

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**CITY OF WAHPETON
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



CITY OF WAHPETON
Wahpeton, North Dakota

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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2011

James Sturdevant

Mayor

Alisa Mitskog
Meryl T. Hansey

President
Vice-President

Steve Dale
Renelle Bertsch
Tiana Bohn
Don Bajumpaa
Jim Hartman
Chris DeVries

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

Darcie Huwe
Carla J. Broadland
Randy Nelson
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
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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wahpeton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 41 through 44 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.

CITY OF WAHPETON

Independent Auditor's Report - Continued

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 statement of fund activity is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of fund activity is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

June 4, 2012

CITY OF WAHPETON
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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

FINANCIAL HIGHLIGHTS

- Governmental assets exceeded its liabilities (net assets) by \$31,929,348 at the close of the most recent fiscal year. Of this amount, \$765,006 (unrestricted net assets) may be used to meet the government's ongoing obligations.
- Business-type assets exceeded its liabilities by \$6,659,253 at the close of the most recent fiscal year.
- The total net assets of governmental activities of the City of Wahpeton increased by \$8,295,949 as a result of the most recently completed fiscal year's operations.
- Net assets of the business-type activities increased by \$37,780 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$14,707,129 for governmental activities and \$7,858,348 on the modified accrual basis.
- Governmental expenditures exceeded revenues by \$1,243,173 in the governmental fund-based statements and governmental funds reported combined ending fund balances of \$11,922,696. Approximately 10% (\$1,299,197) of this is available for spending at the government's discretion (committed and unassigned fund balances).
- General fund revenues were \$2,645,164 and general fund expenditures were \$2,669,286. General fund expenditures exceeded revenues by \$24,122 and there were net transfers into the general fund general fund totaling \$76,539. Unassigned fund balance for the general fund was \$749,941 or 28% of the total 2011 general fund expenditures.
- Total revenues from all sources were \$2,333,060 for business-type activities for the year ended December 31, 2011.
- Total expenses were \$6,452,180 for governmental activities on the government-wide basis and total expenditures were \$9,101,521 on the modified accrual basis. The total expenses of business-type activities were \$2,254,280.
- Refunding improvement special assessment bonded debt of \$4,410,000 was issued to re-finance bond series 2003D at \$1,120,000 and bond series 2007 at \$1,490,000. Additionally, \$1,800,000 was included in the series 2011B bonds to finance the final phase of construction on the flood mitigation project. The estimated net present value savings of the refinanced issues are \$53,422 and \$168,750 respectively.

USING THIS ANNUAL REPORT

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Governmental Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's major funds in separate columns with all other governmental funds presented in total in one column.

This report also contains other supplementary information in addition to the basic financial statements.

REPORTING ON THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Wahpeton's finances, in a manner similar to a private-sector business and to answer the question "How did the City do financially during the year ended December 31, 2011?"

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

The *Statement of Activities* presents information on how the City's *net assets* changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected sales tax, and earned but unused vacation leave). Both the Statement of Net Assets and the Statement of Activities present information as follows:

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

The government-wide financial statements include not only Wahpeton City itself (known as the *primary government*), but also a legally separate library for which the City is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wahpeton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds – not the City as a whole. The City's funds can be divided into two categories – governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the government operations and the basic services it provides, and are reported on the modified accrual basis of accounting which focuses on available expendable resources. This allows the reader to evaluate the City's short-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following other major funds: capital improvements fund, sales tax economic development fund, revolving loan fund, debt service fund and capital projects fund. Data from the other 46 special revenue governmental funds are combined into a single, aggregated presentation titled "Other Governmental Funds".

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The City of Wahpeton adopts an annual budget for the general fund, capital improvements fund, sales tax economic development fund, revolving loan fund, and the debt service "fund".

The governmental fund statements may be found on pages 14-15 and 16-17 of this report.

Proprietary Funds - the City of Wahpeton maintains one type of proprietary fund. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide statements. The City of Wahpeton uses enterprise funds to account for its Water Operations and Sewer Operations as major funds and the remaining enterprise funds are combined into a single, aggregated presentation titled "Other Enterprise Funds". Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The proprietary fund statements may be found on pages 18-20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following two tables' present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2011 and 2010. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wahpeton, assets exceeded liabilities by \$31,929,348 at the close of the most recent fiscal year for governmental activities and \$6,659,253 for enterprise business-type activities. The City of Wahpeton's net assets includes its investment in capital assets (e.g. land, buildings, infrastructure, equipment, and vehicles); less any related debt used to acquire those assets that are still outstanding. The City of Wahpeton uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Wahpeton's investment in its capital assets is reported net of related debt (\$13,535,327) for governmental activities and \$5,611,414 for business type activities, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TABLE 1
NET ASSETS**

December 31, 2011 and 2010 (as restated)

	2011	2011	2010	2010
	Governmental	Business-Type	Governmental	Business-Type
Assets:				
Current Assets	\$12,318,046	\$1,135,393	\$ 9,082,867	\$1,006,649
Noncurrent Assets	6,476,408	-	2,785,147	-
Capital Assets (net of accum. depreciation)	30,522,351	7,510,780	27,090,952	7,752,672
Total Assets	\$49,316,805	\$8,646,173	\$38,958,966	\$8,759,321
Liabilities:				
Current Liabilities	\$ 2,031,691	\$ 254,045	\$ 1,584,567	\$ 214,138
Long-Term Liabilities	15,355,766	1,732,875	13,756,675	1,923,710
Total Liabilities	\$17,387,457	\$1,986,920	\$15,341,242	\$2,137,848
NET ASSETS:				
Invested in Capital Assets, net of Related Debt	\$13,535,327	\$5,611,414	\$12,214,676	\$5,659,306
Restricted	17,629,015	-	10,550,082	-
Unrestricted	765,006	1,047,839	852,966	962,167
Total Net Assets	\$31,929,348	\$6,659,253	\$23,617,724	\$6,621,473

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

A large portion of the City of Wahpeton's net assets totaling \$17,629,015 (55%) represents resources that are subject to external restrictions on how they may be used (debt service and other special purposes financed by restricted tax levies). At the end of the 2011, the City of Wahpeton is able to report an increase in total net assets of \$8,311,624. Current assets increased \$3,235,179 (36%) for governmental activities, noncurrent assets of uncertified special assessments receivable increased \$3,691,261 (132.53%), and capital assets net of accumulated depreciation increased \$3,431,399 with the capitalization of stage 2 of the flood mitigation project. Total net assets for business-type activities increased nominally at \$37,780 with additional revenues being applied to meet maintenance needs in the enterprise funds.

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2011 and 2010

	2011 Governmental Activities	2011 Business-Type Activities	2010 Governmental Activities	2010 Business-Type Activities
Revenues				
<u>Program Revenues:</u>				
Charges for Services	\$ 650,758	\$2,209,434	\$ 681,783	\$1,974,967
Operating Grants & Contributions	1,065,125	-	703,150	-
Capital Grants & Contributions	7,939,809	108,778	8,148,169	1,693,142
<u>General Revenues:</u>				
Property Taxes	1,561,186	-	1,508,294	-
Sales Taxes	1,922,142	-	1,761,274	-
Non Restricted Grants & Contributions	648,299	-	523,623	-
Unrestricted Investment Earnings	125,595	1,357	23,092	1,050
Miscellaneous Revenue	794,395	13,491	556,096	3,656
Transfers	41,000	(41,000)	66,610	(79,000)
Total Revenues	<u>\$14,748,129</u>	<u>\$2,292,060</u>	<u>\$13,972,091</u>	<u>\$3,593,815</u>
Expenses				
General Government	\$ 627,971	\$ -	\$ 1,027,891	\$ -
Public Safety	1,540,912	-	1,592,844	-
Public Works	1,913,897	-	2,688,408	-
Culture and Recreation	238,857	-	172,863	-
Economic Development	392,018	-	251,820	-
Capital Outlay	947,374	-	648,686	-
Other	269,148	-	22,911	-
Interest and Service Charges	522,000	-	-	-
Water Operations	-	1,074,747	-	893,398
Sewer Operations	-	676,300	-	685,780
Garbage/Other Operations	-	442,409	-	393,625
Interest and Service Charges	-	60,824	348,050	66,510
Total Expenses	<u>\$ 6,452,180</u>	<u>\$2,254,280</u>	<u>\$ 6,753,473</u>	<u>\$2,039,313</u>
Net Change in Assets	<u>\$ 8,295,949</u>	<u>\$ 37,780</u>	<u>\$ 7,218,618</u>	<u>\$1,554,502</u>
Net Assets – January 1	<u>\$22,907,829</u>	<u>\$6,621,473</u>	<u>\$15,689,211</u>	<u>\$5,066,971</u>
Prior Period Adjustments	\$ 725,570	-	-	-
Net Assets – December 31	<u><u>\$31,929,348</u></u>	<u><u>\$6,659,253</u></u>	<u><u>\$22,907,829</u></u>	<u><u>\$6,621,473</u></u>

Capital grants & contributions constituted 54%, property taxes constituted 11%, sales taxes constituted 13%, operating grants and contributions 7%, miscellaneous revenue 5%, charges for services 5%, and state aid made up 5% of total revenues of governmental activities of the City for year ended December 31, 2011.

General government constituted 10%, public safety 24%, public works 30%, capital outlay 15%, economic development 6%, interest and fees 8%, culture and recreation 3% and miscellaneous expenses 4% of total expenses for governmental activities for the year ended December 31, 2011.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The City of Wahpeton's total net governmental activities assets equity increased by \$8,295,949 (36%) for the year ended December 31, 2011. The net increase is primarily due to growth in special assessments receivable reflected in capital grants and contributions and an increase in loans receivable activity. Business-type activities net assets increased overall by \$37,780 (.6%).

It is noted that governmental activities revenues increased \$776,038 (6%) and business-type revenues decreased overall by \$1,301,755 (36%). The primary cause of the increase in governmental revenues was additional sales tax collections, reimbursement from the ND Department of Transportation for a prior capital project, and the sale of Town Centre Square to a private developer. The business-type activities had a decrease in capital grants and contributions of \$1,584,364. Charges for services in the business type activities increased by \$234,467 (11%) from 2010 to 2011 as year 2 of a three year meter replacement program was completed.

Governmental activities expenses decreased \$301,293 (4%) and business-type expenses increased by \$214,967 (11%). The decrease in governmental expenses was attributed to decreased capital outlays in public works and general government. The increase in business-type expenses is largely due to well repairs, tree disposal site costs, ongoing meter replacements and an increase in wages and salaries charged to the business-type funds.

TABLE III
TOTAL AND NET COST OF SERVICES – GOVERNMENT ACTIVITIES

As of December 31, 2011 and 2010

	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011	Total Cost For Year Ended Dec. 31, 2010	Net Cost For Year Ended Dec. 31, 2010
General Government	\$ 627,974	\$ 146,945	\$1,027,891	\$ 577,351
Public Safety	1,540,912	1,312,399	1,592,844	1,344,079
Public Works	1,913,897	(6,998,537)	2,688,408	(6,134,390)
Culture & Recreation	238,857	205,321	172,863	163,774
Economic Development	392,018	392,018	251,820	251,820
Other	269,148	269,148	22,911	21,001
Capital Outlay	947,374	947,374	648,686	648,686
Interest & Service Charges	522,000	522,000	348,050	348,050
Total Expenses	\$6,452,180	\$(3,203,332)	\$6,753,473	\$(2,779,629)

The net cost of services increased \$423,703 (15%) with the largest area of increase in the Public Works category as capital grants/contributions were a smaller proportion of revenues than reported in the 2010 financial statements and net expenses related to capital outlays increased \$298,688 (46%)

Financial Analysis of the Government's Funds

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

Governmental Funds – Balance Sheet

The focus of the City of Wahpeton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Wahpeton's financing requirements. In particular, unassigned and committed *fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Wahpeton's governmental funds reported combined ending fund balances of \$11,922,696. The total unassigned and committed *fund balances* are \$1,299,197. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending because it has already been committed to pay debt service \$3,896,625 related to capital improvements, and is reserved for inventories \$41,474 and loans \$2,261,184. Total fund balances of governmental funds increased by \$3,192,152 (36%) primarily due to an increase in long term uncertified special assessments receivable.

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance

It is noted that total revenues for governmental funds increased \$1,019,904 (15%) for the year ended December 31, 2011 going from \$6,838,444 to \$7,858,348. The revenue increase was attributed to increases in property tax collections, special assessment collections and strong sales tax revenues. Expenditures decreased overall by \$904,900 (9%) going from \$10,006,421 to \$9,101,521 with reduced expenditures in general government, public works/highways and streets and capital outlays. The debt service funds principal payment expenditures increased overall by \$1,323,081 (89%) with the refunding of bonds issued in 2011 for the Dakota Ave., North Central Streets and Southside Storm Sewer capital improvement projects.

The general fund is the chief operating fund of the City of Wahpeton. At the end of the current fiscal year, unreserved fund balance of the general fund was \$749,941. Unassigned fund balance represents 28% of total general fund expenditures. Revenues of the general fund totaled \$2,645,164 and expenditures totaled \$2,669,286 for the year ended December 31, 2011. Revenues of the general fund increased by \$163,223 (6%) and expenditures increased \$97,036 (3%). Of the increase in revenue \$172,147 was attributed to increased revenues from the State of North Dakota primarily in State Aid and Highway Tax Distributions. Additional revenue gains were seen in licenses, permits, and fees as well as charges for services with the sale of surplus topsoil to a contractor. Revenues from fines and forfeit decreased with lower fee collections from the Municipal Court. The fund balance of the City of Wahpeton's general fund increased by \$52,417 (7%) during the current fiscal year with a decrease in transfers in of \$144,401 and an increase of transfers out of \$18,050.

The capital improvements fund balance decreased \$68,148 to take advantage of a ND Department of Health Clean Diesel Grant for acquisition of a new snow plow truck. The sales tax for economic development fund balance increased \$474,680 due to increased sales tax collections and low project demand. The revolving loan fund balance increased \$157,160 due to the sale of a Northpark spec home. The debt service funds balance increased by \$1,582,332 with multiple property owners pre-paying special assessment and an increase in special assessments certified. The capital projects fund balances decreased (carrying a positive fund balance) by \$888,674 due to the refunding improvement bond issue in December of 2011 with advance funding for anticipated payments to the Army Corps of Engineers for the final phase of the flood mitigation project. The other government funds balance increased \$120,712 with a bonus payment from the ND Dept. of Transportation for additional transportation funding authorized by the ND Legislature in HB 1012 of \$163,610 reflected in the special transportation funding fund.

Proprietary Funds

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

Unrestricted net assets of the Water Operating Fund totaled \$464,283. Total increase in net assets for this fund was \$173,967 (6%). Total Sanitary Sewer Operating Fund net assets decreased \$105,126 (2%). Total other enterprise funds net assets equity totaled \$200,210, a decrease of \$31,061 (13%). There was an increase of approximately \$234,467 in charges for services in the business-type funds resulting in an increase in operating income of \$15,978. The increase in total net assets for the proprietary funds of \$37,780 is attributed to the additional assets capitalized.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget for the City's general operating fund were relatively minor with expenditures equal to the amended appropriations. Realized revenues before transfers were \$191,848 greater than projected creating a surplus in revenue over expense of \$155,143. Transfers in were decreased \$36,705 and transfers out were increased \$133,955 resulting in a net increase in the general fund balance of \$52,417 (7%). The general fund expenditures were amended to actual general ledger amounts for the year ended December 31, 2010, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 41-44 of this report and in Note 2 on pages 28-29 of this report.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2011 amounted to \$30,522,351 (net of accumulated depreciation), representing an increase of \$3,431,399 (13%) due to completion of stage 2 of the flood mitigation project. The decrease in business-type activities capital assets was \$241,892 (3%) due to depreciation expense of \$365,011 exceeding the capitalization of new assets.

TABLE IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2011 and 2010 (as restated)

	2011 Governmental Activities	2011 Business-Type Activities	2010 Governmental Activities	2010 Business-Type Activities
Land	\$ 4,111,045	\$ -	\$ 435,678	\$ -
Buildings	3,024,118	1,488,190	3,111,790	1,534,529
Equipment	2,062,133	828,928	2,128,147	845,560
Vehicles	94,087	10,768	101,349	17,951
Infrastructure	20,792,041	5,182,894	20,404,103	5,354,632
Construction in Progress	435,927	-	909,885	-
Total Capital Assets	\$30,522,351	\$7,510,780	\$27,090,952	\$7,752,672

Additional information on the City of Wahpeton's capital assets can be found in note 11 of this report found on pages 31-32.

DEBT ADMINISTRATION

At year-end the City had total long-term debt and compensated absences for governmental activities totaling \$17,096,618, a net overall increase of \$2,112,619 (14%) over the prior year. The increase was caused by normal scheduled debt payments on existing debt combined with the issuance of \$1,800,000 in special assessment bonds to refund capital projects at completion, and the issuance of another \$2,610,000 in special assessment bonds for new projects. Business-type activities long-term debt decreased by \$188,000 (9%) going from \$2,120,415 to \$1,932,153. The decrease was due solely to scheduled debt payments.

TABLE V
OUTSTANDING LONG-TERM DEBT & COMPENSATED ABSENCES
As of December 31, 2011 and 2010

	Total Outstanding Dec. 31, 2011	Due Within One Year	Total Outstanding Dec. 31, 2010	Due Within One Year
Governmental Activities:				
Special Assessment Bonds Payable	\$16,860,000	\$ 1,625,000	\$14,640,000	\$1,110,000
Leases Payable	127,024	104,893	233,276	127,024
Compensated Absences Payable	109,594	10,959	110,723	11,072
Total Governmental Activities	\$17,096,618	\$ 1,740,852	\$14,983,999	\$1,248,096
Business-Type Activities:				
Revenue Bonds Payable	\$ 1,899,366	\$ 196,000	\$ 2,093,366	\$ 194,000
Compensated Absences Payable	32,787	3,278	27,049	2,705
Total Business-Type Activities	\$ 1,932,153	\$ 199,278	\$ 2,120,415	\$ 196,705
Total Long-Term Debt	\$19,028,771	\$ 1,940,130	\$17,104,414	\$1,444,801

Note 18 to the financial statements describes the City's long-term debt in greater detail and are found on pages 33-36 of this report.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2012 budget included a no change in the mill levy with a City levy rate of 126.22 mills for 2012 equal to 126.22 levied for City services in 2011. The value of a mill for the City for the 2012 budget increased from \$13,328 to \$13,751 per mill.

Total appropriations for operations for 2012 decreased by approximately \$2,048,807 from 2011 levels. The decrease is attributed to fewer capital improvement projects scheduled for construction in 2012. Additional debt service requirements related to refunding improvement bonds issued in Nov. 2010 and the final phase of construction for the permanent flood protection system in Sept. of 2011 increased the budget for debt services \$311,030 (17%). Total budgeted appropriations for the General Fund increased \$82,283 (3%) with the increases primarily in the Street and Police department budgets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives to the citizens of Wahpeton. If you have any questions about this report or need further information, contact the City of Wahpeton Finance Director, Darcie Huwe, 1900 4th Street North, Wahpeton, ND 58075, phone 701-642-8448, fax 701-642-1428, email darcieh@wahpeton.com, or visit us online at <http://www.wahpeton.com>.

CITY OF WAHPETON
Wahpeton, North Dakota
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
ASSETS				
Cash, cash equivalents, and investments	\$ 9,434,158	\$ 990,673	\$ 10,424,831	\$ 120,576
Utility billings receivable	-	144,720	144,720	-
Intergovernmental receivable	394,988	-	394,988	-
Taxes receivable	61,872	-	61,872	8,323
Special assessments receivable	124,370	-	124,370	-
Loans receivable	2,261,184	-	2,261,184	-
Inventories	41,474	-	41,474	-
Long-term receivable:				
Uncertified special assessments receivable	6,476,408	-	6,476,408	-
Capital Assets (not being depreciated:)				
Land	4,111,045	-	4,111,045	-
Construction in progress	435,927	-	435,927	-
Capital Assets (being depreciated:)				
Buildings	3,024,118	1,488,190	4,512,308	-
Equipment	2,065,133	828,928	2,894,061	29,409
Vehicles	94,087	10,768	104,855	-
Infrastructure	20,792,041	5,182,894	25,974,935	-
Total Capital Assets	<u>\$ 30,522,351</u>	<u>\$ 7,510,780</u>	<u>\$ 38,033,131</u>	<u>\$ 29,409</u>
Total Assets	<u>\$ 49,316,805</u>	<u>\$ 8,646,173</u>	<u>\$ 57,962,978</u>	<u>\$ 158,308</u>
LIABILITIES				
Accounts payable	\$ 92,195	\$ 39,319	\$ 131,514	\$ 811
Accrued payroll benefits	54,169	-	54,169	-
Grant match payable	17,044	-	17,044	6,000
RLF Payable	45,700	-	45,700	-
Accrued interest payable	81,731	15,448	97,179	-
Long-term liabilities:				
Portion Due or Payable Within One Year:				
Leases payable	104,893	-	104,893	-
Special assessment bonds payable	1,625,000	-	1,625,000	-
Revenue bonds payable	-	196,000	196,000	-
Compensated absences payable	10,959	3,278	14,237	317
Portion Due or Payable After One Year:				
Leases payable	22,131	-	22,131	-
Special assessment bonds payable	15,235,000	-	15,235,000	-
Revenue bonds payable	-	1,703,366	1,703,366	-
Compensated absences payable	98,635	29,509	128,144	2,850
Total Liabilities	<u>\$ 17,387,457</u>	<u>\$ 1,986,920</u>	<u>\$ 19,374,377</u>	<u>\$ 9,978</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 13,535,327	\$ 5,611,414	\$ 19,146,741	\$ 29,409
Restricted for:				
Debt service	10,421,501	-	10,421,501	-
Public safety	108,706	-	108,706	-
Public works	863,535	-	863,535	-
Economic/Job development	2,134,268	-	2,134,268	-
Loans	2,261,184	-	2,261,184	-
Culture and recreation	389,303	-	389,303	118,921
Capital improvements	1,240,329	-	1,240,329	-
Other special purposes	210,189	-	210,189	-
Unrestricted	765,006	1,047,839	1,812,845	-
Total Net Assets	<u>\$ 31,929,348</u>	<u>\$ 6,659,253</u>	<u>\$ 38,588,601</u>	<u>\$ 148,330</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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Library
	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	\$ 627,974	\$ 438,022	\$ 43,007	\$ -	\$ (146,945)		\$ (146,945)	
Public safety	1,540,912	127,213	101,300	-	(1,312,399)		(1,312,399)	
Public works	1,913,897	85,343	887,282	7,939,809	6,998,537		6,998,537	
Culture and recreation	238,857	-	33,536	-	(205,321)		(205,321)	
Economic development	392,018	-	-	-	(392,018)		(392,018)	
Other	269,148	-	-	-	(269,148)		(269,148)	
Capital outlay	947,374	-	-	-	(947,374)		(947,374)	
Interest & fees on long-term debt	522,000	-	-	-	(522,000)		(522,000)	
Total Governmental Activities	\$ 6,452,180	\$ 650,578	\$ 1,065,125	\$ 7,939,809	\$ 3,203,332		\$ 3,203,332	
<u>Business-Type Activities:</u>								
Water operations	\$ 1,127,688	\$ 1,237,784	\$ -	\$ 108,778	\$ -	\$ 218,874	\$ 218,874	
Sanitary sewer operations	684,183	575,302	-	-	-	(108,881)	(108,881)	
Garbage & other enterprise	442,409	396,348	-	-	-	(46,061)	(46,061)	
Total Business-Type Activities	\$ 2,254,280	\$ 2,209,434	\$ -	\$ 108,778	\$ -	\$ 63,932	\$ 63,932	
Total Primary Government	\$ 8,706,460	\$ 2,860,012	\$ 1,065,125	\$ 8,048,587	\$ 3,203,332	\$ 63,932	\$ 3,267,264	
<u>Component Unit:</u>								
Library	\$ 258,385	\$ 4,037	\$ 30,387	\$ -				\$(223,961)
<u>General Revenues:</u>								
Taxes:								
Property taxes, levied for general purposes					\$ 832,580	\$ -	\$ 832,580	\$ 241,242
Property taxes, levied for special purposes					728,606	-	728,606	-
Sales taxes					1,922,142	-	1,922,142	-
State aid distribution, other unrestricted grants & contributions					648,299	-	648,299	14,909
Unrestricted investment earnings					125,595	1,357	126,952	-
Miscellaneous					794,395	13,491	807,886	121
Transfers					41,000	(41,000)	-	-
Total General Revenues and Transfers					\$ 5,092,617	\$ (26,152)	\$ 5,066,465	\$ 256,272
Changes in Net Assets					\$ 8,295,949	\$ 37,780	\$ 8,333,729	\$ 32,311
Net Assets - January 1					\$22,907,829	\$ 6,621,473	\$29,529,302	\$ 116,019
Prior Period Adjustments					725,570	-	725,570	-
Net Assets - January 1, as restated					\$23,633,399	\$ 6,621,473	\$30,254,872	\$ 116,019
Net Assets - December 31					\$31,929,348	\$ 6,659,253	\$38,588,601	\$ 148,330

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, 2011

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Improve- ments	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund		
ASSETS								
Cash, cash equivalents, & investments	\$ 638,453	\$ 631,071	\$ 941,306	\$ 435,204	\$ 3,904,881	\$ 500,773	\$ 2,382,470	\$ 9,434,158
Intergovernmental receivable	229,309	-	46,117	-	-	119,562	-	394,988
Loans receivable	-	-	1,320,775	940,409	-	-	-	2,261,184
Taxes receivable	25,978	-	-	-	3,982	-	31,912	61,872
Special assessments receivable	-	-	-	-	124,370	-	-	124,370
Long-term uncertified spl. assmts. rec.	-	-	-	-	6,476,408	-	-	6,476,408
Inventory	-	-	-	-	-	-	41,474	41,474
Total Assets	\$ 893,740	\$ 631,071	\$ 2,308,198	\$ 1,375,613	\$ 10,509,641	\$ 620,335	\$ 2,455,856	\$ 18,794,454
LIABILITIES AND FUND BALANCES								
<u>Liabilities:</u>								
Accounts payable	\$ 63,652	\$ -	\$ -	\$ -	\$ 8,256	\$ 11,076	\$ 9,211	\$ 92,195
Accrued payroll benefits	54,169	-	-	-	-	-	-	54,169
Grant match payable	-	-	-	-	-	-	17,044	17,044
RLF payable	-	-	-	45,700	-	-	-	45,700
Deferred revenue	25,978	-	-	-	6,604,760	-	31,912	6,662,650
Total Liabilities	\$ 143,799	\$ -	\$ -	\$ 45,700	\$ 6,613,016	\$ 11,076	\$ 58,167	\$ 6,871,758
<u>Fund Balances:</u>								
<u>Non-Spendable:</u>								
Loans Receivable	\$ -	\$ -	\$ 1,320,775	\$ 940,409	\$ -	\$ -	\$ -	\$ 2,261,184
Inventory	-	-	-	-	-	-	41,474	41,474
<u>Restricted:</u>								
Debt service	-	-	-	-	3,896,625	-	-	3,896,625
Capital project funds	-	-	-	-	-	1,435,058	-	1,435,058
Sales tax funds/economic develop.	-	-	987,423	-	-	-	517,853	1,505,276
Public works	-	-	-	-	-	-	904,776	904,776
Culture & recreation	-	-	-	-	-	-	373,955	373,955
Public safety	-	-	-	-	-	-	142,945	142,945
Other	-	-	-	-	-	-	62,206	62,206
<u>Committed:</u>								
Sales tax funds/economic develop.	-	-	-	389,504	-	-	275,110	664,614
Equipment replacement	-	631,071	-	-	-	-	-	631,071
Public safety	-	-	-	-	-	-	26,507	26,507
Public works	-	-	-	-	-	-	21,971	21,971
Other	-	-	-	-	-	-	78,813	78,813
<u>Unassigned:</u>								
General fund	749,941	-	-	-	-	-	-	749,941
Negative fund balances	-	-	-	-	-	(825,799)	(47,921)	(873,720)
Total Fund Balances	\$ 749,941	\$ 631,071	\$ 2,308,198	\$ 1,329,913	\$ 3,896,625	\$ 609,259	\$ 2,397,689	\$ 11,922,696
Total Liabilities and Fund Balances	\$ 893,740	\$ 631,071	\$ 2,308,198	\$ 1,375,613	\$ 10,509,641	\$ 620,335	\$ 2,455,856	\$ 18,794,454

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 ASSETS
December 31, 2011

Total *Fund Balances* of Governmental Funds \$ 11,922,696

Total *net assets* reported for governmental activities in the statement of net assets is different because:

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

Cost of Capital Assets	\$ 36,985,956	
Less Accumulated Depreciation	<u>(6,463,605)</u>	
Net Capital Assets		30,522,351

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 revenues in the funds.

Taxes Receivable	\$ 61,872	
Special Assessments Receivable	<u>124,370</u>	186,242

Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 6,476,408

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 assets. Balances at December 31st are made up of the following liabilities:

Special Assessment Bonds Payable	\$ (16,860,000)	
Leases Payable	(127,024)	
Interest Payable	(81,731)	
Compensated Absences Payable	<u>(109,594)</u>	
Total Long-Term Liabilities		<u>(17,178,349)</u>

Total Net Assets - Governmental Activities \$ 31,929,348

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, 2011

	Major Funds							Total Governmental Funds
	General Fund	Capital Improve- ments	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	
Revenues:								
Taxes	\$ 834,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 731,631	\$ 1,565,900
Sales taxes	-	-	542,231	-	-	1,324,787	55,124	1,922,142
Special assessment taxes	-	-	-	-	1,086,314	-	-	1,086,314
Licenses, permits and fees	499,470	-	-	-	-	-	-	499,470
Fines and forfeits	123,079	-	-	-	-	-	-	123,079
Intergovernmental	1,136,785	89,300	-	-	-	235,162	252,177	1,713,424
Charges for services	19,996	-	-	-	-	-	8,033	28,029
Loan receivable receipts	-	-	-	15,360	-	-	-	15,360
Interest income	8,848	4,700	2,618	46	853	106,955	1,575	125,595
Miscellaneous	22,717	-	161,312	158,292	-	311,580	125,134	779,035
Total Revenues	\$ 2,645,164	\$ 94,000	\$ 706,161	\$ 173,698	\$ 1,087,167	\$ 1,978,484	\$ 1,173,674	\$ 7,858,348
Expenditures:								
Current:								
General government	\$ 515,563	\$ 12,169	\$ -	\$ -	\$ -	\$ -	\$ 212,161	\$ 739,893
Public safety	1,443,141	102,050	-	-	-	-	50,288	1,595,479
Public works/highways & streets	538,137	150,018	-	-	-	-	325,180	1,013,335
Culture and recreation	164,003	-	-	-	-	-	74,854	238,857
Economic development	-	-	-	11,538	-	-	385,738	397,276
Other	8,442	-	-	-	-	260,706	-	269,148
Capital Outlay	-	-	81,370	-	-	1,954,286	-	2,035,656
Debt Service:								
Principal	-	56,292	-	-	2,190,000	-	49,960	2,296,252
Interest	-	3,721	-	-	438,261	-	3,632	445,614
Fees	-	-	-	-	70,011	-	-	70,011
Total Expenditures	\$ 2,669,286	\$ 324,250	\$ 81,370	\$ 11,538	\$ 2,698,272	\$ 2,214,992	\$ 1,101,813	\$ 9,101,521
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,122)	\$ (230,250)	\$ 624,791	\$ 162,160	\$ (1,611,105)	\$ (236,508)	\$ 71,861	\$ (1,243,173)
Other Financing Sources (Uses):								
Transfers in	\$ 260,096	\$ 162,102	\$ -	\$ -	\$ 1,100,508	\$ 41,401	\$ 321,116	\$ 1,885,223
Bond proceeds	-	-	-	-	2,675,800	1,734,200	-	4,410,000
Transfers out	(183,557)	-	(150,111)	(5,000)	(582,871)	(650,419)	(272,265)	(1,844,223)
Total Other Financing Sources and Uses	\$ 76,539	\$ 162,102	\$ (150,111)	\$ (5,000)	\$ 3,193,437	\$ 1,125,182	\$ 48,851	\$ 4,451,000
Net Change in Fund Balances	\$ 52,417	\$ (68,148)	\$ 474,680	\$ 157,160	\$ 1,582,332	\$ 888,674	\$ 120,712	\$ 3,207,827
Fund Balances - January 1	\$ 697,524	\$ 699,219	\$ 1,833,518	\$ 1,172,753	\$ 2,314,293	\$ (279,415)	\$ 2,292,652	\$ 8,730,544
Prior Period Adjustments	-	-	-	-	-	-	(15,675)	(15,675)
Fund Balance - Jan. 1, as restated	\$ 697,524	\$ 699,219	\$ 1,833,518	\$ 1,172,753	\$ 2,314,293	\$ (279,415)	\$ 2,276,977	\$ 8,714,869
Fund Balances - December 31	\$ 749,941	\$ 631,071	\$ 2,308,198	\$ 1,329,913	\$ 3,896,625	\$ 609,259	\$ 2,397,689	\$ 11,922,696

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, 2011

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 3,207,827
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The change in net assets reported for governmental activities in the statement of activities is different because:

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

Capital Asset Additions (Outlays)	\$ 1,476,889	
Current Year Depreciation Expense	<u>(1,074,753)</u>	402,136

Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues.	3,073,063
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In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets	(43,800)
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Repayment reduces long-term liabilities in the statement of net assets, while the issuance of debt increases long-term liabilities in the statement of net assets. This is the amount by which debt issuance repayment exceeded debt repayment.

Repayment of Bonds	\$ 2,190,000	
Repayment of Leases	106,252	
Issuance of Bonds	<u>(4,410,000)</u>	(2,113,748)

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

Net Change in Compensated Absences	\$ 1,129	
Net Change in Interest Payable	<u>(6,375)</u>	(5,246)

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.

Net Change in Taxes Receivable	\$ (1,914)	
Net Change in Special Assessments Receivable	86,370	
Net Change in LT Uncertified Special Assessments Receivable	<u>3,691,261</u>	<u>3,775,717</u>

Change in Net Assets of Governmental Activities	<u>\$ 8,295,949</u>
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The notes to the financial statements are an integral part of this financial statement.

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 511,761	\$ 341,966	\$ 136,946	\$ 990,673
Utility billings receivable	(1,520)	70,749	75,491	144,720
Noncurrent Assets:				
Capital Assets:				
Buildings	1,434,060	54,130	-	1,488,190
Equipment	417,260	411,668	-	828,928
Vehicles	10,768	-	-	10,768
Infrastructure	2,005,857	3,177,037	-	5,182,894
Total Capital Assets	<u>\$ 3,867,945</u>	<u>\$ 3,642,835</u>	<u>\$ -</u>	<u>\$ 7,510,780</u>
Total Assets	<u>\$ 4,378,186</u>	<u>\$ 4,055,550</u>	<u>\$ 212,437</u>	<u>\$ 8,646,173</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 10,957	\$ 16,418	\$ 11,944	\$ 39,319
Accrued interest payable	13,365	2,083	-	15,448
Revenue bonds payable	176,000	20,000	-	196,000
Compensated absences	2,163	1,087	28	3,278
Noncurrent Liabilities:				
Revenue bond payable	1,473,366	230,000	-	1,703,366
Compensated absences	19,473	9,781	255	29,509
Total Liabilities	<u>\$ 1,695,324</u>	<u>\$ 279,369</u>	<u>\$ 12,227</u>	<u>\$ 1,986,920</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,218,579	\$ 3,392,835	\$ -	\$ 5,611,414
Unrestricted	464,283	383,346	200,210	1,047,839
Total Net Assets	<u>\$ 2,682,862</u>	<u>\$ 3,776,181</u>	<u>\$ 200,210</u>	<u>\$ 6,659,253</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 ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds			
	Water Operatng Fund	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
<u>Operating Revenues:</u>				
Charges for sales and services	\$ 1,237,784	\$ 575,302	\$ 396,348	\$ 2,209,434
<u>Operating Expenses:</u>				
Salaries and wages	\$ 278,884	\$ 162,327	\$ 18,702	\$ 459,913
Benefits	102,341	52,883	6,350	161,574
Heating fuel, gas and oil	14,928	3,529	-	18,457
Utilities - electricity and telephone	59,168	45,700	100,801	205,669
Service contracts	18,464	12,894	725	32,083
Waste removal contract	-	-	270,062	270,062
Supplies and postage	11,124	10,380	8,505	30,009
Repairs and maintenance	15,861	69,229	-	85,090
Equipment/technology	3,108	-	-	3,108
Equipment / lift station maintenance	-	52,032	-	52,032
Equipment & maintenance/repairs	54,945	4,479	7,977	67,401
Insurance and safety	16,521	5,136	-	21,657
Chemicals	156,324	16,298	8,250	180,872
Mosquito control/spraying	-	-	20,696	20,696
Professional fees and other service charges	19,371	1,200	-	20,571
Meters/hydrants/wells/lagoons/manholes	63,235	24,156	-	87,391
Wells/testing fees	85,839	-	-	85,839
Audit fees	3,519	3,079	-	6,598
Schools/training	1,382	507	97	1,986
Lagoons & water storage	3,753	-	-	3,753
Miscellaneous Operating	3,583	337	244	4,164
Processing fees	4,312	3,448	-	7,760
Worker's compensation	467	93	-	560
Uncollectible accounts	652	548	-	1,200
Depreciation	156,966	208,045	-	365,011
Total Operating Expenses	<u>\$ 1,074,747</u>	<u>\$ 676,300</u>	<u>\$ 442,409</u>	<u>\$ 2,193,456</u>
Operating Income	<u>\$ 163,037</u>	<u>\$ (100,998)</u>	<u>\$ (46,061)</u>	<u>\$ 15,978</u>
<u>Nonoperating Revenues (Expenses):</u>				
Interest income	\$ 1,357	\$ -	\$ -	\$ 1,357
Miscellaneous income	9,736	3,755	-	13,491
Capital contributions from governmental funds	108,778	-	-	108,778
Interest expense	(44,259)	(6,583)	-	(50,842)
Service charges and administration fees	(8,682)	(1,300)	-	(9,982)
Total Nonoperating Revenue (Expenses)	<u>\$ 66,930</u>	<u>\$ (4,128)</u>	<u>\$ -</u>	<u>\$ 62,802</u>
Income Before Contributions and Transfers	<u>\$ 229,967</u>	<u>\$ (105,126)</u>	<u>\$ (46,061)</u>	<u>\$ 78,780</u>
Transfers in	\$ -	\$ -	\$ 15,000	\$ 15,000
Transfers out	(56,000)	-	-	(56,000)
Change in Net Assets	<u>\$ 173,967</u>	<u>\$ (105,126)</u>	<u>\$ (31,061)</u>	<u>\$ 37,780</u>
Total Net Assets - January 1	<u>\$ 2,508,895</u>	<u>\$ 3,881,307</u>	<u>\$ 231,271</u>	<u>\$ 6,621,473</u>
Total Net Assets - December 31	<u>\$ 2,682,862</u>	<u>\$ 3,776,181</u>	<u>\$ 200,210</u>	<u>\$ 6,659,253</u>

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, 2011

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from customers and users	\$ 1,249,756	\$ 562,752	\$ 385,650	\$ 2,198,158
Payments to suppliers	(525,985)	(236,679)	(405,466)	(1,168,130)
Payments to employees	(378,041)	(212,630)	(25,078)	(615,749)
Net Cash Provided by Operating Activities	<u>\$ 345,730</u>	<u>\$ 113,443</u>	<u>\$ (44,894)</u>	<u>\$ 414,279</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers in	\$ -	\$ -	\$ 15,000	\$ 15,000
Transfers to other funds	(56,000)	-	-	(56,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (56,000)</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ (41,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchase of capital assets	\$ -	\$ (14,338)	\$ -	\$ (14,338)
Miscellaneous income	9,736	3,755	-	13,491
Principal paid on capital debt	(174,000)	(20,000)	-	(194,000)
Interest paid on capital debt	(45,584)	(6,750)	-	(52,334)
Fees paid on capital debt	(8,683)	(1,300)	-	(9,983)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (218,531)</u>	<u>\$ (38,633)</u>	<u>\$ -</u>	<u>\$ (257,164)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest received	\$ 1,356	\$ -	\$ -	\$ 1,356
Net Increase in Cash and Cash Equivalents	<u>\$ 72,555</u>	<u>\$ 74,810</u>	<u>\$ (29,894)</u>	<u>\$ 117,471</u>
Cash and Cash Equivalents, January 1	<u>\$ 439,206</u>	<u>\$ 267,156</u>	<u>\$ 166,840</u>	<u>\$ 873,202</u>
Cash and Cash Equivalents, December 31	<u>\$ 511,761</u>	<u>\$ 341,966</u>	<u>\$ 136,946</u>	<u>\$ 990,673</u>
<u>Reconciliation of operating income to net cash provided (used) by operating activities:</u>				
Operating income	\$ 163,037	\$ (100,998)	\$ (46,061)	\$ 15,978
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	156,966	208,045	-	365,011
Change in Assets and Liabilities:				
Utility billings receivable	11,973	(12,550)	(10,698)	(11,275)
Accounts payable	10,569	16,366	11,891	38,826
Compensated absences	3,185	2,580	(26)	5,739
Net Cash Provided (Used) by Operating Activities	<u>\$ 345,730</u>	<u>\$ 113,443</u>	<u>\$ (44,894)</u>	<u>\$ 414,279</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and cash equivalents	<u>\$ 16,753</u>
<u>Liabilities:</u>	
Due to other entities	<u>\$ 16,753</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, 2011

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.

Discretely Presented Component Unit - The component unit columns in the government-wide financial statements include the financial data of the city's component unit. This unit is reported in separate columns to emphasize that it is legally separate from the city.

Leach Public Library - The City's governing board appoints a voting majority of the members of the Library's Board. The city has the authority to approve or modify the Library's operational and capital budgets. The city also must approve the tax levy established by the Library. Complete financial statements for the library can be obtained at Leach Public Library, 417 Second Avenue North, Wahpeton, ND 58075. The library is reported as a governmental fund type.

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

Notes to the Financial Statements - Continued

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 is accountable for the following legally separate entity because it appoints a voting majority to its governing board. Although, the city is not financially accountable for this entity, as defined by GASB Statement 14, the city did provide operating grants to it as follows:

Airport	\$62,549
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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. The city cannot and does not control the operations of the club.

B. Basis of Presentation

Government-wide statements: The statement of net assets 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The city reports the following major governmental funds:

General Fund. This is the city’s primary operating fund. It accounts for all financial resources of the general government (including various city departments), except those required to be accounted for in another fund.

Capital Improvements Fund (special revenue fund). This fund accounts for the accumulation of funds for various capital improvements to city properties. The primary revenue source in this fund is restricted grants.

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 operates the water distribution system to citizens in the City of Wahpeton.

Sewer Operating Fund. This fund accounts for the activities of the Sanitation 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

E. Inventories

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

F. 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 assets and revenues, expenses and changes in proprietary net assets. 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.

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

G. 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.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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

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

It is the library's policy to follow the all other full-time City employee policy regarding compensated absences.

H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new 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 \$749,941 at December 31, 2011 represented 28% of annual 2011 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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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.
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	Available for any remaining general fund expenditure.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

City of Wahpeton had non-spendable, restricted, committed, and unassigned fund balances reported in the balance sheet at December 31, 2011.

Non-spendable Fund Balances (additional detail):

Non-spendable fund balances are reported for inventory in total non-major funds and long term loans receivable in two major funds.

Restricted Fund Balances – consist of the following items at December 31, 2011:

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 Assets Equity:

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.

Restrictions of net assets equity shown in the net assets statement 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, invested in capital assets, net of related debt equity is shown. Unrestricted net assets equity consists of activity primarily related to the general fund.

Restricted net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for debt service, capital projects, public works, public safety, loans, job/economic development, culture & recreation, and other purposes.

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. Each individual fund amendment is not shown, instead included below are the expenditure and transfer out budget amendments for the major governmental funds (general, debt service funds and total capital projects funds), and "total" special revenue funds are shown:

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Fund	Original Budget	Amendment	Amended Budget
General Fund (expenditures)	\$2,700,515	\$ (31,250)	\$2,669,285
General Fund (transfers out)	49,602	133,955	183,557
Capital Improvements (expenditures)	106,070	218,181	324,251
Debt Service Fund 449 (expenditures & transfers)	183,360	1,474,621	1,657,981
Debt Service Fund 452 (expenditures)	167,483	13,028	180,511
Debt Service Fund 454 (expenditures)	593,925	264	594,189
Debt Service Fund 456 (expenditures)	-	22,475	22,475
Debt Service Fund 457 (expenditures & transfers)	-	22,506	22,506
Capital Projects Funds (total expenditures)	97,182	1,086,414	1,183,596
Special Revenue Funds (expenditures)	\$ 226,346	\$ 421,513	\$ 647,859

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.

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 an other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2011, the city's carrying amount of deposits was \$10,561,660 and the bank balances were \$10,639,240. Of the bank balances, \$4,446,416 was covered by Federal Depository Insurance and the temporary liquidity program. The remaining bank balances of \$6,192,824 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, 2011, the city held certificates of deposit totaling \$350,000.

The City's latest bond rating was A1 as received from Moody's Investment Services from 2011 refunding bonds issued.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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 and state aid 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.

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, 2011 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Econ. Dev. Fund	\$ 739,391	\$ 581,384	\$ -	\$ 1,320,775
Revolving Loan Fund	873,752	732,808	666,151	940,409
Total Loans Receivable	\$1,613,143	\$1,314,192	\$666,151	\$2,261,184

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 10: INVENTORY

Inventory at year-end consists of amounts reported in fund 361 totaling \$41,474 at December 31, 2011.

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$ 435,678	\$3,705,367	\$ 30,000	\$ 4,111,045
Construction in Progress	909,885	4,113,934	4,587,892	435,927
Total Capital Assets, Not Being Depreciated	\$ 1,345,563	\$7,819,301	\$4,617,892	\$ 4,546,972
<i>Capital assets being depreciated:</i>				
Buildings	\$ 4,311,733	\$ -	\$ 15,000	\$ 4,296,733
Equipment	3,857,590	187,923	57,000	3,988,513
Vehicles	401,734	27,056	16,300	412,490
Infrastructure	22,637,684	1,103,564	-	23,741,248
Total Capital Assets, Being Depreciated	\$32,438,984	\$1,318,543	\$ 88,300	\$32,438,984
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,199,343	\$ 73,872	\$ 1,200	\$ 1,272,615
Equipment	1,729,443	250,937	57,000	1,923,380
Vehicles	300,385	34,318	16,300	318,403
Infrastructure	2,233,581	715,626	-	2,949,207
Total Accumulated Depreciation	\$ 5,463,252	\$1,074,753	\$ 74,500	\$ 6,463,605
Total Capital Assets Being Depreciated, Net	\$25,745,389	\$ 243,789	\$ 13,800	\$25,975,379
Governmental Activities Capital Assets, Net	\$27,090,952	\$8,063,090	\$4,631,692	\$30,522,351

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

Governmental Activities:	Amounts
General Government	\$ 59,503
Public Safety	111,381
Public Works	188,243
Infrastructure	715,626
Total Depreciation Expense - Governmental Activities	\$1,074,753

Business-Type Activities:

Business-Type Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,316,946	\$ -	\$ -	\$ 2,316,946
Equipment	4,023,958	123,118	-	4,147,076
Vehicles	44,416	-	-	44,416
Infrastructure	6,502,175	-	-	6,502,175
Total Capital Assets, Being Depreciated	\$12,887,495	\$ 123,118	\$ -	\$13,010,613
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 782,418	\$ 46,339	\$ -	\$ 828,757
Equipment	3,178,397	139,750	-	3,318,147
Vehicles	26,465	7,183	-	33,648
Infrastructure	1,147,543	171,738	-	1,319,281
Total Accumulated Depreciation	\$ 5,134,823	\$ 365,010	\$ -	\$ 5,499,833
Total Capital Assets Being Depreciated, Net	\$ 7,752,672	\$(241,892)	\$ -	\$ 7,510,780

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Component Unit - Library:

Governmental Activities (Library):	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets being depreciated:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	36,013	-	-	36,013
Total Capital Assets, Being Depreciated	\$61,013	\$ -	\$ -	\$61,013
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	4,202	2,402	-	6,604
Total Accumulated Depreciation	\$29,202	\$ 2,402	\$ -	\$31,604
Total Capital Assets Being Depreciated, Net	\$31,811	\$(2,402)	\$ -	\$29,409

NOTE 12: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

Fund	Transfers In	Transfers Out
General Fund	\$ 260,096	\$ 183,557
Sales Tax Operating Fund	-	150,110
Capital Improvements	162,102	-
Revolving Loan Fund	-	5,000
Debt Service Funds	1,100,508	582,871
Capital Projects Funds	41,400	650,419
Water Enterprise Funds	-	56,000
Non-Major Enterprise Funds	15,000	-
Special Revenue Funds	321,116	272,265
Total Transfers	\$1,900,222	\$1,900,222

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

NOTE 13: DEFERRED REVENUE

Deferred revenue in the governmental fund modified accrual basis financial statements as of December 31, 2011 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 25,978
Delinquent property taxes receivable (debt service fund- major)	3,982
Delinquent property taxes receivable (non-major funds)	31,912
Delinquent special assessments receivable (debt service funds)	124,370
Long-Term Uncertified Special Assessments Receivable	6,476,408
Total Deferred Revenue	\$6,662,650

NOTE 14: ACCOUNTS PAYABLE

Accounts payable consists of amounts due and payable at year-end for various goods and services but not paid until after year-end.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 15: BENEFITS PAYABLE

Accrued payroll benefits payable consists of amounts due and payable for amounts withheld from employee paychecks at year-end but not paid until after year-end.

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.

As of December 31, 2011, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of \$45,700. The City receives reimbursement for payments made on this loan payable.

NOTE 17: GRANT MATCH PAYABLE

The City has a contingent grant match payable reported in the non-major funds in fund 321. The \$17,044 grant reserves in fund 321 are related to ND DOT Traffic Enhancement grant matches and Safe Routes to Schools sidewalk improvement grant matches.

NOTE 18: LONG-TERM LIABILITIES

During the year ended December 31, 2011, the following changes occurred in long-term liabilities of the city (including compensated absences):

Governmental Activities:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Special Assessment Bonds	\$14,640,000	\$4,410,000	\$2,190,000	\$16,860,000	\$1,625,000
Leases Payable	233,276	-	106,252	127,024	104,893
Compensated Absences *	110,723	-	1,129	109,594	10,959
Total Governmental Activities	\$14,983,999	\$4,410,000	\$2,297,381	\$17,096,618	\$1,740,852

Business-Type Activities (Proprietary Funds):

Business-Type Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Revenue Bonds	\$2,093,366	\$ -	\$194,000	\$1,899,366	\$196,000
Compensated Absences *	27,049	5,738	-	32,787	3,278
Total Business-Type Activities	\$2,120,415	\$5,738	\$194,000	\$1,932,153	\$199,278

* - 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.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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, 2011, is comprised of the following individual issues:

Special Assessment Bonds (governmental activities):

\$2,000,000 2005 Refunding Improvement Bonds #10405, due in annual installments of \$125,000 to \$170,000 through 2020, with interest at 3.75% to 4.0%.	\$ 1,315,000
\$970,000 2006 Refunding Improvement Bonds #10506, due in annual installments of \$65,000 through 2021, with interest at 4.0%.	650,000
\$1,850,000 2007 Refunding Improvement Bonds #10607, due in annual installments of \$105,000 to \$165,000 through 2022, with interest at 3.75% to 4.375%.	1,455,000
\$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of \$140,000 to \$195,000 through 2020, with interest at 4.0% to 4.5%.	1,505,000
\$3,130,000 2009 Refunding Improvement Bonds #10809, due in annual installments of \$240,000 to \$535,000 through 2017, with interest at 1.5% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002.	2,120,000
\$5,405,000 2010 Refunding Improvement Bonds #10910, due in annual installments of \$335,000 to \$420,000 through 2025, with interest at 2.0% to 3.5%. This issue refunded series 2007 to be called in February 2012.	5,405,000
\$1,120,000 2011 Refunding Improvement Bonds #11011, due in annual installments of \$130,000 to \$155,000 through 2019, with interest at .65% to 2.5%. This issue refunded series 2003D.	1,120,000
\$3,290,000 2011 Refunding Improvement Bonds #11111, due in annual installments of \$135,000 to \$285,000 through 2026, with interest at 1.0% to 2.8%. This issue refunded series 2007 to be called in February 2012.	<u>3,290,000</u>
Total Special Assessment Bonds	<u>\$16,860,000</u>

Governmental activities debt service requirements to maturity (excluding compensated absences and leases payable) at December 31, 2011 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2012	\$ 1,625,000	\$ 438,528
2013	1,700,000	407,159
2014	1,730,000	365,816
2015	1,570,000	323,750
2016	1,545,000	282,442
2017-2021	6,290,000	805,213
2022-2025	2,400,000	144,378
Totals	\$16,860,000	\$2,767,286

Proprietary Funds – 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 – Set Payment Schedules:

\$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%.	\$ 140,000
\$1,062,366 of 1993 Revenue Bonds, due in annual installments of \$60,000 to \$62,366 through 2014, with interest at 2.5%.	182,366
\$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$94,000 to \$126,000 through 2023, with interest at 2.5%.	1,327,000
\$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%.	<u>250,000</u>
Total Enterprise Revenue Bonds	<u>\$1,899,366</u>

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

BUSINESS-TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2012	\$ 196,000	\$ 47,485
2013	199,000	42,584
2014	203,366	37,609
2015	144,000	32,525
2016	146,000	28,925
2017-2021	712,000	90,050
2022-2024	299,000	11,250
Totals	<u>\$1,899,366</u>	<u>\$290,428</u>

Debt Defeasance – Refunding Bonds of 2011, Series A:

At the June 20, 2011 City Council meeting, by unanimous vote of the Council in resolution #3451, it was agreed to advance refund the remaining 2003 (RI #10303) bonds of \$1,080,000. \$1,120,000 of refunding bonds of 2011, Series A, with interest rates ranging from .65% to 2.5% and an effective rate of 2.13% were issued to reduce its total debt service payments over the next 8 years by \$58,803, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$53,422.

Debt Defeasance – Refunding Bonds of 2011, Series B:

At the December 12, 2011 City Council meeting, by unanimous vote of the Council in resolution #3464, it was agreed to advance refund the remaining 2007 (RI #10607) bonds of \$1,455,000. The 2011 Series B bonds totaled \$3,290,000 and attributed \$1,490,000 to the 2007 series refinancing, and also included \$1,800,000 new money for permanent financing of flood mitigation improvements. Interest rates for the 2011 B series range from 1.0% to 2.8% and an effective rate of 2.181% were issued to reduce its total debt service payments over the next 14 years by \$173,207, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$168,750.

NOTE 19: 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. \$6,500,000 of MIDA bonds were issued during the year ended December 31, 2011 for St. Catherine's assisted living community project.

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 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 \$1,918,370 at December 31, 2011. The outstanding principal balance on those loans was \$982,613 at December 31, 2011. No new CDBG loans were issued during the year ended December 31, 2011.

NOTE 20: 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 \$2,440,996 for public assets (mobile equipment and portable property) coverage.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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 years of employment with the city.

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

NOTE 21: PENSION PLAN

Defined Contribution Plan

The City of Wahpeton participates in an IRS 457 deferred compensation plan. Each employee has the option to join and any participant may withdraw from the retirement 457 plan anytime upon 30 days notice in writing. Each permanent employee is eligible to contribute to the retirement plan.

The city only provides a matching contribution to the 457 plan for existing employees that did not elect to participate in the defined contribution plan at the time of conversion on January 1, 2005. The city had three employees near retirement that chose not to participate in the defined benefit plan, the city's required contributions for the years ended December 31, 2011, 2010 and 2009, were \$2,400, \$2,308, and \$2,069, respectively.

Defined Benefit Plan

As of January 1, 2005, the City of Wahpeton contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Eligible mandatory employees hired on or after January 1st, 2005 are required to participate in NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 2% of their annual covered salary. The city is required to contribute 5.26% which the city chose to increase to 7.26% to reduce the employee contribution from 4% to 2% of the employee's salary. The employer contribution consists of 6.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the city are established and may be amended by the State legislature. The city's contributions to NDPERS for the year ending December 31, 2011, 2010 and 2009 were \$123,045, \$115,171, and \$106,789, respectively, equal to the required contributions for the year.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 22: FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2011:

Fund Name	Balance
Absolute Marketing Campaign (272)	\$ (35,680)
5-1-97 Flood Phase II (574)	(49,113)
Dakota Avenue Side Streets (607)	(73,647)
Urban Roads Maintenance 2009 (609)	(259,477)
Lift Stations 6 & 8 (613)	(323)
Southside Storm Sewer (608)	(7,202)
NSP Grant Project (614)	(13)
3 rd Avenue North reconstruction (622)	(51,352)
Hydrant Replacements (626)	(93,256)
Safe Routes to Schools 2011 (628)	(18,886)
6 th Street S. Shared Use Path (629)	(5,936)
West Side Drain Improvement Project (630)	(20,142)
11 th St. N. Ave. B to 16 th Ave. (631)	(115)
WTP Energy Improvements (624)	(78,481)
Cul De Sac Improvements (615)	(92)
Alley Improvements-Miscellaneous (617)	(130,712)
NDDOT Hwy 127 (618)	(34,801)
Town Centre Square Improvements (620)	(2,250)

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 23: WATER/SEWERWater / Sewer Billings:

In July of 2011, the Public Works Director and Water Plant Superintendent initialed a goal to reduce the unaccounted for water accumulating on the Water Plant Operations Report. Variation in the number of gallons treated at the plant and water gallons billed to customers ranged 15-25% variation on a monthly basis creating an unacceptably high volume of unaccounted for water.

Investigation of water meter sizing and correlation billing information revealed several discrepancies among large commercial customers, primarily attributed to incompatibility in meter measuring units and utility billing units (i.e. a 10,000 gallon pulse meter was generating billing information based on a 1,000 gallon pulse meter) resulting in customer under billing in water and sewer charges of 90%. Customer billing audits were performed dating back to January 2005 with an additional \$245,624 in water utility revenue and \$6,634 in sewer utility revenue under billed through December 31, 2011. The meter information and subsequent billing was corrected by the January 1, 2011 billing cycle. The under billed revenue has been acknowledged and repayment agreed upon by each of the identified customers. One large commercial customer with a total under billed amount of \$235,125 currently receiving water only services has agreed to a three year repayment program of \$78,375 each year to be repaid each August 2011 through August 2013.

On or Before August 15th	Amount
2011	\$ 78,375
2012	78,375
2013	78,375
Total	\$235,125

CITY OF WAHPETON

Notes to the Financial Statements - Continued

One additional retail customer owed \$12,464 in water and sewer under billings and this amount was repaid to the City by April 30, 2011.

NOTE 24: SUBSEQUENT EVENT

At the March 5, 2012 City Council meeting and at a special meeting held March 13, 2012, by unanimous vote of the Council, it was agreed to advance refund the remaining 2005 (RI #10405) bonds of \$1,185,000 and 2006 (RI #10506) bonds of \$585,000. \$1,815,000 of refunding bonds of 2012 with interest rates ranging from .7% to 2.2% and an effective rate of 1.51% were issued to reduce its total debt service payments over the next 10 years by \$187,514, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$174,252.

NOTE 25: PRIOR PERIOD ADJUSTMENT

Prior period adjustments were necessary for the following capital asset related items in governmental activities (net adjustment to beginning net assets equity for capital asset related prior period adjustments totaled \$741,245):

- Equipment – decrease cost by \$413,566 & decrease accumulated depreciation by \$244,926 for a net decrease of \$168,640 to equipment;
- Vehicles – add \$9,975 of cost to vehicles and the same amount of accumulated depreciation;
- Construction in progress – increase beginning CIP balance by \$903,885;
- Fund adjustments (detailed below) – reduction of \$15,675;

Governmental Activities (County):	Amounts
Beginning Net Assets, as previously reported	\$22,907,829
Adjustments to restate the January 1, 2011 Net Assets:	
Construction in progress addition	909,885
Equipment - cost reduction	(413,566)
Equipment - accumulated depreciation reduction	244,926
Vehicles - cost addition	9,975
Vehicles - accumulated depreciation addition	(9,975)
Adjustment to remove agency funds	(15,675)
Net Assets January 1, as restated	\$23,633,399

Prior period adjustments were also required to beginning fund balance and beginning net assets of governmental activities to reclassify four funds from special revenue funds to agency funds.

- Fund 327 (CDC) - beginning fund balance \$13,974;
- Fund 340 (handicapped parking fines) - beginning fund balance \$100;
- Fund 363 (safe communities coalition) - beginning fund balance \$1,214;
- Fund 389 (golf club donations) - beginning fund balance \$387;

Total adjustment to beginning other governmental fund balance was a decrease of \$15,675 for reclassification of previous special revenue funds to agency funds.

Governmental Activities (City):	Amounts
Beginning non-major fund balance, as previously reported	\$2,292,652
Adjustments to restate the January 1, 2011 Fund Balance:	
Adjustment to remove agency funds	(15,675)
Non-major fund balance January 1, as restated	\$2,276,977

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 26: COMMITMENTS

Construction commitments as of the balance sheet date of December 31, 2011 are as follows:

Project	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance
<i>Governmental</i>					
Repairs to Pond No. 1	\$ 16,130	\$ -	\$ 16,130	\$ -	\$ 16,130
Alley Improvements Various Locations	160,053	-	160,053	114,373	45,679
Dul-de-sac Improvements, Design Eng.	10,389	-	10,389	-	10,389
North Central Streets Improvements	1,392,555	(16,818)	1,375,737	1,339,591	36,146
3rd Ave. N. Street Improvements, Eng.	59,361	-	59,361	51,352	8,009
6th St. S. Shared Use Path Design Eng.	28,201	-	28,201	5,828	22,374
11th St. N. Street Improvements Design Eng.	178,804	-	178,804	-	178,804
Dakota Ave. TEU Design Eng.	26,799	-	26,799	22,593	4,207
Dakota Ave. TEU Construction	209,810	(125,000)	84,810	84,810	-
<i>Total Governmental</i>	<i>\$2,082,101</i>	<i>\$(141,818)</i>	<i>\$1,940,283</i>	<i>\$1,618,547</i>	<i>\$321,737</i>
<i>Business-Type</i>					
Hydrant Replacements 2011	\$ 16,255	\$ -	\$ 16,255	\$ 14,413	\$ 1,842
Lift Station No. 3 Elec. & Ctrls	42,600	-	42,600	-	42,600
Well #1 Pump & Motor	93,387	-	93,387	83,718	9,669
WTP Energy Efficiency Upgrades	52,027	2,217	54,244	38,227	16,017
<i>Total Business-Type</i>	<i>\$ 188,014</i>	<i>\$ 2,217</i>	<i>\$ 190,231</i>	<i>\$ 121,944</i>	<i>\$ 68,286</i>
Total	\$ 2,270,115	\$(139,601)	\$ 2,130,514	\$ 1,740,491	\$ 390,023

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 817,562	\$ 817,562	\$ 834,269	\$ 16,707
Licenses, permits and fees	501,775	501,775	499,470	(2,305)
Fines and forfeits	148,000	148,000	123,079	(24,921)
Intergovernmental	880,400	880,400	1,136,785	256,385
Charges for services	68,479	68,479	19,996	(48,483)
Interest income	15,000	15,000	8,848	(6,152)
Miscellaneous income	22,100	22,100	22,717	617
Total Revenues	\$ 2,453,316	\$ 2,453,316	\$ 2,645,164	\$ 191,848
<u>Expenditures:</u>				
Current:				
General government	\$ 556,810	515,563	\$ 515,563	\$ -
Public safety	1,459,843	1,443,141	1,443,141	-
Public works	542,912	538,137	538,137	-
Culture and recreation	125,950	164,003	164,003	-
Other	15,000	8,442	8,442	-
Total Expenditures	\$ 2,700,515	\$ 2,669,286	\$ 2,669,286	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (247,199)	\$ (215,970)	\$ (24,122)	\$ 191,848
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 296,801	\$ 296,801	\$ 260,096	\$ (36,705)
Transfers out	(49,602)	(183,557)	(183,557)	-
Total Other Financing Sources and Uses	\$ 247,199	\$ 113,244	\$ 76,539	\$ (36,705)
Net Change in Fund Balances	\$ -	\$ (102,726)	\$ 52,417	\$ 155,143
Fund Balance - January 1	\$ 697,524	\$ 697,524	\$ 697,524	\$ -
Fund Balance - December 31	\$ 697,524	\$ 594,798	\$ 749,941	\$ 155,143

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 89,300	\$ 89,300
Interest income	9,000	9,000	4,700	(4,300)
Total Revenues	\$ 9,000	\$ 9,000	\$ 94,000	\$ 85,000
<u>Expenditures:</u>				
Current:				
General government	\$ 18,000	\$ 12,169	\$ 12,169	\$ -
Public safety	28,000	102,050	102,050	-
Public works	-	150,018	150,018	-
Debt Service:				
Principal	56,293	56,292	56,292	-
Interest and fees	3,777	3,721	3,721	-
Total Expenditures	\$ 106,070	\$ 324,250	\$ 324,250	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (97,070)	\$ (315,250)	\$ (230,250)	\$ 85,000
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 97,103	\$ 97,103	\$ 162,102	\$ 64,999
Net Change in Fund Balances	\$ 33	\$ (218,147)	\$ (68,148)	\$ 149,999
Fund Balance - January 1	\$ 699,219	\$ 699,219	\$ 699,219	\$ -
Fund Balance - December 31	\$ 699,252	\$ 481,072	\$ 631,071	\$ 149,999

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX OPERATING FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 411,000	\$ 411,000	\$ 542,231	\$ 131,231
Interest income	-	-	2,618	2,618
Miscellaneous income	5,500	5,500	161,312	155,812
Total Revenues	<u>\$ 416,500</u>	<u>\$ 416,500</u>	<u>\$ 706,161</u>	<u>\$ 289,661</u>
<u>Expenditures:</u>				
Current:				
Capital Outlay	<u>\$ 245,500</u>	<u>\$ 245,500</u>	<u>\$ 81,370</u>	<u>\$ 164,130</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 171,000</u>	<u>\$ 171,000</u>	<u>\$ 624,791</u>	<u>\$ 453,791</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (165,500)</u>	<u>\$ (165,500)</u>	<u>\$ (150,111)</u>	<u>\$ 15,389</u>
Net Change in Fund Balances	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 474,680</u>	<u>\$ 469,180</u>
Fund Balance - January 1	<u>\$ 1,833,518</u>	<u>\$ 1,833,518</u>	<u>\$ 1,833,518</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,839,018</u>	<u>\$ 1,839,018</u>	<u>\$ 2,308,198</u>	<u>\$ 469,180</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Loan receivable receipts	\$ 8,000	\$ 8,000	\$ 15,360	\$ 7,360
Interest income	3,000	3,000	46	(2,954)
Miscellaneous income	275,000	275,000	158,292	(116,708)
Total Revenues	\$ 286,000	\$ 286,000	\$ 173,698	\$ (112,302)
<u>Expenditures:</u>				
Current:				
Economic Development	\$ -	\$ -	\$ 11,538	\$ (11,538)
Excess (Deficiency) of Revenues Over Expenditures	\$ 286,000	\$ 286,000	\$ 162,160	\$ (123,840)
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ -
Net Change in Fund Balances	\$ 281,000	\$ 281,000	\$ 157,160	\$ (123,840)
Fund Balance - January 1	\$ 1,172,753	\$ 1,172,753	\$ 1,172,753	\$ -
Fund Balance - December 31	\$ 1,453,753	\$ 1,453,753	\$ 1,329,913	\$ (123,840)

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, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

CITY OF WAHPETON
Wahpeton, North Dakota
SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2011

	Balance 1-1-11	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-11
Major Funds:							
General Fund	\$ 508,326.26	\$ 2,605,052.36	\$ 260,095.62	\$ -	\$ 183,557.00	\$ 2,669,285.50	\$ 520,631.74
Capital Improvements	\$ 699,219.00	\$ 94,000.48	\$ 162,102.00	\$ -	\$ -	\$ 324,250.94	\$ 631,070.54
Sales Tax Economic Development Fund	1,833,517.74	660,043.66	-	-	150,110.53	81,369.85	2,262,081.02
Revolving Loan Fund	1,172,752.68	173,698.12	-	-	5,000.00	11,537.21	1,329,913.59
Total Major Funds	\$ 4,213,815.68	\$ 3,532,794.62	\$ 422,197.62	\$ -	\$ 338,667.53	\$ 3,086,443.50	\$ 4,743,696.89
Non-Major Funds:							
Special Revenue Funds:							
Advertising	\$ 33,512.13	\$ 14,695.95	\$ -	\$ -	\$ -	\$ 18,627.36	\$ 29,580.72
Airport	4,099.80	61,570.91	-	-	-	62,549.06	3,121.65
Planning Commission	31,287.14	8,071.02	-	-	-	32,683.67	6,674.49
Band Levy	6,206.44	3,338.56	-	-	-	-	9,545.00
Social Security Levy	28,408.01	93,064.99	-	-	88,434.76	-	33,038.24
Retirement Levy	24,939.36	79,714.02	-	-	75,486.16	-	29,167.22
Employee Safety Committee	4,268.08	-	-	-	-	1,597.00	2,671.08
Fire Department Levy	101,719.45	154,938.82	-	-	20,000.00	95,562.03	141,096.24
Real Estate Levy	411,520.75	107,617.21	-	-	40,000.00	48,404.38	430,733.58
Special Street Maintenance	24,728.64	88,065.95	-	-	-	74,114.66	38,679.93
Snow/Flood Emergency	65,230.23	65,952.57	-	-	-	125,235.81	5,946.99
Levee Maintenance	-	-	91,380.92	-	-	91,380.92	-
City Share of Specials	34,666.34	72,734.86	-	-	-	42,380.00	65,021.20
Special Transportation Funding	27,152.65	163,610.20	-	-	-	-	190,762.85
Ambulance Levy	1,775.83	598.27	-	-	2,374.10	-	-
Unemployment Reserve	40,752.58	-	-	-	-	795.20	39,957.38
Economic Development	-	200.00	150,110.53	-	-	150,310.53	-
Absolute Marketing Campaign	(49,738.24)	24,111.15	-	-	-	10,052.57	(35,679.66)
EDND Summer Conference	-	3,973.44	-	-	-	3,973.44	-
Miscellaneous Fund	-	1,434.87	-	-	-	1,151.46	283.41
Vector Control	15,541.00	1,006.51	-	-	-	10,530.66	6,016.85
1% Additional Lodging Tax 1-1-08	21,270.45	17,934.85	-	-	-	-	39,205.30
Job Development Levy	46,221.12	26,221.08	-	-	-	38,952.75	33,489.45
Weed Maintenance Levy	74,030.63	57,425.10	-	-	12,800.60	11,442.56	107,212.57
Lodging Tax	44,236.54	35,869.69	-	-	-	33,135.46	46,970.77
Sales Tax Recreation	351,904.55	56,698.80	-	-	-	44,192.97	364,410.38
Sales Tax Default Reserve	64,815.77	-	-	-	-	705.36	64,110.41
Sales Tax Development Reserve	357,200.00	-	-	-	-	146,200.00	211,000.00
Sales Tax Mini-Match Reserve	6,270.21	-	-	-	-	4,278.00	1,992.21
Sales Tax Help Fund	361,832.88	210.24	-	-	-	2,103.18	359,939.94
Employee Bonus/Retirement	38,572.18	-	-	-	-	-	38,572.18
Gasoline, Oil, Etc. (inventory)	26,080.76	3,554.60	-	-	-	402.50	29,232.86
Local Law Enforcement Block Grant	5.15	4,585.00	-	-	-	4,585.00	5.15
Police Dept. Radio Sinking Fund	17,599.62	-	2,500.00	-	-	-	20,099.62
Police Dept. Canine Unit Fund	3,004.99	857.11	-	-	-	1,060.30	2,801.80
Community Policing Fund	934.56	-	-	-	-	-	934.56
Clubhouse Maintenance	1,216.07	24,668.23	20,000.00	-	-	30,660.79	15,223.51
Sidewalk Maintenance	26,747.06	-	-	-	20,000.00	-	6,747.06
Downtown Cleanup Fund	11,914.90	-	57,124.37	-	-	11,758.93	57,280.34
Downtown Development Process	13,483.08	-	-	-	13,169.37	313.71	-
Comm. Emergency Response (CERT)	3,566.62	950.20	-	-	-	2,673.14	1,843.68
Total Special Revenue Funds	\$ 2,276,977.33	\$ 1,173,674.20	\$ 321,115.82	\$ -	\$ 272,264.99	\$ 1,101,813.40	\$ 2,397,688.96
Debt Service Funds:							
Special Assessment Deficiency	\$ 200,374.24	\$ 14,026.16	\$ -	\$ -	\$ -	\$ -	\$ 214,400.40
Tax Increment Fund	7,375.46	197,671.09	-	-	186,661.00	-	18,385.55
R/I 10303 Sinking Fund	437,664.75	100,316.49	-	1,120,000.00	391,209.75	1,266,771.49	-
R/I 10405 Sinking Fund	183,560.50	-	180,368.75	-	-	180,366.75	183,562.50
R/I 10506 Sinking Fund	76,410.01	130,325.05	-	-	-	93,377.00	113,358.06
R/I 10607 Sinking Fund	165,758.33	-	167,482.51	1,490,000.00	-	180,510.41	1,642,730.43
R/I 10708 Sinking Fund	287,794.11	9,833.16	171,661.00	-	-	209,273.00	260,015.27
R/I 10809 Sinking Fund	745,355.66	423,334.17	189,786.25	-	-	594,188.50	764,287.58
R/I 10910 Sinking Fund	210,000.00	204,244.78	0.00	-	-	133,804.09	280,440.69
R/I 11011 Sinking Fund	-	6,377.51	391,209.75	-	-	22,474.55	375,112.71
R/I 11111 Sinking Fund	-	1,037.90	-	65,800.00	5,000.00	17,505.79	44,332.11
Total Debt Service Funds	\$ 2,314,293.06	\$ 1,087,166.31	\$ 1,100,508.26	\$ 2,675,800.00	\$ 582,870.75	\$ 2,698,271.58	\$ 3,896,625.30

CONTINUED ON NEXT PAGE....

CITY OF WAHPETON
Wahpeton, North Dakota
SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2011

	Balance 1-1-11	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-11
CONTINUED:							
<u>Capital Projects Funds:</u>							
Sales Tax for Flood & Infrastructure Fund	\$ 83,491.21	\$ 459,364.71	\$ -	\$ -	\$ -	\$ -	\$ 542,855.92
Sales Tax for Flood Mitigation Fund	237,222.60	828,603.23	-	-	650,418.93	-	415,406.90
5-1-97 Flood Phase II	(891,892.53)	111,955.00	-	1,734,200.00	-	1,003,375.27	(49,112.80)
Spring Flooding 2010	-	-	-	-	-	-	-
Flood 2011	-	-	21,400.50	-	-	21,400.50	-
Dakota Ave. Reconstruction 2008	435,154.71	124,332.28	-	-	-	357,061.56	202,425.43
Dakota Ave. Side Streets	(73,646.65)	-	-	-	-	-	(73,646.65)
Southside Storm Sewer	77,933.25	-	-	-	-	76,592.17	1,341.08
Urban Roads Mtc. 2009	(267,358.32)	7,880.89	-	-	-	-	(259,477.43)
Safe Routes to School	(103,568.62)	101,202.68	20,000.00	-	-	180.98	17,453.08
Southside Drainage Improve. DR09-150	(7,202.00)	-	-	-	-	-	(7,202.00)
Dakota Ave. Alleys	1,363.15	-	-	-	-	287.50	1,075.65
Lift Stations Ctrls #6 & #8	-	-	-	-	-	322.92	(322.92)
NSP Grant Project	(38,139.41)	39,223.50	-	-	-	1,097.05	(12.96)
Cul de Sac Improvements	(92.00)	-	-	-	-	-	(92.00)
North Central Area Street Improvements	214,734.07	-	-	-	-	79,796.21	134,937.86
Alley Improvements Misc. Locations	(211.68)	-	-	-	-	130,500.77	(130,712.45)
NDDOT Hwy 127 from Jct. 11	(17,688.77)	-	-	-	-	17,112.68	(34,801.45)
Town Centre Square	(10,510.14)	265,527.29	-	-	-	257,266.94	(2,249.79)
3rd Ave. N. Reconstruction	-	-	-	-	-	51,352.30	(51,352.30)
WTP Energy Efficiency Imp.	-	-	-	-	-	78,480.74	(78,480.74)
Hydrant Replacements	-	-	-	-	-	93,255.50	(93,255.50)
Safe Rts. To School 2011	-	-	-	-	-	18,886.48	(18,886.48)
6th St. S. Shared Use Path	-	-	-	-	-	5,936.42	(5,936.42)
West Side Drain Imp. Proj.	-	1,829.20	-	-	-	21,971.25	(20,142.05)
11th St. N. Ave. B to 16th Ave.	-	-	-	-	-	115.43	(115.43)
Total Capital Projects Funds	\$ (360,411.13)	\$ 1,939,918.78	\$ 41,400.50	\$ 1,734,200.00	\$ 650,418.93	\$ 2,214,992.67	\$ 489,696.55
Total Governmental Activities	\$ 8,444,674.94	\$ 7,733,553.91	\$ 1,885,222.20	\$ 4,410,000.00	\$ 1,844,222.20	\$ 9,101,521.15	\$ 11,527,707.70
<u>Major Enterprise Funds:</u>							
Water Operating	\$ 445,988.01	\$ 1,248,876.31	\$ -	\$ -	\$ 56,000.00	\$ 1,141,998.92	\$ 496,865.40
Meter Deposits	3,282.61	-	-	-	-	864.15	2,418.46
Total Water Operating - Major	\$ 449,270.62	\$ 1,248,876.31	\$ -	\$ -	\$ 56,000.00	\$ 1,142,863.07	\$ 499,283.86
Sewer Operating							
Total Sewer Operating	\$ 325,304.48	\$ 579,057.10	\$ -	\$ -	\$ -	\$ 508,065.08	396,296.50
<u>Nonmajor Enterprise Funds:</u>							
Waste Removal	\$ 63,075.07	\$ 241,123.16	\$ -	\$ -	\$ -	\$ 237,687.88	\$ 66,510.35
Waste Reduction	97,321.75	18,714.24	-	-	-	49,173.80	66,862.19
Total Waste Fund	\$ 160,396.82	\$ 259,837.40	\$ -	\$ -	\$ -	\$ 286,861.68	\$ 133,372.54
Vector Control	\$ 70,681.66	\$ 43,070.46	\$ -	\$ -	\$ -	\$ 49,205.93	\$ 64,546.19
Street Lights	\$ 502.48	\$ 93,439.92	\$ 15,000.00	\$ -	\$ -	\$ 106,367.68	\$ 2,574.72
Total Nonmajor Enterprise Funds	\$ 231,580.96	\$ 396,347.78	\$ 15,000.00	\$ -	\$ -	\$ 442,435.29	\$ 200,493.45
Total Enterprise Funds	\$ 1,006,156.06	\$ 2,224,281.19	\$ 15,000.00	\$ -	\$ 56,000.00	\$ 2,093,363.44	\$ 1,096,073.81
<u>Agency Funds:</u>							
CDC	\$ 13,974.36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,974.36
Handicapped Parking Fines	100.00	420.00	-	-	-	410.00	110.00
Safe Communities Coalition	1,213.77	1,397.81	-	-	-	330.00	2,281.58
Golf Club Donations	386.71	578.01	-	-	-	578.01	386.71
Total Agency Funds	\$ 15,674.84	\$ 2,395.82	\$ -	\$ -	\$ -	\$ 1,318.01	\$ 16,752.65
Total Primary Government	\$ 9,466,505.84	\$ 9,960,230.92	\$ 1,900,222.20	\$ 4,410,000.00	\$ 1,900,222.20	\$ 11,196,202.60	\$ 12,640,534.16
<u>Component Unit:</u>							
Library	\$ 79,116.48	\$ 290,576.07	\$ -	\$ -	\$ -	\$ 255,927.56	\$ 113,764.99
Total Reporting Entity	\$ 9,545,622.32	\$ 10,250,806.99	\$ 1,900,222.20	\$ 4,410,000.00	\$ 1,900,222.20	\$ 11,452,130.16	\$ 12,754,299.15

STATE AUDITOR

ROBERT R. PETERSON
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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

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*

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected in a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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 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*.

This report is intended solely for the information and use of management, the City Council and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bob Peterson". The signature is fluid and cursive, with a large initial "B" and "P".

Robert R. Peterson
State Auditor

June 4, 2012

