1	36,529.34	36,529.34	36,529.34	
Fund Balance - December 31	38,429.34	38,429.34	37,044.78	(1,384.56)

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Streets and Roads Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	25,000.00	25,000.00	46,387.27	21,387.27
<u>Expenditures:</u>				
<u>Current:</u>				
Streets and Public Works	50,000.00	50,000.00	30,969.34	19,030.66
Net Change in Fund Balances	(25,000.00)	(25,000.00)	15,417.93	40,417.93
Fund Balance - January 1	30,741.42	30,741.42	30,741.42	
Fund Balance - December 31	5,741.42	5,741.42	46,159.35	40,417.93

CITY OF FORT YATES
Fort Yates, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Streets and Roads Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	24,000.00	24,000.00	43,594.96	19,594.96
<u>Expenditures:</u>				
Current:				
Streets and Public Works	46,500.00	46,500.00	22,756.91	23,743.09
Net Change in Fund Balances	(22,500.00)	(22,500.00)	20,838.05	43,338.05
Fund Balance - January 1	9,903.37	9,903.37	9,903.37	
Fund Balance - December 31	(12,596.63)	(12,596.63)	30,741.42	43,338.05

CITY OF FORT YATES
Fort Yates, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2012 and 2011

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues 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 official proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2012 and 2011.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the years ending December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
<u>Special Revenue Fund</u>		
Building	17,079.03	1,384.56

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF FORT YATES
Fort Yates, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-12
Major Governmental Funds:						
General Fund	2,665.22	27,283.75			21,050.42	8,898.55
Building	37,044.78	18,600.00			35,779.03	19,865.75
Streets and Roads	30,741.42	46,387.27			30,969.34	46,159.35
Total Major Governmental Funds	70,451.42	92,271.02			87,798.79	74,923.65
Non-Major Governmental Fund:						
CDBG	2,272.17	2.21				2,274.38
Total Governmental Funds	72,723.59	92,273.23			87,798.79	77,198.03
Major Enterprise Fund:						
Enterprise	29,827.15	15,246.70			9,600.00	35,473.85
Total All Funds	102,550.74	107,519.93			97,398.79	112,671.88

CITY OF FORT YATES
Fort Yates, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-11
<u>Major Governmental Funds:</u>						
General Fund		23,850.98			21,185.76	2,665.22
Building	36,529.34	18,600.00			18,084.56	37,044.78
Streets and Roads	9,903.37	43,594.96			22,756.91	30,741.42
Total Major Governmental Funds	46,432.71	86,045.94			62,027.23	70,451.42
<u>Non-Major Governmental Fund:</u>						
CDBG	2,267.91	4.26				2,272.17
Total Governmental Funds	48,700.62	86,050.20			62,027.23	72,723.59
<u>Major Enterprise Fund:</u>						
Enterprise	24,781.10	14,646.05			9,600.00	29,827.15
Total All Funds	73,481.72	100,696.25			71,627.23	102,550.74

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Fort Yates
Fort Yates, North Dakota

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fort Yates, Fort Yates, North Dakota, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated September 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city'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 audits, 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*.

City's Response to Findings

The city's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 6, 2013

CITY OF FORT YATES
Fort Yates, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2012 and 2011

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unqualified-Modified Cash Basis
Business-Type Activities	Unqualified-Modified Cash Basis
Major Governmental Funds	Unqualified-Modified Cash Basis
Major Business-Type Funds	Unqualified-Modified Cash Basis
Aggregate Remaining Fund Information	Unqualified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

* Significant deficiency(ies) identified? X Yes None Reported

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

Condition: The city has one person responsible for most accounting functions.

Criteria: There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

Effect: There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

Recommendation: Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response: No response is considered necessary.

2. Financial Statement Preparation

Condition: The city's financial statements as of December 31, 2012 and 2011 are prepared by the city's external auditors.

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

Recommendation: We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

Client Response: It is not cost effective for the city to prepare its own financial statements.

Rath & Mehrer

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Specializing in Governmental Auditing

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Governing Board
City of Fort Yates
Fort Yates, North Dakota

Our audits of the financial records of the City of Fort Yates, Fort Yates, North Dakota, for the years ended December 31, 2012 and 2011 have disclosed opportunities for improvements in the operations of the city. Items which we believe should be brought to your attention are set forth below:

* * * * *

FORM 941

The city auditor has not made federal tax deposits for employee payroll withholdings since the first quarter of 2011. At that time, the IRS started requiring electronic submissions via the internet which the city auditor does not have access to. We recommend that the city obtain internet access for the city auditor so that past due employee withholdings may be submitted and future withholdings are submitted on a timely basis.

* * * * *

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the city, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the city during our audits.

Rath and Mehrer

Rath and Mehrer, P.C.

September 6, 2013