



ROBERT R. PETERSON
STATE AUDITOR

City of Wahpeton
Wahpeton, North Dakota

Audit Report

For the Year Ended December 31, 2015

Office of the State Auditor

CITY OF WAHPETON
Wahpeton, North Dakota

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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2015

Meryl T. Hansey

Mayor

Alisa Mitskog
Steve Dale

President
Vice-President

Renelle Bertsch
Brett Lambrecht
Don Bajumpaa
Chris DeVries
Martin Schmidt
Lane Wateland

Board Member
Board Member
Board Member
Board Member
Board Member
Board Member

Darcie Huwe
Carla J. Broadland
Dennis Miranowski
Steven J. Lies
Jane Priebe
Scott Thorsteinson

City Finance Director
City Assessor
Public Works Director
City Attorney
Economic Development Director
Police Chief

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 26 to the financial statements, the City of Wahpeton adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 37-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wahpeton's basic financial statements. The *schedule of fund activity* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016 on our consideration of the City of Wahpeton'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 City of Wahpeton's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 13, 2016

CITY OF WAHPETON
Wahpeton, North Dakota
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 10,772,188	\$ 1,312,092	\$ 12,084,280
Intergovernmental Receivable	348,390	-	348,390
Utility Billings Receivable	-	239,414	239,414
Taxes Receivable	53,155	-	53,155
Special Assessments Receivable	41,249	-	41,249
Loans Receivable	2,200,624	-	2,200,624
Long-Term Receivable:			
Uncertified Special Assessments Receivable	4,700,375	-	4,700,375
Capital Assets (not being depreciated):			
Land	3,115,810	-	3,115,810
Construction in Progress	1,184,739	-	1,184,739
Capital Assets (being depreciated):			
Buildings	3,045,026	1,738,032	4,783,058
Equipment	2,340,379	775,625	3,116,004
Vehicles	125,911	29,830	155,741
Infrastructure	32,494,045	5,246,258	37,740,303
Total Capital Assets	<u>\$ 42,305,910</u>	<u>\$ 7,789,745</u>	<u>\$ 50,095,655</u>
Total Assets	<u>\$ 60,421,891</u>	<u>\$ 9,341,251</u>	<u>\$ 69,763,142</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	<u>\$ 116,427</u>	<u>\$ 39,641</u>	<u>\$ 156,068</u>
Total Assets & Deferred outflows of resources	<u>\$ 60,538,318</u>	<u>\$ 9,380,892</u>	<u>\$ 69,919,210</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts Payable & Accrued Expenses	\$ 36,437	\$ 57,690	\$ 94,127
Salaries Payable and Accrued Benefits	49,962	-	49,962
Due to Other Governments	42,164	-	42,164
Grant Match Payable	17,044	-	17,044
Gifts/Grants Payable	2,911	-	2,911
RLF Payable	500	-	500
Accrued Interest Payable	43,251	9,642	52,893
Total Current Liabilities	<u>\$ 192,269</u>	<u>\$ 67,332</u>	<u>\$ 259,601</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 42,664</u>	<u>\$ -</u>	<u>\$ 42,664</u>
<u>Non-Current Liabilities:</u>			
Portion Due or Payable Within One Year:			
Leases Payable	\$ 85,949	\$ -	\$ 85,949
Special Assessment Bonds Payable	1,575,000	-	1,575,000
Revenue Bonds Payable	-	146,000	146,000
Compensated Absences Payable	15,040	4,738	19,778
Portion Due or Payable After One Year:			
Leases Payable	36,837	-	36,837
Special Assessment Bonds Payable	9,420,000	-	9,420,000
Revenue Bonds Payable	-	1,011,000	1,011,000
Compensated Absences Payable	135,364	42,640	178,004
Net Pension Liability	1,303,183	443,707	1,746,890
Total Noncurrent Liabilities	<u>\$ 12,571,373</u>	<u>\$ 1,648,085</u>	<u>\$ 14,219,458</u>
Total Liabilities	<u>\$ 12,763,642</u>	<u>\$ 1,715,417</u>	<u>\$ 14,479,059</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	<u>\$ 154,223</u>	<u>\$ 52,510</u>	<u>\$ 206,733</u>
NET POSITION			
Net Investment in Capital Assets	\$ 31,188,124	\$ 6,632,745	\$ 37,820,869
Restricted for:			
Debt Service	7,936,216	-	7,936,216
Public Works	593,742	-	593,742
Economic/Job Development	3,890,811	-	3,890,811
Loans	2,200,624	-	2,200,624
Culture and Recreation	137,137	-	137,137
Capital Improvements	1,197,869	-	1,197,869
Other Special Purposes	37,703	-	37,703
Unrestricted	438,227	980,220	1,418,447
Total Net Position	<u>\$ 47,620,453</u>	<u>\$ 7,612,965</u>	<u>\$ 55,233,418</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
<u>Governmental Activities:</u>							
General Government	\$ 743,361	\$ 43,365	\$ 42,886	\$ -	\$ (657,110)		\$ (657,110)
Public Safety	1,276,798	93,762	13,608	284,655	(884,773)		(884,773)
Public Works	2,770,668	525,588	972,313	913,453	(359,314)		(359,314)
Culture and Recreation	640,680	5,006	36,654	-	(599,020)		(599,020)
Economic Development	545,425	3,358	15,800	-	(526,267)		(526,267)
Other	8,820	-	-	-	(8,820)		(8,820)
Interest & Fees on Long-Term Debt	282,168	-	-	-	(282,168)		(282,168)
Total Governmental Activities	\$ 6,267,920	\$ 671,079	\$ 1,081,261	\$ 1,198,108	\$ (3,317,472)		\$ (3,317,472)
<u>Business-Type Activities:</u>							
Water Operations	\$ 1,077,163	\$ 1,635,024	\$ -	\$ -	\$ -	\$ 557,861	\$ 557,861
Sanitary Sewer Operations	753,253	735,050	-	-	-	(18,203)	(18,203)
Garbage & Other Enterprise	511,320	496,441	-	-	-	(14,879)	(14,879)
Total Business-Type Activities	\$ 2,341,736	\$ 2,866,515	\$ -	\$ -	\$ -	\$ 524,779	\$ 524,779
Total Primary Government	\$ 8,609,656	\$ 3,537,594	\$ 1,081,261	\$ 1,198,108	\$ (3,317,472)	\$ 524,779	\$ (2,792,693)
<u>General Revenues:</u>							
Taxes:							
Property taxes, levied for general purposes					\$ 762,472	\$ -	\$ 762,472
Property taxes, levied for special purposes					1,277,128	-	1,277,128
Sales taxes					2,223,123	-	2,223,123
State aid distribution, other unrestricted grants & contributions					856,146	-	856,146
Unrestricted Investment Earnings					31,137	1,992	33,129
Miscellaneous					199,853	3,820	203,673
Transfers					(574,353)	574,353	-
Total General Revenues and Transfers					\$ 4,775,506	\$ 580,165	\$ 5,355,671
Change in Net Position					\$ 1,458,034	\$ 1,104,944	\$ 2,562,978
Net Position - January 1					\$ 45,539,921	\$ 7,019,026	\$ 52,558,947
Prior Period Adjustments					622,498	(511,005)	111,493
Net Position - January 1, as restated					\$ 46,162,419	\$ 6,508,021	\$ 52,670,440
Net Position - December 31					\$ 47,620,453	\$ 7,612,965	\$ 55,233,418

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

CITY OF WAHPETON
Wahpeton, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	Major Funds						Total Governmental Funds
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS							
Cash, Cash Equivalents, & Investments	\$ 1,009,593	\$ 1,960,825	\$ 616,224	\$ 3,211,386	\$ 1,114,156	\$ 2,860,004	\$ 10,772,188
Intergovernmental Receivable	218,017	46,660	-	-	83,713	-	348,390
Loans Receivable	-	1,229,281	877,492	-	-	93,851	2,200,624
Taxes Receivable	10,368	-	-	26,457	-	16,330	53,155
Special Assessments Receivable	-	-	-	41,249	-	-	41,249
Long-Term Uncertified Special Assmts. Rec.	-	-	-	4,700,375	-	-	4,700,375
Total Assets	\$ 1,237,978	\$ 3,236,766	\$ 1,493,716	\$ 7,979,467	\$ 1,197,869	\$ 2,970,185	\$ 18,115,981
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts Payable & Accrued Expenses	\$ 10,851	\$ -	\$ -	\$ -	\$ -	\$ 25,586	\$ 36,437
Salaries Payable and Accrued Benefits	49,962	-	-	-	-	-	49,962
Due to Other Governments	42,164	-	-	-	-	-	42,164
Grant Match Payable	-	-	-	-	-	17,044	17,044
Gifts/Grants Payable	-	-	-	-	-	2,911	2,911
RLF Payable	-	-	500	-	-	-	500
Total Liabilities	\$ 102,977	\$ -	\$ 500	\$ -	\$ -	\$ 45,541	\$ 149,018
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	\$ 10,368	\$ -	\$ -	\$ 26,457	\$ -	\$ 16,330	\$ 53,155
Unavailable Revenue - Special Assessments	-	-	-	41,249	-	-	41,249
Unavailable Revenue - Long-Term Uncertified Special Assmts.	-	-	-	4,700,375	-	-	4,700,375
Total Deferred Inflows	\$ 10,368	\$ -	\$ -	\$ 4,768,081	\$ -	\$ 16,330	\$ 4,794,779
Total Liabilities & Deferred Inflows of Resources	\$ 113,345	\$ -	\$ 500	\$ 4,768,081	\$ -	\$ 61,871	\$ 4,943,797
Fund Balances:							
Non-Spendable:							
Loans Receivable	\$ -	\$ 1,229,281	\$ 877,492	\$ -	\$ -	\$ 93,851	\$ 2,200,624
Restricted:							
Debt Service	-	-	-	3,211,386	-	-	3,211,386
Capital Project Funds	-	-	-	-	1,197,869	-	1,197,869
Sales Tax Funds/Economic Development	-	2,007,485	-	-	-	678,594	2,686,079
Public Works	-	-	-	-	-	681,548	681,548
Culture & Recreation	-	-	-	-	-	234,186	234,186
Public Safety	-	-	-	-	-	134,456	134,456
Other/General Government	-	-	-	-	-	216,659	216,659
Committed:							
Sales Tax Funds/Economic Development	-	-	615,724	-	-	-	615,724
Equipment Replacement	-	-	-	-	-	698,321	698,321
Public Safety	-	-	-	-	-	19,504	19,504
Public Works	-	-	-	-	-	151,195	151,195
Unassigned:							
General Fund	1,124,633	-	-	-	-	-	1,124,633
Total Fund Balances	\$ 1,124,633	\$ 3,236,766	\$ 1,493,216	\$ 3,211,386	\$ 1,197,869	\$ 2,908,314	\$ 13,172,184
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,237,978	\$ 3,236,766	\$ 1,493,716	\$ 7,979,467	\$ 1,197,869	\$ 2,970,185	\$ 18,115,981

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total *Fund Balances* of Governmental Funds \$ 13,172,184

Total *Net Position* reported for governmental activities in the statement of net position 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	\$ 53,733,007	
Less Accumulated Depreciation	<u>(11,427,097)</u>	42,305,910

Property taxes & special assessments receivable 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 inflows in the funds.

Taxes Receivable	\$ 53,155	
Special Assessments Receivable	<u>41,249</u>	94,404

Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 4,700,375

Net pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds. (1,303,183)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Pension Deferred Inflows of Resources	\$ (154,223)	
Pension Deferred Outflows of Resources	<u>116,427</u>	(37,796)

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 expenditure when due. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31st are made up of the following liabilities:

Special Assessment Bonds Payable	\$ (10,995,000)	
Leases Payable	(122,786)	
Interest Payable	(43,251)	
Compensated Absences Payable	<u>(150,404)</u>	
Total Long-Term Liabilities		<u>(11,311,441)</u>

Total Net Position - Governmental Activities \$ 47,620,453

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Major Funds						Total Governmental Funds
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	
<u>Revenues:</u>							
Taxes	\$ 764,256	\$ -	\$ -	\$ -	\$ -	\$ 1,280,062	\$ 2,044,318
Sales Taxes	-	755,080	-	-	1,354,702	113,341	2,223,123
Special Assessment Taxes	-	-	-	1,455,679	-	-	1,455,679
Licenses, Permits and Fees	564,883	-	-	-	-	-	564,883
Fines and Forfeits	89,765	-	-	-	-	-	89,765
Intergovernmental	1,318,644	-	-	-	567,704	51,059	1,937,407
Charges for Services	10,257	-	-	-	-	6,174	16,431
Interest Income	13,699	16,272	243	-	-	923	31,137
Miscellaneous	6,110	25,169	21,197	-	826	146,551	199,853
Total Revenues	\$ 2,767,614	\$ 796,521	\$ 21,440	\$ 1,455,679	\$ 1,923,232	\$ 1,598,110	\$ 8,562,596
<u>Expenditures:</u>							
Current:							
General Government	\$ 566,985	\$ -	\$ -	\$ -	\$ -	\$ 135,360	\$ 702,345
Public Safety	1,591,758	-	-	-	-	88,510	1,680,268
Public Works/Highways & Streets	582,790	-	-	-	-	595,868	1,178,658
Culture and Recreation	264,862	-	-	-	-	369,269	634,131
Economic Development	-	237,580	7,800	-	-	298,590	543,970
Other	8,820	-	-	-	-	-	8,820
Capital Outlay	-	-	-	-	811,357	261,901	1,073,258
Debt Service:							
Principal	-	-	-	1,535,000	-	84,237	1,619,237
Interest	-	-	-	271,102	-	4,128	275,230
Fees	-	-	-	10,533	-	-	10,533
Total Expenditures	\$ 3,015,215	\$ 237,580	\$ 7,800	\$ 1,816,635	\$ 811,357	\$ 1,837,863	\$ 7,726,450
Excess (Deficiency) of Revenues Over Expenditures	\$ (247,601)	\$ 558,941	\$ 13,640	\$ (360,956)	\$ 1,111,875	\$ (239,753)	\$ 836,146
<u>Other Financing Sources (Uses):</u>							
Transfers In	\$ 430,655	\$ -	\$ -	\$ 870,054	\$ 524,200	\$ 654,885	\$ 2,479,794
Bond Proceeds	-	-	-	-	460,000	-	460,000
Transfers Out	(170,618)	(172,195)	(5,000)	(281,922)	(807,807)	(628,246)	(2,065,788)
Total Other Financing Sources and Uses	\$ 260,037	\$ (172,195)	\$ (5,000)	\$ 588,132	\$ 176,393	\$ 26,639	\$ 874,006
Net Change in Fund Balances	\$ 12,436	\$ 386,746	\$ 8,640	\$ 227,176	\$ 1,288,268	\$ (213,114)	\$ 1,710,152
Fund Balances - January 1	\$ 1,112,197	\$ 2,531,532	\$ 1,484,576	\$ 2,984,210	\$ (90,399)	\$ 3,027,577	\$ 11,049,693
Prior Period Adjustments	-	318,488	-	-	-	93,851	412,339
Fund Balances - Jan. 1, as restated	\$ 1,112,197	\$ 2,850,020	\$ 1,484,576	\$ 2,984,210	\$ (90,399)	\$ 3,121,428	\$ 11,462,032
Fund Balances - December 31	\$ 1,124,633	\$ 3,236,766	\$ 1,493,216	\$ 3,211,386	\$ 1,197,869	\$ 2,908,314	\$ 13,172,184

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in <i>Fund Balances</i> - Total Governmental Funds		\$ 1,710,152
<p>The change in net position 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 and capital contributions to enterprise activities in the current year.</p>		
Capital Asset Additions (Outlays)	\$ 1,555,652	
Capital Asset Capital Contributions (transfers) to Enterprise Funds	(988,359)	
Current Year Depreciation Expense	<u>(1,432,737)</u>	(865,444)
<p>Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues.</p>		
		3,608
<p>Repayment reduces long-term liabilities in the statement of net position, while the issuance of debt increases long-term liabilities in the statement of net position. This is the amount by which debt repayments exceeded debt issuance.</p>		
Repayment of Bonds	\$ 1,535,000	
Repayment of Leases	84,237	
Issuance of Bonds	<u>(460,000)</u>	1,159,237
<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 Change in Compensated Absences	\$ (8,545)	
Net Change in Interest Payable	<u>3,595</u>	(4,950)
<p>The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.</p>		
Increase in Net Pension Liability	\$ (82,283)	
Increase in Deferred Outflows of Resources for pensions	555	
Decrease in Deferred Inflows of Resources for pensions	<u>84,102</u>	2,374
<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 in taxes and special assessments receivable.</p>		
Net Change in Taxes Receivable	\$ (3,629)	
Net Change in Special Assessments Receivable	(4,415)	
Net Change in Long-Term Uncertified Special Assessments Receivable	<u>(538,899)</u>	(546,943)
Change in Net Position of Governmental Activities		<u><u>\$ 1,458,034</u></u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash, Cash Equivalents, and Investments	\$ 870,775	\$ 285,503	\$ 155,814	\$ 1,312,092
Utility Billings Receivable	104,433	76,419	58,562	239,414
Total Current Assets	<u>\$ 975,208</u>	<u>\$ 361,922</u>	<u>\$ 214,376</u>	<u>\$ 1,551,506</u>
Noncurrent Assets:				
Capital Assets (Being Depreciated):				
Buildings	\$ 1,688,938	\$ 49,094	\$ -	\$ 1,738,032
Equipment	354,820	420,805	-	775,625
Vehicles	-	29,830	-	29,830
Infrastructure	1,934,651	3,311,607	-	5,246,258
Total Noncurrent Assets	<u>\$ 3,978,409</u>	<u>\$ 3,811,336</u>	<u>\$ -</u>	<u>\$ 7,789,745</u>
Total Assets	<u>\$ 4,953,617</u>	<u>\$ 4,173,258</u>	<u>\$ 214,376</u>	<u>\$ 9,341,251</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions	\$ 23,699	\$ 14,350	\$ 1,592	\$ 39,641
Total Assets & Deferred outflows of resources	<u>\$ 4,977,316</u>	<u>\$ 4,187,608</u>	<u>\$ 215,968</u>	<u>\$ 9,380,892</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable & Accrued Expenses	\$ 12,202	\$ 8,343	\$ 37,145	\$ 57,690
Accrued Interest Payable	8,225	1,417	-	9,642
Revenue Bonds Payable	126,000	20,000	-	146,000
Compensated Absences Payable	3,019	1,528	191	4,738
Total Current Liabilities	<u>\$ 149,446</u>	<u>\$ 31,288</u>	<u>\$ 37,336</u>	<u>\$ 218,070</u>
Noncurrent Liabilities:				
Revenue Bond Payable	\$ 861,000	\$ 150,000	\$ -	\$ 1,011,000
Compensated Absences Payable	27,174	13,751	1,715	42,640
Net Pension Liability	265,262	160,624	17,821	443,707
Total Noncurrent Liabilities	<u>\$ 1,153,436</u>	<u>\$ 324,375</u>	<u>\$ 19,536</u>	<u>\$ 1,497,347</u>
Total Liabilities	<u>\$ 1,302,882</u>	<u>\$ 355,663</u>	<u>\$ 56,872</u>	<u>\$ 1,715,417</u>
DEFERRED INFLOWS OF RESOURCES:				
Pensions	\$ 31,392	\$ 19,009	\$ 2,109	\$ 52,510
Total Liabilities & Deferred inflows of resources	<u>\$ 1,334,274</u>	<u>\$ 374,672</u>	<u>\$ 58,981</u>	<u>\$ 1,767,927</u>
NET POSITION				
Net Investment in Capital Assets	\$ 2,991,409	\$ 3,641,336	\$ -	\$ 6,632,745
Unrestricted	651,633	171,600	156,987	980,220
Total Net Position	<u>\$ 3,643,042</u>	<u>\$ 3,812,936</u>	<u>\$ 156,987</u>	<u>\$ 7,612,965</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
<u>Operating Revenues:</u>				
Charges for Sales and Services	\$ 1,635,024	\$ 735,050	\$ 496,441	\$ 2,866,515
<u>Operating Expenses:</u>				
Salaries and Wages	\$ 329,815	\$ 200,762	\$ 23,980	\$ 554,557
Benefits	87,636	70,797	7,262	165,695
Heating Fuel, Gas and Oil	8,610	5,827	799	15,236
Utilities - Electricity and Telephone	60,327	56,429	133,757	250,513
Attorneys	2,200	1,100	-	3,300
Service Contracts	13,590	12,667	-	26,257
Waste Removal Contract	-	-	275,750	275,750
Hazardous Waste Disposal Fees	-	-	7,250	7,250
Supplies and Postage	13,430	10,753	4,576	28,759
Repairs and Maintenance	21,845	1,711	-	23,556
Equipment/Technology	33,113	-	-	33,113
Equipment & Maintenance/Repairs	35,654	8,679	9,580	53,913
Lift Station Maintenance	-	36,216	-	36,216
Insurance and Safety	25,899	5,000	-	30,899
Chemicals	137,811	34,134	27,624	199,569
Mosquito Control/Spraying	-	-	3,000	3,000
Professional Fees and Other Service Charges	2,383	-	-	2,383
Meters/Hydrants/Wells/Lagoons/Manholes	43,531	37,305	-	80,836
Manhole Maintenance	-	41,762	-	41,762
Utility Main/Water Main Valve Repairs	22,791	14,476	7,514	44,781
Wells/Testing Fees	5,467	5,532	-	10,999
Audit Fees	5,475	5,475	-	10,950
Schools/Training	1,917	1,456	60	3,433
Lagoons & Water Storage	6,602	19,508	-	26,110
Memberships	178	-	-	178
Miscellaneous Operating	1,410	3,255	10,168	14,833
Processing Fees	7,733	7,641	-	15,374
Worker's Compensation	783	1,024	-	1,807
Curbsstop Repairs	3,083	-	-	3,083
Uncollectible Accounts / refunded accounts	1,004	502	-	1,506
Depreciation	169,617	165,759	-	335,376
Total Operating Expenses	\$ 1,041,904	\$ 747,770	\$ 511,320	\$ 2,300,994
Operating Income	\$ 593,120	\$ (12,720)	\$ (14,879)	\$ 565,521
<u>Nonoperating Revenues (Expenses):</u>				
Interest Income	\$ 996	\$ 996	\$ -	\$ 1,992
Miscellaneous Income	3,820	-	-	3,820
Capital Asset Losses	(3,272)	-	-	(3,272)
Interest Expense	(26,742)	(4,583)	-	(31,325)
Service Charges and Administration Fees	(5,245)	(900)	-	(6,145)
Total Nonoperating Revenue (Expenses)	\$ (30,443)	\$ (4,487)	\$ -	\$ (34,930)
Difference in Projected & Actual Investment Earnings	\$ 562,677	\$ (17,207)	\$ (14,879)	\$ 530,591
Transfers In - from Governmental Activities	\$ 451,330	\$ 537,029	\$ -	\$ 988,359
Transfers Out	(244,868)	(169,138)	-	(414,006)
Change in Net Position	\$ 769,139	\$ 350,684	\$ (14,879)	\$ 1,104,944
Total Net Position - January 1	\$ 3,148,496	\$ 3,680,294	\$ 190,236	\$ 7,019,026
Prior Period Adjustments	(274,593)	(218,042)	(18,370)	(511,005)
Total Net Position - January 1, as restated	\$ 2,873,903	\$ 3,462,252	\$ 171,866	\$ 6,508,021
Total Net Position - December 31	\$ 3,643,042	\$ 3,812,936	\$ 156,987	\$ 7,612,965

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers and Users	\$ 1,553,400	\$ 732,998	\$ 500,398	\$ 2,786,796
Payments to Suppliers	(461,499)	(303,785)	(442,952)	(1,208,236)
Payments to Employees	(422,247)	(271,161)	(31,373)	(724,781)
Net Cash Provided by Operating Activities	<u>\$ 669,654</u>	<u>\$ 158,052</u>	<u>\$ 26,073</u>	<u>\$ 853,779</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers to Other Funds	<u>\$ (244,868)</u>	<u>\$ (169,138)</u>	<u>\$ -</u>	<u>\$ (414,006)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Miscellaneous Income	\$ 3,819	\$ -	\$ -	\$ 3,819
Capital Asset Purchases	(38,800)	(30,415)	-	(69,215)
Principal Paid on Capital Debt	(124,000)	(20,000)	-	(144,000)
Interest Paid on Capital Debt	(27,775)	(4,750)	-	(32,525)
Fees Paid on Capital Debt	(5,245)	(900)	-	(6,145)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (192,001)</u>	<u>\$ (56,065)</u>	<u>\$ -</u>	<u>\$ (248,066)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest Received	<u>\$ 996</u>	<u>\$ 996</u>	<u>\$ -</u>	<u>\$ 1,992</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 233,781</u>	<u>\$ (66,155)</u>	<u>\$ 26,073</u>	<u>\$ 193,699</u>
Cash and Cash Equivalents, January 1	<u>\$ 636,994</u>	<u>\$ 351,658</u>	<u>\$ 129,741</u>	<u>\$ 1,118,393</u>
Cash and Cash Equivalents, December 31	<u>\$ 870,775</u>	<u>\$ 285,503</u>	<u>\$ 155,814</u>	<u>\$ 1,312,092</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	\$ 593,120	\$ (12,720)	\$ (14,879)	\$ 565,521
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	169,617	165,759	-	335,376
Change in Assets and Liabilities:				
Utility Billings Receivable	(81,624)	(2,052)	3,957	(79,719)
Changes in pension items	(484)	(292)	(32)	(808)
Accounts Payable	(6,663)	6,667	37,126	37,130
Salaries Payable	(6,554)	-	-	(6,554)
Compensated Absences Payable	2,242	690	(99)	2,833
Net Cash Provided (Used) by Operating Activities	<u>\$ 669,654</u>	<u>\$ 158,052</u>	<u>\$ 26,073</u>	<u>\$ 853,779</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2015

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$ 9,716</u>
<u>Liabilities:</u>	
Due to Other Entities	<u>\$ 9,716</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wahpeton, North Dakota operates under a Home Rule Charter adopted in 1988. The home rule charter enables the city to enact ordinances. Additionally, the city operates under the modern city council form of government as outlined in North Dakota Century Code chapter 40-04.1. 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 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 of Wahpeton. 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 Wahpeton 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 Wahpeton.

Based on these criteria, the component unit discussed below is included within the city's reporting entity because of the significance of its operational or financial relationships with the city.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component unit have been included in the financial reporting entity as a discretely presented component unit. GASB 61 is the standard applicable to the proper determination of component units.

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

City of Wahpeton Economic Development Commission / Job Development Authority – The City of Wahpeton Economic Development Commission governing board consists of two City Council members and five additional members appointed by the City Council. The Economic Development Commission is reported as if it were part of the city's operations. The Economic Development Commission activity is reported in various special revenue funds, some of which are major funds.

RELATED ORGANIZATIONS

The City of Wahpeton is accountable for the Bois de Sioux Golf Club, a legally separate entity because it appoints a voting majority to its governing board. The city also owns the land used by the golf club, and the building. The city cannot and does not control the operations of the club.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the City of Wahpeton and its component unit. 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 non-exchange 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 and interest, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the city's funds including its fiduciary funds and blended component unit. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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 (including various city departments), except those required to be accounted for in another fund.

Sales Tax Economic Development Fund (special revenue fund). This fund accounts for the use of city sales tax for various purposes within the city, primarily to make capital improvements and to make economic development grants and loans. The primary revenue source in this fund includes restricted sales tax dollars.

Revolving Loan Fund (special revenue fund). This fund accounts for the use of the money set aside for various types of economic development loans. The primary source of revenue is sales tax funds committed by action of the city council at the highest decision level of authority.

Debt Service Funds. Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds. Capital projects funds are used to account for financial resources, including special assessments, to be used for the acquisition or construction of major capital facilities, (other than those financed by proprietary funds and trust funds).

The City reports the following major enterprise funds:

Water Operating Fund. This fund accounts for the activities of the Water Department. This department is responsible for raw water treatment and operates the water distribution system to citizens in the City of Wahpeton.

Sanitary Sewer Operating Fund. This fund accounts for the activities of the Sanitary Sewer Department. This department operates the Sewer system to citizens in the City of Wahpeton.

C. 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. Non-exchange 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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.

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts, and certificates of deposit with maturity of less than 90 days.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

E. Capital Assets

Capital assets include property, plant and equipment. Capital Assets are reported in the governmental activities and business-type activities columns of the government-wide financial statements. Additionally, capital assets and capital asset activity are reported in the applicable proprietary statements of net position and revenues, expenses and changes in proprietary net position. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more with useful lives of greater than one fiscal year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets are reported for that acquired and constructed after July 1, 1980 and 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 infrastructure projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized in the governmental funds.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

Governmental and Business-Type Activities:	Years
Buildings	50
Equipment	15
Office Equipment	3
Vehicles	5
Infrastructure	10 - 50

F. Compensated Absences

Full-time and permanent part-time employees are granted vacation benefits at a specified rate per calendar month of full-time service. Other part-time, hourly, temporary and seasonal employees are excluded from earning vacation. Beginning with a new policy approved November 15, 2004; full-time employees earn sick leave benefits at the rate of one working day per month. Part-time and hourly employees do not earn sick leave benefits. Permanent part-time employees earn sick leave benefits at the rate of ½ working day per month.

Four separate computations and credit will be utilized in determining the vacation hours credited each pay period based on longevity.

Police Officers and Sergeants:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	170
1st day of 2nd year - 3rd year	225
1st day of 4th year - 5th year	280
1st day of 6th year - 19th year	335
1st day of 20th year and after	395

Water Plant Personnel:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	150
1st day of 2nd year - 3rd year	200
1st day of 4th year - 5th year	250
1st day of 6th year - 19th year	300
1st day of 20th year and after	350

Other Full-Time City Employees:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	50
1st day of 2nd year - 3rd year	100
1st day of 4th year - 5th year	150
1st day of 6th year - 19th year	200
1st day of 20th year and after	250

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Permanent Part-Time City Employees:

Years of Service	Maximum Hours Credited
Introductory Period	10
Six Month Anniversary	20
1st day of 7th month – 1 year	50
1st day of 2nd year - 5th year	100
1st day of 6th year and after	150

G. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Fund Balances / Net Position

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the City of Wahpeton to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The City of Wahpeton finance committee established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the city's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the city. Unassigned general fund balance of \$1,124,633 at December 31, 2015 represented 37% of annual 2015 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (capital improvements funds, sales tax economic development fund, and revolving loan fund) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

TABLE CONTINUED ON NEXT PAGE...

CITY OF WAHPETON

Notes to the Financial Statements – Continued

CONTINUED....

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

City of Wahpeton has non-spendable, restricted, committed, and unassigned fund balances reported in the balance sheet at December 31, 2015.

Non-spendable Fund Balances (additional detail):

Non-spendable fund balances are reported for long term loans receivable in one major fund for the revolving loan fund.

Restricted Fund Balances – consist of the following items at December 31, 2015:

Restricted fund balances are shown by primary function on the balance sheet for debt service, capital projects, public safety, public works, sales tax/economic development, culture & recreation, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes disaster type grants in various special revenue funds, and other grant funds.
- (b) Committed fund balances (special revenue funds) – committed by governing board city council action;
- Committed in special revenue funds for various sales tax reserve funds, other reserve funds, and police department funds;

Net Position:

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.

Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Restrictions of net position shown in the statement of net position are due to restricted tax levies, restricted Federal & State grants/reimbursements, and restricted amounts for unspent bond proceeds reported in debt service and capital projects funds. Additionally, restricted net position is shown in the statement of net position by primary function as fund balances are shown in the balance sheet, and is restricted for debt service, capital projects, public works, public safety, loans, job/economic development, culture & recreation, and other purposes.

Unrestricted net position consists of activity primarily related to the general fund and negative capital projects fund amounts at year-end. The unrestricted net position is available to meet the City's ongoing obligations

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments – Expenditures/Transfers Out – Major Funds:

The city's governing board approved budget amendments for various governmental funds expenditures and transfers out that are overspent from original budget amounts.

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
Revolving Loan Fund	\$ 11,150	\$ 1,655	\$ 12,805
Debt Service Funds	1,039,377	134,235	1,173,612
Capital Project Funds	20,300	964,315	984,615
Library Levy	290,691	202,604	493,295
Planning Commission Levy	13,748	7,237	20,985
Band Levy	3,437	65	3,502
Employee Safety	1,500	33,530	35,030
Fire Dept. Building & Equipment Levy	321,500	27,550	349,050
Special Transportation Funding	-	67,134	67,134
Unemployment Compensation	-	729	729
Miscellaneous Fund	400	4,535	4,935
Vector Control District	1,800	756	2,556
1% Lodging Tax (Additional)	35,000	4,761	39,761
Sales Tax Housing & Development	-	17,120	17,120
Sales Tax Mini-Match Reserve	-	14,726	14,726
Sales Tax Help Housing	-	620	620
Police Dept. Special Equipment	-	40,523	40,523
Clubhouse Maintenance	5,000	2,695	7,695
Sidewalk Maintenance Fund	-	7,997	7,997
C.E.R.T.	-	1,377	1,377

NOTE 3: DEPOSITS

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 institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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 year ended December 31, 2015, the city's carrying amount of deposits was \$12,097,811 and the bank balances were \$12,194,303. Of the bank balances, \$2,071,488 was covered by Federal Depository Insurance. The remaining bank balances of \$ 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, 2015, the city held certificates of deposit totaling \$351,502.

The City's latest bond rating was A1 as received from Moody's Investment Services for the refunding improvement bonds of 2014 issued.

NOTE 4: UTILITY BILLINGS RECEIVABLE

Utility billings receivable consists of amounts due from citizens on open account for water, sewer and garbage services furnished by the city. No allowance has been established for estimated uncollectible utility billings receivable.

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due from the state government for sales tax, highway tax, and state revenue sharing collected and not yet distributed but owed to the city at year-end.

NOTE 6: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due the City at December 31 for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

NOTE 8: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists 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 long-term special assessments receivable.

NOTE 9: LOANS RECEIVABLE

Loans receivable consist of loans for the promotion of economic development within the city through various Wahpeton sales tax and loan funds. The loans receivable activity for the year ended December 31, 2015 is as follows:

City Fund:	Beginning Balance	Additions	Adjustments	Deductions	Ending Balance
Sales Tax Loans	\$ 540,000	\$ 790,000	\$ -	\$ 379,000	\$ 951,000
PACE Loans	61,876	534,191	-	223,935	372,132
RLF & FLEX Loans	926,947	78,068	7,844	135,367	877,492
Total Loans Receivable	\$ 1,528,823	\$ 1,402,259	\$ 7,844	\$ 738,302	\$ 2,200,624

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Governmental Activities

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1/1/2015	Increases	Decreases	Transfers	Balance 12/31/2015
<i>Capital assets not being depreciated:</i>					
Land	\$ 3,115,810	\$ -	\$ -	\$ -	\$ 3,115,810
Construction in Progress	3,720,328	685,400	-	(3,220,989)	1,184,739
Total Capital Assets, Not Being Depreciated	\$ 6,836,138	\$ 685,400	\$ -	\$ (3,220,989)	\$ 4,300,549
<i>Capital assets being depreciated:</i>					
Buildings	\$ 4,775,590	\$ -	\$ -	\$ -	\$ 4,775,590
Equipment	4,612,212	696,957	201,000	(34,000)	5,074,169
Vehicles	459,852	38,545	16,190	-	482,207
Infrastructure	36,695,504	-	-	2,404,988	39,100,492
Total Capital Assets, Being Depreciated	\$ 46,543,158	\$ 735,502	\$ 217,190	\$ 2,370,988	\$ 49,432,458
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,647,915	\$ 82,649	\$ -	\$ -	\$ 1,730,564
Equipment	2,676,153	258,637	201,000	-	2,733,790
Vehicles	332,500	39,986	16,190	-	356,296
Infrastructure	5,554,982	1,051,465	-	-	6,606,447
Total Accumulated Depreciation	\$ 10,211,550	\$ 1,432,737	\$ 217,190	\$ -	\$ 11,427,097
Total Capital Assets Being Depreciated, Net	\$ 36,331,608	\$ (697,235)	\$ -	\$ 2,370,988	\$ 38,005,361
Governmental Activities Capital Assets, Net	\$ 43,167,746	\$ (11,835)	\$ -	\$ (850,001)	\$ 42,305,910

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 87,969
Public Safety	109,591
Public Works	175,712
Culture and Recreation	8,000
Infrastructure	1,051,465
Total Depreciation Expense-Governmental Activities	\$ 1,432,737

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1/1/2015	Increases	Decreases	Transfers	Balance 12/31/2015
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,330,460	\$ -	\$ -	\$ 363,330	\$ 2,693,790
Equipment	1,791,461	38,800	19,815	-	1,810,446
Vehicles	26,447	-	-	-	26,447
Infrastructure	2,642,770	-	-	88,000	2,730,770
Total Capital Assets, Being Depreciated	\$ 6,791,138	\$ 38,800	\$ 19,815	\$ 451,330	\$ 7,261,453
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 958,243	\$ 46,609	\$ -	\$ -	\$ 1,004,852
Equipment	1,419,947	52,222	16,543	-	1,455,626
Vehicles	26,447	-	-	-	26,447
Infrastructure	725,334	70,785	-	-	796,119
Total Accumulated Depreciation	\$ 3,129,971	\$ 169,616	\$ 16,543	\$ -	\$ 3,283,044
Water Fund Capital Assets, Net	\$ 3,661,167	\$ (130,816)	\$ 3,272	\$ 451,330	\$ 3,978,409

Business-Type Activities (Sewer Fund):	Balance 1/1/2015	Increases	Decreases	Transfers	Balance 12/31/2015
<i>Capital assets being depreciated:</i>					
Buildings	\$ 62,942	\$ -	\$ -	\$ -	\$ 62,942
Equipment	2,735,733	586	-	34,000	2,770,319
Vehicles	17,969	29,830	-	-	47,799
Infrastructure	4,026,385	-	-	503,029	4,529,414
Total Capital Assets, Being Depreciated	\$ 6,843,029	\$ 30,416	\$ -	\$ 537,029	\$ 7,410,474
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 12,589	\$ 1,259	\$ -	\$ -	\$ 13,848
Equipment	2,292,646	56,868	-	-	2,349,514
Vehicles	17,969	-	-	-	17,969
Infrastructure	1,110,175	107,632	-	-	1,217,807
Total Accumulated Depreciation	\$ 3,433,379	\$ 165,759	\$ -	\$ -	\$ 3,599,138
Sewer Fund, Capital Assets, Net	\$ 3,409,650	\$ (135,343)	\$ -	\$ 537,029	\$ 3,811,336

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Business-Type Activities (Total):	Balance 1/1/2015	Increases	Decreases	Transfers	Balance 12/31/2015
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,393,402	\$ -	\$ -	\$ 363,330	\$ 2,756,732
Equipment	4,527,194	39,386	19,815	34,000	4,580,765
Vehicles	44,416	29,830	-	-	74,246
Infrastructure	6,669,155	-	-	591,029	7,260,184
Total Capital Assets, Being Depreciated	\$ 13,634,167	\$ 69,216	\$ 19,815	\$ 988,359	\$ 14,671,927
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 970,832	\$ 47,868	\$ -	\$ -	\$ 1,018,700
Equipment	3,712,593	109,090	16,543	-	3,805,140
Vehicles	44,416	-	-	-	44,416
Infrastructure	1,835,509	178,417	-	-	2,013,926
Total Accumulated Depreciation	\$ 6,563,350	\$ 335,375	\$ 16,543	\$ -	\$ 6,882,182
Total Capital Assets Being Depreciated,	\$ 7,070,817	\$ (266,159)	\$ 3,272	\$ 988,359	\$ 7,789,745

NOTE 11: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 430,655	\$ 170,617
Sales Tax Economic Development Fund	-	172,195
Revolving Loan Fund	-	5,000
Debt Service Funds	870,054	281,922
Capital Projects Funds	524,199	807,807
Library	112,270	216,628
Planning Commission Levy	7,082	-
Band Levy	3,600	-
Social Security Levy	-	105,861
Retirement Levy	-	127,637
Capital Improvements	199,882	90,000
Real Estate Levy	-	25,000
Levee Maintenance	154,856	-
Economic Development	172,195	-
Weed Maintenance Levy	-	14,320
Police Dept. Special Equipment Fund	2,500	-
1% Restaurant Enhancement Tax	-	48,800
C.E.R.T.	2,500	-
Business-Type Funds		
Water	-	244,868
Sewer	-	169,138
Total Transfers	\$ 2,479,793	\$ 2,479,793

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.

Government-wide Transfers:

Transfers of capital assets were done from governmental activities to business-type activities totaling \$988,359.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 12: DEFERRED INFLOWS

Government Wide Statements:

Deferred inflows of resources at the government-wide level consist of amounts related to pensions for the calculation by the actuary of the difference between the projected and actual investment earnings totaling \$50,680, and for contributions made after the measurement date totaling \$105,388 for a total of \$156,068.

Deferred inflows of resources in the fund financial statements balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for unavailable property taxes and special assessments.

Deferred inflows of resources in the governmental fund modified accrual basis balance sheet as of December 31, 2015 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 10,368
Delinquent property taxes receivable (debt service fund- major)	26,457
Delinquent property taxes receivable (non-major funds)	16,330
Delinquent special assessments receivable (debt service funds)	41,249
Long-Term Uncertified Special Assessments Receivable (debt service)	4,700,375
Total Deferred Inflows of Resources	\$ 4,794,779

NOTE 13: ACCOUNTS PAYABLE

Accounts payable and accrued expenses consists of amounts due and payable at year-end for various goods and services but not paid until after year-end. It also consists of accrued payroll benefits due and payable for amounts withheld from employee paychecks at year-end but not paid until after year-end.

NOTE 14: PAYROLL BENEFITS

Salaries payable and accrued benefits represent employee compensation withholding amounts for state and federal taxes, social security, retirement, cafeteria benefits, and child support.

NOTE 15: GRANT MATCH PAYABLE

The City has a contingent grant match payable of \$17,044 reported in the Sales Tax Recreation Fund (non-major special revenue fund); this is related to ND DOT Traffic Enhancement grant match for 16th Avenue Shared Use Path.

NOTE 16: CDBG/RLF PAYABLE

The City has obtained Community Development Block Grant (CDBG) revolving loan fund (RLF) 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

As of December 31, 2015, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of \$500. The City receives reimbursement for payments made on this loan payable.

NOTE 17: DUE TO OTHER GOVERNMENTS

Due to other governments at December 31 represents an amount owed to the park district for their approved share of state revenue sharing at year end.

NOTE 18: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2015.

NOTE 19: LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities of the city (including compensated absences and pensions):

Governmental Activities:

Governmental Activities:	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Special Assessment Bonds	\$ 12,070,000	\$ 460,000	\$1,535,000	\$10,995,000	\$ 1,575,000
Leases Payable	207,023	-	84,237	122,786	85,949
Net Pension Liability	1,220,900	82,283	-	1,303,183	-
Compensated Absences *	141,859	8,545	-	150,404	15,040
Total Governmental Activities	\$ 13,639,782	\$ 550,828	\$1,619,237	\$12,571,373	\$ 1,675,989

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Revenue Bonds	\$ 1,111,000	\$ -	\$ 124,000	\$ 987,000	\$ 126,000
Compensated Absences *	27,951	2,242	-	30,193	3,019
Net Pension Liability	248,513	16,749	-	265,262	-
Total Water Fund	\$ 1,387,464	\$ 18,991	\$ 124,000	\$ 1,282,455	\$ 129,019

Business-Type Activities (Sewer Fund):	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Revenue Bonds	\$ 190,000	\$ -	\$ 20,000	\$ 170,000	\$ 20,000
Compensated Absences *	14,588	691	-	15,279	1,528
Net Pension Liability	150,482	10,141	-	160,623	-
Total Sewer Fund	\$ 355,070	\$ 10,832	\$ 20,000	\$ 345,902	\$ 21,528

Business-Type Activities (Other Funds):	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Compensated Absences *	\$ 2,005	\$ -	\$ 99	\$ 1,906	\$ 191
Net Pension Liability	1,585	7	-	1,592	-
Total Other Funds	\$ 3,590	\$ 7	\$ 99	\$ 3,498	\$ 191

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Business-Type Activities (Total):	Balance 1/1/2015	Increases	Decreases	Balance 12/31/2015	Due Within One Year
Revenue Bonds	\$ 1,301,000	\$ -	\$ 144,000	\$ 1,157,000	\$ 146,000
Compensated Absences *	44,544	2,933	99	47,378	4,738
Net Pension Liability	400,580	26,897	-	427,477	-
Total Business-Type Activities	\$ 1,746,124	\$ 29,830	\$ 144,099	\$ 1,631,855	\$ 150,738

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Special Assessment Debt:

The city has issued 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 a special assessment deficiency tax, in the event that collections of special assessments and other revenues are insufficient for the repayment of the bonds.

Long-term debt of the governmental activities at December 31, 2015, is comprised of the following individual issues:

Special Assessment Bonds (governmental activities):

\$1,815,000 Series A 2012 Refunding Improvement Bonds #11212, due in annual installments of \$215,000 to \$280,000 through 2021, with interest at .8 to 1.8%.	\$ 1,155,000
\$3,130,000 2009 Refunding Improvement Bonds #10809, due in annual installments of \$240,000 to \$245,000 through 2017, with interest at 3.15% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002.	485,000
\$5,405,000 2010 Refunding Improvement Bonds #10910, due in annual installments of \$335,000 to \$415,000 through 2025, with interest at 2.0% to 3.5%. This issue refunded series 2007 to be called in February 2012.	3,725,000
\$460,000 2015 Refunding Improvement Bonds #11415, due in annual installments of \$40,000 to \$50,000 through 2025, with interest at 1.1% to 3.3%.	460,000
\$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of \$150,000 to \$195,000 through 2020, with interest at 4.5%.	895,000
\$1,120,000 2011 Refunding Improvement Bonds #11011, due in annual installments of \$130,000 to \$140,000 through 2019, with interest at 1.75% to 2.5%. This issue refunded series 2003D.	535,000
\$3,290,000 Series B 2011 Refunding Improvement Bonds #11111, due in annual installments of \$135,000 to \$285,000 through 2026, with interest at 1.1% to 2.8%. This issue refunded series 2007 to be called in February 2013.	2,420,000
\$1,390,000 Series 2014 Refunding Improvement Bonds #11314, due in annual installments of \$90,000 to \$105,000 through 2029, with interest at 1.25% to 3.0%.	<u>1,320,000</u>
Total Special Assessment Bonds	<u>\$10,995,000</u>

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Capital Leases - The primary government has entered into lease agreements as lessee for financing the acquisition of a Case 821F wheel loader (total principal cost of \$194,800), and a RDO Equipment Sno Go Snow Blower (\$145,654). These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Governmental activities debt service requirements to maturity (excluding compensated absences payable) at December 31, 2015 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending Dec. 31st	Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest
2016	\$ 1,575,000	\$ 247,324	\$ 85,949	\$ 2,416
2017	1,570,000	216,621	36,837	890
2018	1,330,000	187,319	-	-
2019	1,340,000	157,934	-	-
2020	1,195,000	127,531	-	-
2021 - 2025	3,475,000	316,828	-	-
2026 - 2030	510,000	23,700	-	-
Total	\$ 10,995,000	\$ 1,277,257	\$ 122,786	\$ 3,306

Business-Type Activities – Revenue Bonds:

The city issues bonds where the city pledges income derived from the operations to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. The Refunding Revenue Bonds are special obligations of the city payable solely from, and secured as to payment of principal and interest by a pledge of, the receipts from revenues of the water, sewer and garbage utility systems.

The general 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.

Enterprise Revenue Bonds:

Water Fund:

\$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; due in annual installments of \$20,000 through 2018, with interest at 2.5% \$ 60,000

Enterprise Revenue Bonds: Continued

Water Fund:

\$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$105,000 to \$126,000 through 2023, with interest at 2.5% 927,000

Total Water Fund \$ 987,000

Sewer Fund:

\$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$20,000 to \$25,000 through 2023, with interest at 2.5% \$ 170,000

Total Enterprise Revenue Bonds \$1,157,000

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Revenue bond debt service requirements with set payment schedules to maturity are as follows:

BUSINESS-TYPE ACTIVITIES - REVENUE BONDS						
Year Ending Dec. 31st	WATER FUND		SEWER FUND		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 126,000	\$ 24,675	20,000	4,250	\$ 146,000	\$ 28,925
2017	128,000	21,525	20,000	3,750	148,000	25,275
2018	131,000	18,325	20,000	3,250	151,000	21,575
2019	115,000	15,050	20,000	2,750	135,000	17,800
2020	118,000	12,175	20,000	2,250	138,000	14,425
2021 - 2025	369,000	18,600	70,000	3,625	439,000	22,225
Total	\$ 987,000	\$ 110,350	\$ 170,000	\$ 19,875	\$ 1,157,000	\$ 130,225

NOTE 20: CONDUIT DEBT

Industrial Development Revenue Bonds:

From time to time, the city has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from 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 issuance. 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. The aggregate amount outstanding of these types of bonds is not known at December 31, 2015.

Economic Development Loans / Governor’s Revolving Fund Loans:

From time to time, the City of Wahpeton has lent their name to private industries to help them secure community development block grant loans administered by the Lake Agassiz Regional Council and loans from the Governor’s Revolving Fund. The loans are issued for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity. The City is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

The total principal balance of the CDBG loans issued to various industries totaled \$1,150,000 at December 31, 2015. The outstanding principal balance on those loans was \$410,616 at December 31, 2015.

NOTE 21: RISK MANAGEMENT

The City of Wahpeton is exposed to various risks of loss related 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 assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to \$2,717,407 for public assets (inland marine/mobile equipment and portable property) coverage.

The City of Wahpeton 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. 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 employees with health insurance. Contributions to the insurance plan are based on family, single or no coverage selections made by the employees.

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

NOTE 22: PENSION PLAN

General Information about the Pension Plan***North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City chose to increase their contribution to 10.26% to reduce the employee contribution from 7% to 5% of the employee's salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At 12/31/2015, the Employer reported a liability of \$1,746,890 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 06/30/2015 the Employer's proportion was .256902 percent, which was a decrease of .000942 percent from its proportion measured as of 12/31/2014.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

For the year ended 12/31/2015 the Employer recognized pension expense of \$163,668. At 12/31/2015 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual	\$ 50,680	\$ -
Change in proportion and differences between contributions & proportionate share of contributions	-	14,216
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	36,877
Changes of Assumptions	-	155,640
District Contributions Subsequent to the	105,388	-
Total	\$ 156,068	\$ 206,733

\$156,068 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (47,298)
2017	(47,298)
2018	(47,298)
2019	28,903
2020	(28,845)

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability	\$ 2,678,768	\$ 1,746,890	\$ 984,449

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 23 FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2015:

Fund Name	Balance
Governmental Funds	
<u>Capital Project Funds:</u>	
5-2-97 Flood Phase II	\$ (1,067,783)
Town Centre Square	(167,783)
16th Ave. 11th St. to Highway 210	(231,677)
E. Central Streets	(393)
N. Central Streets	(253)
E. Sanitary Sewer 13-02-02	(126,980)
Lift Station #1 Manhole Repair	(25,042)
Business-Type Funds	
<u>Nonmajor Business-Type Funds:</u>	
Street Lights	(13,703)

CITY OF WAHPETON

Notes to the Financial Statements – Continued

The City will relieve the deficits in the construction funds with future special assessment collections. The remaining fund deficits will be relieved with future tax collections, transfers, debt issuances and/or fees collected.

NOTE 24: FRANCHISE AGREEMENTS

The City of Wahpeton has various franchise fees owed to them from various companies. The franchise fees are based on services provided and fees collected at 5% of cable television revenues, 3% of natural gas revenues and 3% of the electric rate revenues. The Electric and Natural Gas Franchise fees are limited not to exceed \$200 per month per account by Council Resolution biennially. Remaining payments on franchise contracts owed to the City of Wahpeton as of December 31, 2015 are estimated at current rates as follows:

Payments to Wahpeton	Contract Term	Contract Start	Renewal or Term. Date	Total Contract Amount	Received 2015	Remaining at 12-31-15
Midcontinent Communications	10 years	9/1/14	9/1/24	\$ 940,000	\$ 108,198	\$808,302
Great Plains Natural Gas	10 years	11/13/07	5/17/17	900,000	73,196	181,804
Ottertail Power Company	10 years	10/5/09	10/16/19	1,960,000	214,216	716,784

NOTE 25: COMMITMENTS

The City of Wahpeton had various commitments to vendors outstanding longer than one year as of December 31, 2015. The larger of these commitments are as follows:

Other commitments/contracts:

Other Commitments-Contracts	Contract Term	Contract Start	Renewal or Term. Date	Total Contract Amount	Paid 2015	Remaining at 12-31-15
Waste Management - Garbage Contract	120 months	7/1/13	6/30/18	2,528,880	252,888	632,220
E-Civis -- Grants Database subscription	36 months	9/18/12	9/18/15	11,505	3,835	-
Leads Online -- License for database	36 months	5/7/12	5/7/15	5,274	1,758	-
NDA Co Resources Group- server mgmt.	12 months	6/1/15	5/31/16	9,000	5,250	3,750
Verizon Wireless - cell phone services	48 months	4/10/12	4/10/16	39,600	9,900	3,300

Construction Contracts:

Project - 2015	Project Amount	Change Orders	Total Project	Total Completed	Remaining Project
<i>Capital Improvements:</i>					
16th Ave. N. 11th St. to 210 Bypass	\$ 585,107	\$ 49,206	\$ 634,313	\$ 227,774	\$ 406,539
Commercial Street Rehab	37,126	(2,521)	34,605	34,605	-
Cul-de-sac Street Imp. Various Locations	134,275	(269)	134,006	134,006	-
Library Roof & Misc. Repairs	176,400	12,993	189,393	189,393	-
Lift St. No. 1 Wet Well Manhole Repair	405,562	12,856	418,418	418,418	-
Reconstruction of 3rd Ave. N.	107,883	43,714	151,597	107,419	44,178
S. Side Storm Sewer Part 3, Ph. B & C	522,310	6,866	529,176	529,176	-
Well Hse. #3 & 10" Pipe Failure	289,300	7,307	296,607	296,607	-
Westside Intersection Traff. Impact Study	22,669	(6,286)	16,383	16,383	-
Westside Liftstation Engineering Project	14,543	(5,726)	8,817	8,817	-
Westside Subdivision Drainage Project	22,057	5,956	28,013	28,013	-
Flood Mitigation - Flowage Easement	47,500	-	47,500	-	47,500
2015 Seal Coat Project	59,293	(4,198)	55,095	55,095	-
Dakota Avenue Concrete Repairs	45,194	(3,328)	41,866	41,866	-
Toe Drain & Levee Encroachments	25,000	-	25,000	23,762	1,238
WTP Facility Plan	65,076	-	65,076	-	65,076
<i>Total Capital Improvements</i>	<i>\$ 2,559,295</i>	<i>\$ 116,570</i>	<i>\$ 2,675,865</i>	<i>\$ 2,111,334</i>	<i>\$ 564,531</i>

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Operating Leases – Equipment:

City of Wahpeton is engaged in various operating leases which include copiers, and a postage machine. Total operating lease payments made during 2015 totaled \$3,452.

Remaining operating lease payment commitments to Pitney Bowes for the postage machine, and to Toshiba for the copier are as follows at December 31, 2015:

Year	Pitney	Tohiba	Total
2016	\$ 1,668	\$ 1,967	\$ 3,635
2017	1,667	1,967	3,634
2018	1,668	1,967	3,635
2019	1,667	1,967	3,634
2020	1,668	1,967	3,635
Totals	\$ 8,338	\$ 9,835	\$ 18,173

NOTE 26: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position in governmental activities, business-type activities, the water fund, the sewer fund, and other enterprise funds, which consists of the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS).

Additionally, prior period errors were noted in governmental activities and business-type activities related to capital asset accumulated depreciation and to construction in progress. Furthermore, it was noted that governmental funds and activities for prior expenditures reclassified to loans receivable.

The effect of the prior period adjustments to beginning net position and to beginning fund balances are as follows:

Governmental Activities:	Net Position
Net Position December 31, 2014, as previously reported	\$ 45,539,921
Adjustments to restate the January 1 net position	
Loans receivables - funds 317 & 320	412,339
Capital assets - construction in progress	1,566,965
Capital assets - accumulated depreciation (buildings)	(8,000)
Capital assets - accumulated depreciation (equipment)	(5,453)
Net Pension Liability	(1,343,353)
Net Position January 1, 2015 as restated	\$ 46,162,419

Business-Type Activities:	Net Position
Net Position December 31, 2014, as previously reported	\$ 7,019,026
Adjustments to restate the January 1 net position	
Capital assets - accumulated depreciation (equipment)	(53,621)
Net Pension Liability	(457,384)
Net Position January 1, 2015 as restated	\$ 6,508,021

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Water Operating Fund:	Net Position
Net Position December 31, 2014, as previously reported	\$ 3,148,496
Adjustments to restate the January 1 net position	
Capital assets - accumulated depreciation (equipment)	(1,154)
Net Pension Liability	(273,439)
Net Position January 1, 2015 as restated	\$ 2,873,903

Sanitary Sewer Operating Fund:	Net Position
Net Position December 31, 2014, as previously reported	\$ 3,680,294
Adjustments to restate the January 1 net position	
Capital assets - accumulated depreciation (equipment)	(52,467)
Net Pension Liability	(165,575)
Net Position January 1, 2015 as restated	\$ 3,462,252

Other Enterprise Funds:	Net Position
Net Position December 31, 2014, as previously reported	\$ 190,235
Adjustments to restate the January 1 net position	
Net Pension Liability	(18,370)
Net Position January 1, 2015 as restated	\$ 171,865

Governmental Funds:	Net Position
Fund Balances December 31, 2014, as previously reported	\$ 11,049,693
Adjustments to restate the January 1 net position	
Loans receivables - funds 317 & 320	412,339
Net Position January 1, 2015 as restated	\$ 11,462,032

NOTE 27: SUBSEQUENT EVENTS

At the March 21, 2016 city council meeting, the council approved a refinancing of the remaining 2010 refunding improvement bonds totaling \$3,310,000. The bonds were issued at the April 25, 2016 council meeting. \$3,305,005 of series 2016 bonds were issued to advance refund the remaining 2010 bonds for a total cost savings totaling \$210,126 and a net present value savings totaling \$192,793.

Also, at the March 21, 2016 city council meeting, the council approved a contract with Payment Services Network for electronic payment options of the utility billing component with the city absorbing the fees.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 741,403	\$ 741,403	\$ 764,256	\$ 22,853
Licenses, Permits and Fees	562,234	562,234	564,883	2,649
Fines and Forfeits	133,000	133,000	89,765	(43,235)
Intergovernmental	1,431,945	1,431,945	1,318,644	(113,301)
Charges for Services	1,300	1,300	10,257	8,957
Interest Income	11,000	11,000	13,699	2,699
Miscellaneous Income	7,100	7,100	6,110	(990)
Total Revenues	<u>\$ 2,887,982</u>	<u>\$ 2,887,982</u>	<u>\$ 2,767,614</u>	<u>\$ (120,368)</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 617,544	\$ 617,544	\$ 566,985	\$ 50,559
Public Safety	1,602,251	1,602,251	1,591,758	10,493
Public Works	654,617	654,617	582,790	71,827
Culture and Recreation	223,186	223,186	264,862	(41,676)
Other	16,000	16,000	8,820	7,180
Total Expenditures	<u>\$ 3,113,598</u>	<u>\$ 3,113,598</u>	<u>\$ 3,015,215</u>	<u>\$ 98,383</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (225,616)</u>	<u>\$ (225,616)</u>	<u>\$ (247,601)</u>	<u>\$ (21,985)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 383,109	\$ 383,109	\$ 430,655	\$ 47,546
Transfers Out	(157,493)	(157,493)	(170,618)	(13,125)
Total Other Financing Sources and Uses	<u>\$ 225,616</u>	<u>\$ 225,616</u>	<u>\$ 260,037</u>	<u>\$ 34,421</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,436</u>	<u>\$ 12,436</u>
Fund Balance - January 1	<u>\$ 1,112,197</u>	<u>\$ 1,112,197</u>	<u>\$ 1,112,197</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,112,197</u>	<u>\$ 1,112,197</u>	<u>\$ 1,124,633</u>	<u>\$ 12,436</u>

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
SALES TAX ECONOMIC DEVELOPMENT FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 680,000	\$ 680,000	\$ 755,080	\$ 75,080
Interest income	2,000	2,000	16,272	14,272
Miscellaneous income	7,000	7,000	25,169	18,169
Total Revenues	\$ 689,000	\$ 689,000	\$ 796,521	\$ 107,521
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 504,350	\$ 504,350	\$ 237,580	\$ 266,770
Excess (Deficiency) of Revenues Over Expenditures	\$ 184,650	\$ 184,650	\$ 558,941	\$ 374,291
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (175,650)	\$ (175,650)	\$ (172,195)	\$ 3,455
Net Change in Fund Balances	\$ 9,000	\$ 9,000	\$ 386,746	\$ 377,746
Fund Balance - January 1	\$ 2,850,020	\$ 2,850,020	\$ 2,850,020	\$ -
Fund Balance - December 31	\$ 2,859,020	\$ 2,859,020	\$ 3,236,766	\$ 377,746

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
REVOLVING LOAN FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest income	\$ 650	\$ 650	\$ 243	\$ (407)
Miscellaneous income	10,500	10,500	21,197	10,697
Total Revenues	\$ 11,150	\$ 11,150	\$ 21,440	\$ 10,290
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 6,150	\$ 7,805	\$ 7,800	\$ 5
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,000	\$ 3,345	\$ 13,640	\$ 10,295
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ -
Net Change in Fund Balances	\$ -	\$ (1,655)	\$ 8,640	\$ 10,295
Fund Balance - January 1	\$ 1,484,576	\$ 1,484,576	\$ 1,484,576	\$ -
Fund Balance - December 31	\$ 1,484,576	\$ 1,482,921	\$ 1,493,216	\$ 10,295

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 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:

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).

CITY OF WAHPETON

Notes to the Required Supplementary Information - Continued

- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. He governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

NOTE 2: SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2014	2015
1. District's proportion of the net pension liability (asset)	0.257844%	0.256902%
2. District's proportionate share of the net pension liability (asset)	\$ 1,636,591	\$ 1,746,890
3. District's covered-employee payroll	\$ 2,172,028	\$ 2,288,686
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
5. Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

* Complete data for this schedule is not available prior to 2014.

NOTE 3: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2014	2015
Statutorily required contribution	\$ 154,648	\$ 162,954
Contributions in relation to the statutorily required contribution	\$ (154,648)	\$ (162,954)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,172,028	\$ 2,288,686
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2015

	Balance 1-1-15	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-15
Major Funds:							
General Fund	\$ 784,202.75	\$ 2,877,590.05	\$ 430,655.00	\$ -	\$ 170,617.64	\$ 2,973,050.68	\$ 948,779.48
Major Special Revenue Funds:							
Sales Tax Econ. Development Fund	\$ 2,469,234.92	\$ 812,157.35	\$ -	\$ -	\$ 172,194.94	\$ (80,908.58)	\$ 3,190,105.91
Revolving Loan Fund	1,484,576.29	21,440.32	-	-	5,000.00	7,800.05	1,493,216.56
Total Major Special Revenue Funds	\$ 4,738,013.96	\$ 3,711,187.72	\$ 430,655.00	\$ -	\$ 347,812.58	\$ 2,899,942.15	\$ 5,632,101.95
Major Debt Service Funds:							
Special Assessment Deficiency Levy	\$ 215,074.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,074.50
Tax Increment Fund	24,525.22	241,566.23	-	-	247,180.00	-	18,911.45
R/I 10708 Westside TIF	476,005.16	75,253.73	232,180.00	-	-	205,415.34	578,023.55
R/I 10809 (Refi 5 issues)	556,339.71	180,411.70	120,452.00	-	-	306,485.84	550,717.57
R/I 10910 Series 2010	697,477.67	460,631.05	69,368.00	-	-	527,979.08	699,497.64
R/I 11011 Series 20111 (Refi 03)	272,053.64	110,870.66	-	-	-	153,613.84	229,310.46
R/I 11111 Series 2011B Flood	351,739.79	-	292,328.00	-	-	292,058.50	352,009.29
R/I 11212 Series 2012A	196,760.20	106,051.60	155,726.00	-	-	232,095.59	226,442.21
R/I 11314 Series 2014	194,233.78	172,690.95	-	-	34,741.71	98,652.75	233,530.27
R/I 11415 Series 2015	-	108,202.86	-	-	-	333.50	107,869.36
Total Major Debt Service Funds	\$ 2,984,209.67	\$ 1,455,678.78	\$ 870,054.00	\$ -	\$ 281,921.71	\$ 1,816,634.44	\$ 3,211,386.30
Major Capital Projects Funds:							
Sales Tax for Infrastructure	\$ 1,534,453.18	\$ 566,703.63	\$ -	\$ -	\$ -	\$ -	\$ 2,101,156.81
1/2 Sales Tax	875,464.17	816,053.19	-	-	756,970.02	-	934,547.34
5-2-97 (Flood Phase II)	(1,041,844.25)	-	-	-	-	25,938.90	(1,067,783.15)
08-02-03 Southside Storm Sewer	-	-	34,741.71	-	-	34,741.71	-
Town Centre Square Plaza	(48,799.83)	-	48,799.83	-	-	-	-
3rd Ave. N. Recon. Proj. # ST11-180	(101,434.07)	-	-	-	-	66,140.82	(167,574.89)
11th St. N. Ave. B to 16th Ave.	(668,873.88)	278,404.13	-	460,000.00	50,836.58	18,693.67	-
16th Ave. 11th St. to Highway 210	(104,312.67)	-	-	-	-	127,364.31	(231,676.98)
E. Central Streets 12-01-04	(393.00)	-	-	-	-	-	(393.00)
N. Central Streets 2013 13-01-04	(253.00)	-	-	-	-	-	(253.00)
E. Sanitary Sewer 13-02-02	(115,980.00)	-	-	-	-	11,000.00	(126,980.00)
Well #3 Riser Repairs/Well HSE	(43,238.65)	289,300.00	74,030.44	-	-	320,091.79	-
Library Roof, Walls, & Door	(39,329.52)	-	216,627.57	-	-	177,298.05	-
Lift Station #1 Manhole Repair	(325,212.06)	825.60	150,000.00	-	-	127,459.35	(301,845.81)
Vector Control Capital Equip.	-	-	-	-	-	25,041.68	(25,041.68)
Total Major Capital Projects Funds	\$ (79,753.58)	\$ 1,951,286.55	\$ 524,199.55	\$ 460,000.00	\$ 807,806.60	\$ 933,770.28	\$ 1,114,155.64
Non-Major Funds:							
Special Revenue Funds:							
Library Levy	\$ 218,754.97	\$ 286,229.11	\$ 112,269.81	\$ -	\$ 216,627.57	\$ 276,663.88	\$ 123,962.44
Advertising Levy	21,959.73	15,417.74	-	-	-	12,869.71	24,507.76
Planning Commission Levy	544.14	13,358.98	7,081.83	-	-	20,984.95	-
Band Levy	3,501.17	3,646.61	3,600.00	-	-	3,501.17	7,246.61
Social Security Levy	29,205.89	114,758.37	-	-	105,861.52	-	38,102.74
Retirement	43,426.42	134,588.15	-	-	127,636.90	-	50,377.67
Employee Safety Committee	13,713.15	1,832.60	-	-	-	3,029.60	12,516.15
Capital Improvements	851,216.50	5,629.72	199,882.00	-	90,000.00	268,407.31	698,320.91
Fire Dept. Bldg. & Equipment Levy	171,570.25	247,948.81	-	-	-	349,034.40	70,484.66
Real Estate Levy	67,057.97	155,103.64	-	-	25,000.00	34,834.88	162,326.73
Special Street Maintenance	63,706.14	113,495.34	-	-	-	123,739.60	53,461.88
Snow/Flood Emergency Levy	23,367.42	30,225.25	-	-	-	2,137.50	51,455.17
Levee Maintenance	-	-	154,856.02	-	-	154,856.02	-
City Share of Specials Levy	56,727.68	42,122.03	-	-	-	34,929.63	63,920.08
Special Transportation Funding	386,454.25	-	-	-	-	67,133.04	319,321.21
Unemployment Compensation Reserve	22,067.80	-	-	-	-	728.19	21,339.61
Economic Development Department	-	2,485.16	172,194.94	-	-	174,680.10	-
Miscellaneous Fund	936.89	4,615.84	-	-	-	5,332.88	219.85

Continued on next page..

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2015

CONTINUED	Balance 1-1-15	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-15
Non-Major Funds:							
Special Revenue Funds:							
Vector Control District Levy	\$ 3,745.20	\$ 123.66	\$ -	\$ -	\$ -	\$ 2,555.40	\$ 1,313.46
1% Lodging Tax (Additional 1-1-08)	93,794.92	23,174.94	-	-	-	39,760.28	77,209.58
Job Development Levy	33,217.72	51,732.99	-	-	-	(78,051.78)	163,002.49
Weed Maintenance Levy	116,447.89	53,451.63	-	-	14,320.00	10,455.16	145,124.36
Lodging Tax	41,304.09	46,508.75	-	-	-	35,886.89	51,925.95
Sales Tax Recreation	60,742.96	113,340.72	-	-	-	73,412.99	100,670.69
Sales Tax Defaults Reserve	39,528.98	-	-	-	-	-	39,528.98
Sales Tax Housing & Dev. Agmt.	250,416.07	-	-	-	-	17,118.32	233,297.75
Sales Tax Mini-Match Reserve	18,783.01	-	-	-	-	14,725.03	4,057.98
Sales Tax H.E.L.P. Housing	179,535.76	-	-	-	-	620.00	178,915.76
Employee Bonus/Retirement Reserve	55,149.18	-	-	-	-	12,450.00	42,699.18
Police Dept. Special Equipment	41,039.33	1,000.00	2,500.00	-	-	40,522.55	4,016.78
Police Dept. Canine Unit	11,264.46	1,000.00	-	-	-	672.31	11,592.15
Clubhouse Maintenance	4,999.93	5,000.00	-	-	-	7,694.20	2,305.73
Sidewalk Maintenance	70,164.67	-	-	-	-	7,996.53	62,168.14
1% Restaurant Tax Enhancement	31,711.60	130,069.60	-	-	48,799.83	23,954.67	89,026.70
C.E.R.T.	1,521.01	1,250.00	2,500.00	-	-	1,376.01	3,895.00
Total Special Revenue Funds (nonmajor)	\$ 3,027,577.15	\$ 1,598,109.64	\$ 654,884.60	\$ -	\$ 628,245.82	\$ 1,744,011.42	\$ 2,908,314.15
Total Governmental Funds	\$ 10,670,047.20	\$ 8,716,262.69	\$ 2,479,793.15	\$ 460,000.00	\$ 2,065,786.71	\$ 7,394,358.29	\$ 12,865,958.04
Major Enterprise Funds:							
Water Operating	\$ 641,615.97	\$ 1,636,594.68	\$ -	\$ -	\$ 244,868.44	\$ 1,080,774.00	\$ 952,568.21
Meter Deposits Trust	8,094.94	3,245.87	-	-	-	903.13	10,437.68
Total Water Operating - Major	\$ 649,710.91	\$ 1,639,840.55	\$ -	\$ -	\$ 244,868.44	\$ 1,081,677.13	\$ 963,005.89
Sanitary Sewer Operating	\$ 424,348.47	\$ 736,046.47	\$ -	\$ -	\$ 169,138.00	\$ 637,678.37	\$ 353,578.57
Nonmajor Enterprise Funds:							
Waste Removal Operating	\$ 78,566.22	\$ 275,896.59	\$ -	\$ -	\$ -	\$ 268,776.59	\$ 85,686.22
Waste Reduction	58,931.23	20,500.18	-	-	-	15,434.16	63,997.25
Vector Control	50,082.80	75,380.63	-	-	-	65,208.06	60,255.37
Street Lighting	4,660.47	124,663.86	-	-	-	129,193.53	130.80
Total Nonmajor Enterprise Funds	\$ 192,240.72	\$ 496,441.26	\$ -	\$ -	\$ -	\$ 478,612.34	\$ 210,069.64
Total Enterprise Funds	\$ 1,266,300.10	\$ 2,872,328.28	\$ -	\$ -	\$ 414,006.44	\$ 2,197,967.84	\$ 1,526,654.10
Agency Funds:							
Airport 4 Mill Levy	\$ 1,578.06	\$ 69,074.97	\$ -	\$ -	\$ -	\$ 64,040.98	\$ 6,612.05
Handicapped Parking Fines	5.00	1,075.00	-	-	-	1,080.00	-
Golf Course Donations	23,278.58	14,696.72	-	-	-	34,871.77	3,103.53
Total Agency Funds	\$ 24,861.64	\$ 84,846.69	\$ -	\$ -	\$ -	\$ 99,992.75	\$ 9,715.58
Total Primary Government	\$ 11,961,208.94	\$ 11,673,437.66	\$ 2,479,793.15	\$ 460,000.00	\$ 2,479,793.15	\$ 9,692,318.88	\$ 14,402,327.72

STATE AUDITOR

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

**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

City Council
City of Wahpeton
Wahpeton, 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 Wahpeton as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Wahpeton's basic financial statements, and have issued our report thereon dated May 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wahpeton'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 of Wahpeton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wahpeton'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 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. 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. Given these limitations, during our audit 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.

CITY OF WAHPETON

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 - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free from 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*.

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 13, 2016

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None noted
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Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
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Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None noted
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Section II - Financial Statement Findings

No matters were reported.

STATE AUDITOR

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City Council
City of Wahpeton
Wahpeton, 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 Wahpeton, North Dakota for the year ended December 31, 2015 which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated January 12, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Wahpeton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Wahpeton are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated May 13, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the city's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Wahpeton and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the City of Wahpeton for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the City of Wahpeton.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 13, 2016

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