

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**CITY OF WAHPETON
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013



CITY OF WAHPETON
Wahpeton, North Dakota
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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2013

James Sturdevant

Mayor

Alisa Mitskog
Meryl T. Hansey

President
Vice-President

Steve Dale
Renelle Bertsch
Tiana Bohn
Don Bajumpaa
Martin Schmidt
Chris DeVries

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

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

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

STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Wahpeton
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 27 to the financial statements, the financial statements have been restated to correct misstatements.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-12 and 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014 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 per-formed in accordance with *Government Auditing Standards* in considering City of Wahpeton's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 18, 2014

CITY OF WAHPETON
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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, 2013. 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

- Change in Net Position: Governmental assets exceeded liabilities (net position) by \$42,585,754 at the close of the most recent fiscal year. Of this amount, \$339,323 (unrestricted net position) may be used to meet the government's ongoing obligations. The total net position of governmental activities of the City of Wahpeton increased by \$2,842,945 as a result of the most recently completed fiscal year's operations and a prior period adjustment to the City's fixed assets for land acquired by donation not previously valued.
- Business-type assets exceeded liabilities by \$6,794,166 at the close of the most recent fiscal year. Net position of the business-type activities increased by \$95,874 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$8,532,598 for governmental activities and \$9,339,402 on the modified accrual basis. Revenues from property taxes were \$1,979,838 in the current fiscal year compared to \$1,640,866 in the prior year. Governmental expenditures exceeded revenues by \$466,054 in the governmental fund-based statements and governmental funds reported combined ending fund balances of \$9,679,642. Approximately 17% (\$1,607,123) of this is available for spending at the government's discretion (committed and unassigned fund balances).
- General fund revenues were \$2,895,845 and general fund expenditures were \$2,952,173. General fund expenditures exceeded revenues by \$56,328 and there were net transfers into the general fund general fund totaling \$167,490. Unassigned fund balance for the general fund was \$933,125 or 32% of the total 2013 general fund expenditures.
- Total revenues from all sources were \$2,332,005 for business-type activities for the year ended December 31, 2013.
- Total expenses were \$5,813,698 for governmental activities on the government-wide basis and total expenditures were \$9,805,456 on the modified accrual basis. The total expenses of business-type activities were \$2,112,086.
- The City did not issue any new debt in 2013, several capital projects were carried over at year end and a refunding improvement special assessment bond issuance of approximately \$1,500,000 is expected in mid-2014.

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 position 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 Position 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, 2013?"

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

The *Statement of Activities* presents information on how the City's *net position* changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in 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 Position 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 a prior period adjustment to incorporate the City Library for which the City is financially accountable as a special levy fund and to reclassify the Airport Levy Fund from special levy to agency fund. The Library was formerly reported as a *component unit* and is now reflected with the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 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 15-18 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 19-22 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 23-42 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following two tables present condensed information on the City’s Net Position and Changes in Net Position for the fiscal years ended December 31, 2013 and 2012. As noted earlier, net position 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 \$42,585,754 at the close of the most recent fiscal year for governmental activities and \$6,794,166 for enterprise business-type activities. The City of Wahpeton’s net position 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 \$28,206,742 for governmental activities and \$5,784,490 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 I
NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2013 and 2012 (as restated)

<u>Assets:</u>	<u>12-31-13</u>	<u>12-31-12</u>
Current Assets	\$10,391,205	\$10,473,342
LT Uncertified Special Assessments Receivable	4,666,971	5,446,966
Capital Assets (net of accumulated depreciation)	40,664,107	38,464,959
Total Assets	<u>\$55,722,283</u>	<u>\$54,385,267</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 554,782	\$ 380,717
Long-Term Liabilities	12,581,747	14,261,741
Total Liabilities	<u>\$13,136,529</u>	<u>\$14,642,458</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	\$28,206,742	\$24,318,055
Restricted	14,039,689	14,600,183
Unrestricted	339,323	824,571
Total Net Position	<u>\$42,585,754</u>	<u>\$39,742,809</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

TABLE I
NET POSITION – BUSINESS-TYPE ACTIVITIES
 December 31, 2013 and 2012 (as restated)

	12-31-13	12-31-12
Assets:		
Current Assets	\$1,085,311	\$1,157,657
Capital Assets (net of accumulated depreciation)	7,288,856	7,353,122
Total Assets	<u>\$8,374,167</u>	<u>\$8,510,779</u>
Liabilities:		
Current Liabilities	\$ 37,738	\$ 76,551
Long-Term Liabilities	1,542,263	1,735,936
Total Liabilities	<u>\$1,580,001</u>	<u>\$1,812,487</u>
Net Position:		
Invested in Capital Assets, net of Related Debt	\$5,784,490	\$5,649,756
Unrestricted	1,009,676	1,048,536
Total Net Position	<u>\$6,794,166</u>	<u>\$6,698,292</u>

A large portion of the City of Wahpeton's net position totaling \$14,039,689 (33%) 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 2013, the City of Wahpeton is able to report an increase in net position of \$2,842,945 in addition to a prior period adjustment of \$901,498 in capital assets and reclassification of the Library Fund from component unit to special levy fund. Current assets decreased (\$82,137) (.78%) for governmental activities, noncurrent assets of uncertified special assessments receivable decreased (\$779,995) (14%), and capital assets net of accumulated depreciation increased \$2,199,148 with several street improvements in progress and work in progress on the stage 3 of the flood mitigation project and the prior period adjustment stated above. Total net position for business-type activities increased nominally at \$95,874 with the capitalization of several pay-as-you go improvements in the enterprise funds.

TABLE II
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
 As of December 31, 2013 and 2012 (as restated)

	FY2013	FY2012
Revenues		
Program Revenues:		
Charges for Services	\$ 609,812	\$ 580,904
Operating Grants & Contributions	1,043,132	757,398
Capital Grants & Contributions	1,683,077	1,132,682
General Revenues:		
Property Taxes (general)	817,557	859,110
Property Taxes (special revenue)	1,162,281	781,756
Sales Taxes	2,054,402	2,018,238
Non restricted grants and contributions	888,955	815,974
Unrestricted Investment Earnings	35,332	35,434
Miscellaneous Revenue	238,050	239,841
Transfers	124,045	(49,891)
Total Revenues & Transfers	<u>\$ 8,656,643</u>	<u>\$ 7,171,446</u>
Expenses		
General Government	\$ 772,344	\$ 1,086,085
Public Safety	1,721,179	1,655,341
Public Works	2,055,600	2,494,777
Culture and Recreation	655,166	345,324
Economic Development	285,772	289,714
Other	13,806	13,030
Interest and Service Charges	309,831	394,286
Total Expenses	<u>\$ 5,813,698</u>	<u>\$ 6,278,557</u>
Change in Net Position	<u>\$ 2,842,945</u>	<u>\$ 892,889</u>
Net Position - January 1	<u>\$38,841,311</u>	<u>\$31,929,348</u>
PPA	\$ 901,498	\$ 6,019,074
Net Position - December 31	<u>\$42,585,754</u>	<u>\$38,841,311</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

General Government Revenues: Charges for Services constituted 7%, operating grants and contributions were 12%, capital grants & contributions constituted 19%, property taxes (general) constituted 9%, property taxes (special revenue) constituted 14%, sales taxes constituted 24%, non-restricted operating grants and contributions 10%, unrestricted investment earnings .4%, miscellaneous revenue 3% and transfers constituted 1% of total revenues of governmental activities of the City for year ended December 31, 2013. General government revenues were \$8,565,643 which is \$1,485,197 (21%) more than the preceding year attributed primarily to intergovernmental revenue from the ND State Water Commission to reimburse project costs related to the flood mitigation improvements.

General Government Expenses: General government constituted 13%, public safety 30%, public works 35%, culture and recreation 11%, economic development 5%, miscellaneous expenses .24%, and interest and service charges at 5% of total expenses for governmental activities for the year ended December 31, 2013. General government expenses were (\$464,859) 7% less than the preceding year.

The City of Wahpeton's total net position for governmental activities increased by \$3,744,443 (10%) for the year ended December 31, 2013. The net increase is primarily due to growth in capital assets including a prior period adjustment. General Government and public safety were lower than the preceding period indicative of lower activity levels in general maintenance. Revenues from property taxes reflect an increase of 21% over the preceding year with the reclassification of the Library from component unit to special levy fund. Expenses for general government decreased \$313,741 with less activity in the special levy funds for special street maintenance, real estate levy and the flood levy maintenance funds.

TABLE II
CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES

As of December 31, 2013 and 2012 (as restated)

Revenues	FY2013	FY2012
<u>Program Revenues:</u>		
Charges for Services - Water	\$1,297,657	\$1,415,398
Charges for Services - Sewer	607,631	637,495
Charges for Services - Other	407,761	404,602
<u>General Revenues:</u>		
Unrestricted Investment Earnings	892	1,139
Miscellaneous Revenue	18,064	20,072
Transfers	(124,045)	49,891
Total Revenues & Transfers	\$2,207,960	\$2,528,597
Expenses		
Water Operating Expenses	\$1,030,0924	\$1,184,072
Sewer Operating Expenses	598,078	807,588
NM Fund Operating Expenses	434,817	436,380
Interest and Service Charges	48,267	56,491
Total Expenses	\$2,112,086	\$2,484,531
Change in Net Position	\$ 95,874	\$ 44,066
Net Position - January 1	\$6,710,359	\$6,659,253
Prior Period Adjustment	\$ (12,067)	\$ 7,040
Net Position - December 31	\$6,794,166	\$6,710,359

The business type activities total revenues decreased (\$320,637) (13%) from the preceding year, attributed to a 10% decrease in gallons sold and transfers out to permanently finance an energy efficiency project at the water treatment plant and renovation of sanitary sewer lift station no. 5. Business type activities expenses decreased \$372,445 (15%) from the preceding year with lower costs of production related to diminished demand from customers. The 2014 budget included increases in the base and commodity rates to adjust for fluctuations in customer demand. The increase in net position for the business activities was \$95,874 and primarily attributed to revenues in excess of expenses.

TABLE III
TOTAL AND NET COST OF SERVICES - GOVT. ACTIVITIES
 As of December 31, 2013 and 2012 (as restated)

	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012
General Government	\$ 772,344	\$ 575,952	\$ 1,086,085	\$ 650,767
Public Safety	1,721,179	1,605,508	1,655,341	1,539,290
Public Works	2,055,600	(945,847)	2,494,777	585,306
Culture and Recreation	655,166	632,655	345,324	335,180
Economic Development	285,772	285,772	289,714	289,714
Other	13,806	13,806	13,030	13,030
Capital Outlay	309,831	309,831	394,286	394,286
Total Expenses	\$5,813,698	\$2,477,677	\$6,278,557	\$3,807,573

The net cost of services decreased \$1,329,896; General Government decreased \$74,815 with decreases in expenses in the real estate special levy fund, and public works decreased by \$1,531,153 due to a capital grant from the North Dakota State Water Commission for cost reimbursements related to the permanent flood control project. Public Safety increased (4%) with increased costs for 911 communications fees. The increase in Culture and Recreation of \$297,475 is a result of the reclassification of the Library fund from a separately stated component unit to a special levy fund. The decrease in total cost of services is \$464,859 (7%) and is largely attributed to revenue from the ND State Water Commission offsetting capital outlays related to the flood mitigation project.

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 \$9,679,642. The total unassigned and committed *fund balances* are \$1,607,123. 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 \$2,750,835 related to capital improvements, and is reserved for inventories \$13,117 and loans \$945,425. Total fund balances of governmental funds decreased by \$161,498 (2%) primarily due to an increase in negative fund balances for capital improvement projects, and the reclassification of the Library component unit.

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

It is noted that total revenues for governmental funds increased \$1,775,945 (24%) for the year ended December 31, 2013 going from \$7,563,457 to \$9,339,402. The revenue increase was attributed to an additional \$1,134,500 received from the State of North Dakota for flood mitigation improvements and \$366,627 in additional transportation funding from the ND Dept. of Transportation. Property tax collections increased \$343,414 with the reclassification of the Library Fund and strong tax collections of taxes levied. Expenditures decreased overall by \$2,003,789 (17%) going from \$11,809,245 to \$9,805,456 with decreased expenditures in debt service funds related to refinancing of \$3,233,927 in 2012 and increases in sales tax for economic development expenses and capital project funds.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

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 \$933,125. The fund balance of the City of Wahpeton's general fund increased by \$111,162 (14%) during the current fiscal year; with an increase in transfers in of \$18,174 and an increase of transfers out of \$52,229. Unassigned fund balance represents 32% of total general fund expenditures. Revenues of the general fund totaled \$2,895,845 and expenditures totaled \$2,952,173 for the year ended December 31, 2013. Revenues of the general fund increased by \$74,193 (3%) and expenditures increased \$1,003 (0%). Of the increase in revenue \$96,717 was attributed to increased revenues from the State of North Dakota State Aid and Highway Tax Distributions. Revenue from municipal court fines increased \$36,276. Revenues decreased in property taxes, licenses, charges for service, interest income and miscellaneous sources \$58,800 with no significant trends.

The sales tax for economic development fund balance decreased \$264,088 due to a \$339,000 funding commitment for a development agreement to construct Oakwood Court, and create 11 residential lots for development. The revolving loan fund balance increased \$13,292 with increased loan activity and associated fees. The debt service funds balance decreased by \$15,151 with continued amortization of special assessment debt. The capital projects funds balance changed \$426,061 with several street improvement projects pending permanent financing. The other government funds balance increased \$344,184 and is primarily attributed to the reclassification of the library fund from a component unit to a special levy 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.

The total net position for the enterprise funds for the year ended December 31, 2013 was \$6,794,166, an increase of \$83,807 (1%); the change in net position attributed to operations was \$95,874, which was reduced \$12,067 by a prior period adjustment to accumulated depreciation. Unrestricted net position of the Water Operating Fund totaled \$563,520. Total increase in net position for this fund was \$81,339 (3%). Total Sanitary Sewer Operating Fund net position increased \$29,523 (0%) due to capital asset additions. Total other enterprise funds net position totaled \$165,060 a decrease of \$27,055 (14%) with a temporary suspension of the vector control fee based on sufficient fund balance. There was a decrease of approximately \$144,446 (6%) in charges for services in the business-type funds resulting attributed to decreased volume sales in water and sanitary sewer, and an intentional reduction in sewer related expenses of \$209,510 (26%) resulting in an increase in operating income of \$51,808. The increase in total net position for the proprietary funds of \$95,874 is attributed to the diminishing noncurrent liability for revenue bonds payable.

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 \$264,939 greater than projected creating a surplus in revenue over expense of \$279,899. Transfers in were decreased \$35,353 and transfers out were increased \$17,484 resulting in a net increase in the general fund balance of \$111,162 (14%). The general fund expenditures were amended to actual general ledger amounts for the year ended December 31, 2013, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 43-45 of this report and in Note 2 on pages 29-30 of this report.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2013 amounted to \$40,664,107 (net of accumulated depreciation), representing an increase of \$2,199,148 (6%) due to a prior period adjustment for 2012 to account for construction in progress, omitted assets at the Bois de Sioux Golf Course and reclassification of the Library assets. The decrease in business-type activities capital assets was \$64,266 (1%) due to depreciation expense of \$323,015 exceeding the capitalization of new assets.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

TABLE IV
CAPITAL ASSETS - GOVT. ACTIVITIES (AS RESTATED)
 (Net of Accumulated Depreciation)
 December 31, 2013 and 2012 (as restated)

	12-31-13	12-31-12
Land	\$ 3,115,810	\$ 3,115,810
Buildings	3,210,324	3,292,973
Equipment	1,950,191	2,165,956
Vehicles	113,656	119,915
Infrastructure	24,186,640	24,106,544
Construction in Progress	8,087,486	5,663,761
Total Capital Assets (net of accumulated depreciation)	<u>\$40,664,107</u>	<u>\$38,464,959</u>

TABLE IV
CAPITAL ASSETS - BUSINESS-TYPE ACTIVITIES
 (Net of Accumulated Depreciation)
 December 31, 2013 and 2012 (as restated)

	12-31-13	12-31-12
Buildings	\$1,470,438	\$1,518,307
Equipment	959,898	807,092
Vehicles	3,589	7,179
Infrastructure	4,854,931	5,020,544
Total Capital Assets (net of accumulated depreciation)	<u>\$7,288,856</u>	<u>\$7,353,122</u>

Additional information on the City of Wahpeton's capital assets can be found in note 11 of this report found on pages 32-33.

DEBT ADMINISTRATION

At year-end the City had total long-term debt and compensated absences for governmental activities totaling \$12,581,747, a net overall decrease of \$1,682,386 (12%) over the prior year. The decrease was a result of normally scheduled debt payments on existing debt and a \$2,392 adjustment to compensated absences to account for the Library staff.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
GOVERNMENTAL ACTIVITIES
 December 31, 2013 and 2012

	Total Outstanding Dec. 31, 2013	Due Within One Year	Total Outstanding Dec. 31, 2012	Due Within One Year
Leases Payable	\$ 147,365	\$ 48,268	\$ 216,931	\$ 69,566
Spec. Assmts. Bonds Payable	12,310,000	1,630,000	13,930,000	1,620,000
Compensated Absences Payable	124,382	12,438	117,202	11,720
Total Debt	<u>\$12,581,747</u>	<u>\$1,690,706</u>	<u>\$14,264,133</u>	<u>\$1,701,286</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

Business-type activities long-term debt decreased by \$199,000 (12%) going from \$1,735,936 to \$1,542,263. The decrease was due solely to scheduled debt payments.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
BUSINESS-TYPE ACTIVITIES
December 31, 2013 and 2012

	Total Outstanding Dec. 31, 2013	Due Within One Year	Total Outstanding Dec. 31, 2012	Due Within One Year
Revenue Bonds Payable	\$1,504,366	\$203,366	\$1,703,366	\$199,000
Compensated Absences Payable	37,897	3,790	32,570	3,257
Total Debt	\$1,542,263	\$207,156	\$1,735,936	\$202,257

Note 19 to the financial statements describes the City's long-term debt in greater detail and are found on pages 35-38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2014 budget included a near level mill levy with a City levy rate of 123.60 mills compared to 124.14 levied for City services in 2013. The value of a mill for the City for the 201 budget increased from \$13,977 to \$14,599 per mill.

Total appropriations for operations for 2014 increased by approximately \$299,005 from 2013 levels. The increase is attributed to sales tax for economic development projects and additional expenses added to the general fund. Total budgeted appropriations for the General Fund increased \$216,221 (7%) with the increases primarily in the transfers to the capital improvement fund (equipment reserve) 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 POSITION
December 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments	\$ 8,783,408	\$ 909,609	\$ 9,693,017
Utility billings receivable	-	175,702	175,702
Intergovernmental receivable	444,821	-	444,821
Taxes receivable	60,546	-	60,546
Special assessments receivable	143,888	-	143,888
Loans receivable	945,425	-	945,425
Inventories	13,117	-	13,117
Long-term receivable:			
Uncertified special assessments receivable	4,666,971	-	4,666,971
Capital Assets (not being depreciated):			
Land	3,115,810	-	3,115,810
Construction in progress	8,087,486	-	8,087,486
Capital Assets (being depreciated):			
Buildings	3,210,324	1,470,438	4,680,762
Equipment	1,950,191	959,898	2,910,089
Vehicles	113,656	3,589	117,245
Infrastructure	24,186,640	4,854,931	29,041,571
Total Capital Assets	<u>\$ 40,664,107</u>	<u>\$ 7,288,856</u>	<u>\$ 47,952,963</u>
Total Assets	<u>\$ 55,722,283</u>	<u>\$ 8,374,167</u>	<u>\$ 64,096,450</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts payable & accrued expenses	\$ 76,012	\$ 25,165	\$ 101,177
Accrued payroll benefits	58,421	-	58,421
Grant match payable	372,196	-	372,196
RLF payable	500	-	500
Accrued interest payable	47,653	12,573	60,226
Total Current Liabilities	<u>\$ 554,782</u>	<u>\$ 37,738</u>	<u>\$ 592,520</u>
<u>Non-Current Liabilities:</u>			
Portion Due or Payable Within One Year:			
Leases payable	\$ 48,268	\$ -	\$ 48,268
Special assessment bonds payable	1,630,000	-	1,630,000
Revenue bonds payable	-	203,366	203,366
Compensated absences payable	12,438	3,790	16,228
Portion Due or Payable After One Year:			
Leases payable	99,097	-	99,097
Special assessment bonds payable	10,680,000	-	10,680,000
Revenue bonds payable	-	1,301,000	1,301,000
Compensated absences payable	111,944	34,107	146,051
Total Noncurrent Liabilities	<u>\$ 12,581,747</u>	<u>\$ 1,542,263</u>	<u>\$ 14,124,010</u>
Total Liabilities	<u>\$ 13,136,529</u>	<u>\$ 1,580,001</u>	<u>\$ 14,716,530</u>
NET POSITION			
Net investment in capital assets	\$ 28,206,742	\$ 5,784,490	\$ 33,991,232
Restricted for:			
Debt service	7,534,901	-	7,534,901
Public safety	305,929	-	305,929
Public works	726,860	-	726,860
Economic/Job development	3,313,176	-	3,313,176
Loans	945,425	-	945,425
Culture and recreation	333,710	-	333,710
Capital improvements	687,683	-	687,683
Other special purposes	192,005	-	192,005
Unrestricted	<u>339,323</u>	<u>1,009,676</u>	<u>1,348,999</u>
Total Net Position	<u>\$ 42,585,754</u>	<u>\$ 6,794,166</u>	<u>\$ 49,379,920</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
<u>Governmental Activities:</u>							
General government	\$ 772,344	\$ 127,591	\$ 68,801	\$ -	\$ (575,952)		\$ (575,952)
Public safety	1,721,179	114,045	1,626	-	(1,605,508)		(1,605,508)
Public works	2,055,600	363,545	954,825	1,683,077	945,847		945,847
Culture and recreation	655,166	4,631	17,880	-	(632,655)		(632,655)
Economic development	285,772	-	-	-	(285,772)		(285,772)
Other	13,806	-	-	-	(13,806)		(13,806)
Interest & fees on long-term debt	309,831	-	-	-	(309,831)		(309,831)
Total Governmental Activities	\$ 5,813,698	\$ 609,812	\$ 1,043,132	\$ 1,683,077	\$ (2,477,677)		\$ (2,477,677)
<u>Business-Type Activities:</u>							
Water operations	\$ 1,075,836	\$ 1,297,657	\$ -	\$ -	\$ -	\$ 221,821	\$ 221,821
Sanitary sewer operations	601,434	607,631	-	-	-	6,197	6,197
Garbage & other enterprise	434,816	407,761	-	-	-	(27,055)	(27,055)
Total Business-Type Activities	\$ 2,112,086	\$ 2,313,049	\$ -	\$ -	\$ -	\$ 200,963	\$ 200,963
Total Primary Government	\$ 7,925,784	\$ 2,922,861	\$ 1,043,132	\$ 1,683,077	\$ (2,477,677)	\$ 200,963	\$ (2,276,714)
<u>General Revenues:</u>							
Taxes:							
Property taxes, levied for general purposes					\$ 817,557	\$ -	\$ 817,557
Property taxes, levied for special purposes					1,162,281	-	1,162,281
Sales taxes					2,054,402	-	2,054,402
State aid distribution, other unrestricted grants & contributions					888,955	-	888,955
Unrestricted investment earnings					35,332	892	36,224
Miscellaneous					238,050	18,064	256,114
Transfers					124,045	(124,045)	-
Total General Revenues and Transfers					\$ 5,320,622	\$ (105,089)	\$ 5,215,533
Change in Net Position					\$ 2,842,945	\$ 95,874	\$ 2,938,819
Net Position - January 1					\$ 38,841,311	\$ 6,710,359	\$ 45,551,670
Prior Period Adjustments					901,498	(12,067)	889,431
Net Position - January 1, as restated					\$ 39,742,809	\$ 6,698,292	\$ 46,441,101
Net Position - December 31					\$ 42,585,754	\$ 6,794,166	\$ 49,379,920

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, 2013

	Major Funds						Total Governmental Funds
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS							
Cash, cash equivalents, & investments	\$ 741,486	\$ 2,353,808	\$ 531,770	\$ 2,075,894	\$ -	\$ 3,080,450	\$ 8,783,408
Intergovernmental receivable	267,445	63,482	-	-	113,894	-	444,821
Due from other funds	9,085	-	-	674,941	-	-	684,026
Loans receivable	-	-	945,425	-	-	-	945,425
Taxes receivable	17,820	-	-	20,860	-	21,866	60,546
Special assessments receivable	-	-	-	143,888	-	-	143,888
Long-term uncertified special assmts. rec.	-	-	-	4,666,971	-	-	4,666,971
Inventory	-	-	-	-	-	13,117	13,117
Total Assets	\$ 1,035,836	\$ 2,417,290	\$ 1,477,195	\$ 7,582,554	\$ 113,894	\$ 3,115,433	\$ 15,742,202
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES							
<u>Liabilities:</u>							
Accounts payable & accrued expenses	\$ 26,470	\$ -	\$ -	\$ -	\$ 40,180	\$ 9,362	\$ 76,012
Accrued payroll benefits	58,421	-	-	-	-	-	58,421
Grant match payable	-	339,000	-	-	-	33,196	372,196
RLF payable	-	-	500	-	-	-	500
Due to other funds	-	-	-	-	674,941	9,085	684,026
Total Liabilities	\$ 84,891	\$ 339,000	\$ 500	\$ -	\$ 715,121	\$ 51,643	\$ 1,191,155
<u>Deferred Inflows of Resources:</u>							
Deferred property taxes	\$ 17,820	\$ -	\$ -	\$ 20,860	\$ -	\$ 21,866	\$ 60,546
Deferred special assessments	-	-	-	143,888	-	-	143,888
Deferred long-term uncertified special assmts.	-	-	-	4,666,971	-	-	4,666,971
Total Deferred Inflows	\$ 17,820	\$ -	\$ -	\$ 4,831,719	\$ -	\$ 21,866	\$ 4,871,405
Total Liabilities & Deferred Inflows of Resources	\$ 102,711	\$ 339,000	\$ 500	\$ 4,831,719	\$ 715,121	\$ 73,509	\$ 6,062,560
<u>Fund Balances:</u>							
<u>Non-Spendable:</u>							
Loans Receivable	\$ -	\$ -	\$ 945,425	\$ -	\$ -	\$ -	\$ 945,425
Inventory	-	-	-	-	-	13,117	13,117
<u>Restricted:</u>							
Debt service	-	-	-	2,750,835	-	-	2,750,835
Sales tax funds/economic develop.	-	2,078,290	-	-	-	706,438	2,784,728
Public works	-	-	-	-	-	692,059	692,059
Culture & recreation	-	-	-	-	-	332,150	332,150
Public safety	-	-	-	-	-	351,821	351,821
Other/general government	-	-	-	-	-	202,384	202,384
<u>Committed:</u>							
Sales tax funds/economic develop.	-	-	531,270	-	-	-	531,270
Equipment replacement	-	-	-	-	-	687,683	687,683
Public safety	-	-	-	-	-	32,735	32,735
Public works	-	-	-	-	-	33,931	33,931
<u>Unassigned:</u>							
General fund	933,125	-	-	-	-	-	933,125
Negative fund balances	-	-	-	-	(601,227)	(10,394)	(611,621)
Total Fund Balances	\$ 933,125	\$ 2,078,290	\$ 1,476,695	\$ 2,750,835	\$ (601,227)	\$ 3,041,924	\$ 9,679,642
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,035,836	\$ 2,417,290	\$ 1,477,195	\$ 7,582,554	\$ 113,894	\$ 3,115,433	\$ 15,742,202

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* of Governmental Funds \$ 9,679,642

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

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

Cost of Capital Assets	\$ 49,722,813	
Less Accumulated Depreciation	<u>(9,058,706)</u>	40,664,107

Property taxes & special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows in the funds.

Taxes Receivable	\$ 60,546	
Special Assessments Receivable	<u>143,888</u>	204,434

Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 4,666,971

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31st are made up of the following liabilities:

Special Assessment Bonds Payable	\$ (12,310,000)	
Leases Payable	(147,365)	
Interest Payable	(47,653)	
Compensated Absences Payable	<u>(124,382)</u>	
Total Long-Term Liabilities		<u>(12,629,400)</u>

Total Net Position - Governmental Activities \$ 42,585,754

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, 2013

	Major Funds						Total Governmental Funds
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	
Revenues:							
Taxes	\$ 826,980	\$ -	\$ -	\$ -	\$ -	\$ 1,162,281	\$ 1,989,261
Sales taxes	-	585,953	-	-	1,468,449	-	2,054,402
Special assessment taxes	-	-	-	1,248,592	-	-	1,248,592
Licenses, permits and fees	472,838	-	-	-	-	-	472,838
Fines and forfeits	124,586	-	-	-	-	4,630	129,216
Intergovernmental	1,433,427	-	-	-	1,339,392	391,135	3,163,954
Charges for services	3,814	-	-	-	-	3,943	7,757
Loan receivable receipts	-	-	9,162	-	-	-	9,162
Interest income	18,726	10,249	744	-	-	5,613	35,332
Miscellaneous	15,474	2,528	8,657	-	94,042	108,187	228,888
Total Revenues	\$ 2,895,845	\$ 598,730	\$ 18,563	\$ 1,248,592	\$ 2,901,883	\$ 1,675,789	\$ 9,339,402
Expenditures:							
Current:							
General government	\$ 579,232	\$ -	\$ -	\$ -	\$ -	\$ 143,253	\$ 722,485
Public safety	1,597,563	-	-	-	-	48,973	1,646,536
Public works/highways & streets	558,432	-	-	-	-	375,183	933,615
Culture and recreation	203,140	-	-	-	-	438,630	641,770
Economic development	-	-	271	-	-	284,207	284,478
Other	13,806	-	-	-	-	-	13,806
Capital Outlay	-	723,955	-	-	2,834,539	-	3,558,494
Debt Service:							
Principal	-	-	-	1,620,000	-	69,566	1,689,566
Interest	-	-	-	304,659	-	3,401	308,060
Fees	-	-	-	6,646	-	-	6,646
Total Expenditures	\$ 2,952,173	\$ 723,955	\$ 271	\$ 1,931,305	\$ 2,834,539	\$ 1,363,213	\$ 9,805,456
Excess (Deficiency) of Revenues Over Expenditures	\$ (56,328)	\$ (125,225)	\$ 18,292	\$ (682,713)	\$ 67,344	\$ 312,576	\$ (466,054)
Other Financing Sources (Uses):							
Transfers in	\$ 318,456	\$ 23,319	\$ -	\$ 890,437	\$ 555,450	\$ 810,615	\$ 2,598,277
Transfers out	(150,966)	(162,182)	(5,000)	(222,875)	(1,048,855)	(779,007)	(2,368,885)
Total Other Financing Sources and Uses	\$ 167,490	\$ (138,863)	\$ (5,000)	\$ 667,562	\$ (493,405)	\$ 31,608	\$ 229,392
Net Change in Fund Balances	\$ 111,162	\$ (264,088)	\$ 13,292	\$ (15,151)	\$ (426,061)	\$ 344,184	\$ (236,662)
Fund Balances - January 1	\$ 821,963	\$ 2,342,378	\$ 1,463,403	\$ 2,765,986	\$ (175,166)	\$ 2,622,576	\$ 9,841,140
Prior Period Adjustments	-	-	-	-	-	75,164	75,164
Fund Balances - Jan. 1, as restated	\$ 821,963	\$ 2,342,378	\$ 1,463,403	\$ 2,765,986	\$ (175,166)	\$ 2,697,740	\$ 9,916,304
Fund Balances - December 31	\$ 933,125	\$ 2,078,290	\$ 1,476,695	\$ 2,750,835	\$ (601,227)	\$ 3,041,924	\$ 9,679,642

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, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ (236,662)

The change in net position 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 and capital contributions in the current year.

Capital Asset Additions (Outlays)	\$ 3,489,318	
Capital Asset Capital Contributions to Enterprise Funds	(105,349)	
Current Year Depreciation Expense	<u>(1,184,821)</u>	2,199,148

Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues.

Repayment reduces long-term liabilities in the statement of net position, while the issuance of debt increases long-term liabilities in the statement of net position. This is the amount by which debt repayments exceeded debt issuance.

Repayment of Bonds	\$ 1,620,000	
Repayment of Leases	<u>69,566</u>	1,689,566

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	\$ (7,180)	
Net Change in Interest Payable	<u>4,875</u>	(2,305)

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	\$ (9,423)	
Net Change in Special Assessments Receivable	(17,384)	
Net Change in LT Uncertified Special Assessments Receivable	<u>(779,995)</u>	<u>(806,802)</u>

Change in Net Position of Governmental Activities \$ 2,842,945

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
December 31, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 539,604	\$ 242,664	\$ 127,341	\$ 909,609
Utility billings receivable	66,688	58,220	50,794	175,702
Total current assets	<u>\$ 606,292</u>	<u>\$ 300,884</u>	<u>\$ 178,135</u>	<u>\$ 1,085,311</u>
Noncurrent Assets:				
Capital Assets (being depreciated):				
Buildings	\$ 1,418,826	\$ 51,612	\$ -	\$ 1,470,438
Equipment	425,544	534,354	-	959,898
Vehicles	3,589	-	-	3,589
Infrastructure	1,879,658	2,975,273	-	4,854,931
Total Noncurrent Assets	<u>\$ 3,727,617</u>	<u>\$ 3,561,239</u>	<u>\$ -</u>	<u>\$ 7,288,856</u>
Total Assets	<u>\$ 4,333,909</u>	<u>\$ 3,862,123</u>	<u>\$ 178,135</u>	<u>\$ 8,374,167</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 8,518	\$ 5,111	\$ 11,536	\$ 25,165
Accrued interest payable	10,656	1,917	-	12,573
Revenue bonds payable	183,366	20,000	-	203,366
Compensated absences	2,360	1,276	154	3,790
Total current liabilities	<u>\$ 204,900</u>	<u>\$ 28,304</u>	<u>\$ 11,690</u>	<u>\$ 244,894</u>
Noncurrent Liabilities:				
Revenue bond payable	\$ 1,111,000	\$ 190,000	\$ -	\$ 1,301,000
Compensated absences	21,238	11,484	1,385	34,107
Total Noncurrent Liabilities	<u>\$ 1,132,238</u>	<u>\$ 201,484</u>	<u>\$ 1,385</u>	<u>\$ 1,335,107</u>
Total Liabilities	<u>\$ 1,337,138</u>	<u>\$ 229,788</u>	<u>\$ 13,075</u>	<u>\$ 1,580,001</u>
NET POSITION				
Net investment in capital assets	\$ 2,433,251	\$ 3,351,239	\$ -	\$ 5,784,490
Unrestricted	563,520	281,096	165,060	1,009,676
Total Net Position	<u>\$ 2,996,771</u>	<u>\$ 3,632,335</u>	<u>\$ 165,060</u>	<u>\$ 6,794,166</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

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

For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
<u>Operating Revenues:</u>				
Charges for sales and services	\$ 1,297,655	\$ 607,632	\$ 407,762	\$ 2,313,049
<u>Operating Expenses:</u>				
Salaries and wages	\$ 290,296	\$ 180,355	\$ 22,000	\$ 492,651
Benefits	104,631	62,619	6,632	173,882
Heating fuel, gas and oil	14,639	5,220	-	19,859
Utilities - electricity and telephone	70,097	59,232	113,128	242,457
Service contracts	18,225	14,996	-	33,221
Waste removal contract	-	-	242,731	242,731
Hazardous waste disposal fees	-	-	9,603	9,603
Supplies and postage	14,040	9,653	3,945	27,638
Repairs and maintenance	24,109	-	-	24,109
Equipment/technology	12,611	-	-	12,611
Equipment & maintenance/repairs	44,476	19,184	4,914	68,574
Insurance and safety	15,685	4,751	-	20,436
Chemicals	150,256	12,255	11,075	173,586
Professional fees and other service charges	2,400	1,896	-	4,296
Meters/hydrants/wells/lagoons/manholes	40,787	35,424	20,696	96,907
Utility Main/Water Main Valve Repairs	7,974	3,771	-	11,745
Wells/testing fees	7,881	-	-	7,881
Audit fees	4,944	4,944	-	9,888
Schools/training	2,018	1,109	-	3,127
Lagoons & water storage	22,958	22,254	-	45,212
Memberships	415	-	-	415
Miscellaneous operating	5,517	-	93	5,610
Processing fees	4,253	4,253	-	8,506
Worker's compensation	409	82	-	491
Curbside Repairs	3,798	-	-	3,798
Uncollectible accounts	357	357	-	714
Expense refunds	-	856	-	856
Depreciation	168,148	154,867	-	323,015
Total Operating Expenses	<u>\$ 1,030,924</u>	<u>\$ 598,078</u>	<u>\$ 434,817</u>	<u>\$ 2,063,819</u>
Operating Income	<u>\$ 266,731</u>	<u>\$ 9,554</u>	<u>\$ (27,055)</u>	<u>\$ 249,230</u>
<u>Nonoperating Revenues (Expenses):</u>				
Interest income	\$ 596	\$ 296	\$ -	\$ 892
Miscellaneous income	2,816	15,248	-	18,064
Interest expense	(35,467)	(2,257)	-	(37,724)
Miscellaneous expense	(2,524)	-	-	(2,524)
Service charges and administration fees	(6,919)	(1,100)	-	(8,019)
Total Nonoperating Revenue (Expenses)	<u>\$ (41,498)</u>	<u>\$ 12,187</u>	<u>\$ -</u>	<u>\$ (29,311)</u>
Income Before Contributions and Transfers	<u>\$ 225,233</u>	<u>\$ 21,741</u>	<u>\$ (27,055)</u>	<u>\$ 219,919</u>
Transfers in - from governmental activities	\$ -	\$ 105,347	\$ -	\$ 105,347
Transfers out	(143,894)	(85,498)	-	(229,392)
Change in Net Position	<u>\$ 81,339</u>	<u>\$ 41,590</u>	<u>\$ (27,055)</u>	<u>\$ 95,874</u>
Total Net Position - January 1	\$ 2,915,432	\$ 3,602,812	\$ 192,115	\$ 6,710,359
Prior Period Adjustments	-	(12,067)	-	(12,067)
Total Net Position - January 1, as restated	<u>\$ 2,915,432</u>	<u>\$ 3,590,745</u>	<u>\$ 192,115</u>	<u>\$ 6,698,292</u>
Total Net Position - December 31	<u>\$ 2,996,771</u>	<u>\$ 3,632,335</u>	<u>\$ 165,060</u>	<u>\$ 6,794,166</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, 2013

	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	\$ 1,322,952	\$ 600,168	\$ 394,398	\$ 2,317,518
Payments to suppliers	(474,989)	(195,929)	(440,799)	(1,111,717)
Payments to employees	(392,744)	(240,921)	(27,542)	(661,207)
Net Cash Provided by Operating Activities	<u>\$ 455,219</u>	<u>\$ 163,318</u>	<u>\$ (73,943)</u>	<u>\$ 544,594</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers to other funds	\$ (143,894)	\$ (85,498)	\$ -	\$ (229,392)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchase of capital assets	\$ (33,148)	\$ (120,255)	\$ -	\$ (153,403)
Miscellaneous expense	(2,524)	-	-	(2,524)
Miscellaneous income	2,816	15,248	-	18,064
Principal paid on capital debt	(179,000)	(20,000)	-	(199,000)
Interest paid on capital debt	(36,834)	(2,257)	-	(39,091)
Fees paid on capital debt	(6,917)	(1,100)	-	(8,017)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (255,607)</u>	<u>\$ (128,364)</u>	<u>\$ -</u>	<u>\$ (383,971)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest received	\$ 596	\$ 296	\$ -	\$ 892
Net Increase (decrease) in Cash and Cash Equivalents	<u>\$ 56,314</u>	<u>\$ (50,248)</u>	<u>\$ (73,943)</u>	<u>\$ (67,877)</u>
Cash and Cash Equivalents, January 1	<u>\$ 483,290</u>	<u>\$ 292,912</u>	<u>\$ 201,284</u>	<u>\$ 977,486</u>
Cash and Cash Equivalents, December 31	<u>\$ 539,604</u>	<u>\$ 242,664</u>	<u>\$ 127,341</u>	<u>\$ 909,609</u>
<u>Reconciliation of operating income to net cash provided (used) by operating activities:</u>				
Operating income	\$ 266,731	\$ 9,554	\$ (27,055)	\$ 249,230
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	168,148	154,867	-	323,015
Change in Assets and Liabilities:				
Utility billings receivable	25,297	(7,464)	(13,364)	4,469
Accounts payable	(7,140)	4,308	(34,614)	(37,446)
Compensated absences	2,183	2,053	1,090	5,326
Net Cash Provided (Used) by Operating Activities	<u>\$ 455,219</u>	<u>\$ 163,318</u>	<u>\$ (73,943)</u>	<u>\$ 544,594</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 POSITION
AGENCY FUNDS
December 31, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and cash equivalents	<u>\$ 36,834</u>
<u>Liabilities:</u>	
Due to other entities	<u>\$ 36,834</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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wahpeton, North Dakota operates under a Home Rule Charter adopted in 1988. The home rule charter enables the city to enact ordinances. Additionally, the city operates under the modern city council form of government as outlined in North Dakota Century Code chapter 40-04.1. The financial statements of the city have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

COMPONENT UNITS

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

The Leach Public Library was previously reported as a discretely presented component unit. Based on the criteria contained in GASB 61, this entity is no longer reported as a component unit of the City. No other discretely presented component units are applicable to the City.

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

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

RELATED ORGANIZATIONS

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

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus, Basis of Accounting

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

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts.

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

E. Inventories

The inventory valuation is based on first in last out.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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 position and revenues, expenses and changes in proprietary net position. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more with useful lives of greater than one fiscal year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets are reported for that acquired and constructed after July 1, 1980 and are reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as infrastructure projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized in the governmental funds.

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.

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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

H. Fund Balances / Net Position

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

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

The City of Wahpeton finance committee established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the city's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the city. Unassigned general fund balance of \$821,963 at December 31, 2013 represented 28% of annual 2013 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

City of Wahpeton has non-spendable, restricted, committed, and unassigned fund balances reported in the balance sheet at December 31, 2013.

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 (sales tax economic development fund and revolving loan fund).

Restricted Fund Balances – consist of the following items at December 31, 2013:

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).

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

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

Net Position:

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

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments – Expenditures/Transfers Out – Major Funds:

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

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$2,984,704	\$ 115,900	\$3,100,604
Sales Tax Economic Development	513,000	373,150	886,150
Debt Service Funds	1,931,459	205	1,931,664
Capital Project Funds	-	3,298,025	3,298,025

Table Continued on Next Page....

CITY OF WAHPETON

Notes to the Financial Statements – Continued

CONTINUED.....

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
<u>Nonmajor Special Revenue Funds</u>			
Advertising Levy	\$ 13,500	\$ 13,300	\$ 26,800
Planning Commission	13,322	5,600	18,922
Employee Safety	-	2,700	2,700
Real Estate Levy	61,600	72,650	134,250
Snow and Flood Emergency	26,564	22,300	48,864
Special Transportation Funding	-	2,250	2,250
Unemployment Compensation Reserve	-	12,400	12,400
Absolute Marketing Campaign	-	3,950	3,950
Miscellaneous Fund	-	1,900	1,900
Vector Control District	-	1,850	1,850
Weed Maintenance Levy	39,846	4,650	44,496
Sales Tax Recreation	91,100	196,950	288,050
Sales Tax Default Reserve	-	23,350	23,350
Sales Tax Developers	-	57,750	57,750
Sales Tax Mini Match	-	18,050	18,050
Sales Tax H.E.L.P. Housing	-	175,800	175,800
Gasoline, Oil, Etc. (inventory)	-	27,600	27,600
Police Canine Unit	-	1,375	1,375
Clubhouse Maintenance	-	4,500	4,500
Downtown Cleanup	112,500	3,300	115,800
C.E.R.T.	-	1,095	1,095

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

At year ended December 31, 2013, the city's carrying amount of deposits was \$9,733,682 and the bank balances were \$10,152,633. Of the bank balances, \$2,280,213 was covered by Federal Depository Insurance. The remaining bank balances of \$7,872,450 were collateralized with securities held by the pledging financial institution's agent in the government's name.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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, 2013, the city held certificates of deposit totaling \$350,750.

The City's latest bond rating was A1 as received from Moody's Investment Services for the refunding improvement bonds of 2012 issued.

NOTE 4: UTILITY BILLINGS RECEIVABLE

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

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due from the state government for sales tax 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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, 2013 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Econ. Dev. Fund	\$ 23,319	\$ -	\$ 23,319	\$ -
Revolving Loan Fund	878,825	232,458	165,858	945,425
Total Loans Receivable	\$902,144	\$232,458	\$189,177	\$945,425

NOTE 10: INVENTORY

The City of Wahpeton maintains a bulk fuel inventory of unleaded gasoline for its fleet vehicles. The tank capacity is 8,000 gallons. The inventory valuation is based on first in last out with the price per gallon adjusted with each inventory addition. Fuel sales are tracked electronically with monthly invoicing to other public entities and direct expenses to individual departments in monthly recurring general ledger entries. Inventory at year-end consists of amounts reported in fund 361 totaling \$13,117 for bulk fuel gasoline at December 31, 2013.

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013:

Governmental Activities

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-13	Adjustment	Increases	Decreases	Transfers	Balance 12-31-13
<i>Capital assets not being depreciated:</i>						
Land	\$ 2,573,718	\$542,092	\$ -	\$ -	\$ -	\$ 3,115,810
Construction in Progress	5,754,683	(90,922)	3,431,734	-	(1,008,009)	8,087,486
Total Capital Assets, Not Being Depreciated	\$ 8,328,401	\$451,170	\$ 3,431,734	\$ -	\$(1,008,009)	\$11,203,296
<i>Capital assets being depreciated:</i>						
Buildings	\$ 4,296,733	\$478,857	\$ -	\$ -	\$ -	\$ 4,775,590
Equipment	4,315,363	36,013	31,151	-	-	4,382,527
Vehicles	447,731	-	26,433	-	-	474,164
Infrastructure	27,984,576	-	-	-	902,661	28,887,237
Total Capital Assets, Being Depreciated	\$37,044,403	\$514,870	\$ 57,584	\$ -	\$ 902,661	\$38,519,518
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$ 1,345,617	\$137,000	\$ 82,649	\$ -	\$ -	\$ 1,565,266
Equipment	2,176,415	9,005	246,916	-	-	2,432,336
Vehicles	327,816	-	32,692	-	-	360,508
Infrastructure	3,878,032	-	822,565	-	-	4,700,597
Total Accumulated Depreciation	\$ 7,727,880	\$146,005	\$ 1,184,822	\$ -	\$ -	\$ 9,058,707
Total Capital Assets Being Depreciated, Net	\$29,316,523	\$368,865	\$(1,127,238)	\$ -	\$ 902,661	\$29,460,811
Governmental Activities Capital Assets, Net	\$37,644,924	\$820,035	\$ 2,304,496	\$ -	\$ (105,348)	\$40,664,107

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Government	\$ 80,064
Public Safety	99,147
Public Works	171,568
Culture and Recreation	11,478
Infrastructure	822,565
Total Depreciation Expense-Governmental Activities	\$1,184,822

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets being depreciated:</i>				
Buildings	\$2,330,460	\$ -	\$ -	\$2,330,460
Equipment	1,764,813	26,648	-	1,791,461
Vehicles	26,447	-	-	26,447
Infrastructure	2,531,880	6,500	-	2,538,380
Total Capital Assets, Being Depreciated	\$6,653,600	\$ 33,148	\$ -	\$6,686,748
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 865,025	\$ 46,609	\$ -	\$ 911,634
Equipment	1,314,316	51,600	-	1,365,916
Vehicles	19,268	3,589	-	22,857
Infrastructure	592,373	66,351	-	658,724
Total Accumulated Depreciation	\$2,790,982	\$ 168,149	\$ -	\$2,959,131
Total Capital Assets Being Depreciated, Net	\$3,862,618	\$(135,001)	\$ -	\$3,727,617

Business-Type Activities (Sewer Fund):	Balance 1-1-13	Adjustment	Increases	Decreases	Transfers	Balance 12-31-13
<i>Capital assets being depreciated:</i>						
Buildings	\$ 62,942	\$ -	\$ -	\$ -	\$ -	\$ 62,942
Equipment	2,510,131	-	120,255	-	105,347	2,735,733
Vehicles	17,969	-	-	-	-	17,969
Infrastructure	3,979,683	-	-	-	-	3,979,683
Total Capital Assets, Being Depreciated	\$6,570,725	\$ -	\$120,255	\$ -	\$105,347	\$6,796,327
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$ 10,071	\$ -	\$ 1,259	\$ -	\$ -	\$ 11,330
Equipment	2,141,467	12,067	47,844	-	-	2,201,378
Vehicles	17,969	-	-	-	-	17,969
Infrastructure	898,647	-	105,764	-	-	1,004,411
Total Accumulated Depreciation	\$3,068,154	\$ 12,067	\$154,867	\$ -	\$ -	\$3,235,088
Total Capital Assets Being Depreciated, Net	\$3,502,571	\$(12,067)	\$(34,612)	\$ -	\$105,347	\$3,561,239

Business-Type Activities (Total):	Balance 1-1-13	Adjustment	Increases	Decreases	Transfers	Balance 12-31-13
<i>Capital assets being depreciated:</i>						
Buildings	\$ 2,393,402	\$ -	\$ -	\$ -	\$ -	\$ 2,393,402
Equipment	4,274,944	-	146,903	-	105,347	4,527,194
Vehicles	44,416	-	-	-	-	44,416
Infrastructure	6,511,563	-	6,500	-	-	6,518,063
Total Capital Assets, Being Depreciated	\$13,224,325	\$ -	\$ 153,403	\$ -	\$105,347	\$13,483,075
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$ 875,096	\$ -	\$ 47,868	\$ -	\$ -	\$ 922,964
Equipment	3,455,783	12,067	99,444	-	-	3,567,294
Vehicles	37,237	-	3,589	-	-	40,826
Infrastructure	1,491,020	-	172,115	-	-	1,663,135
Total Accumulated Depreciation	\$ 5,859,136	\$ 12,067	\$ 323,016	\$ -	\$ -	\$ 6,194,219
Total Capital Assets Being Depreciated, Net	\$ 7,365,189	\$(12,067)	\$(169,613)	\$ -	\$105,347	\$ 7,288,856

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 12: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2013:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	\$ 318,456	\$ 150,966
Sales Tax Economic Development Fund	23,319	162,182
Revolving Loan Fund	-	5,000
Debt Service Funds	890,437	222,875
Capital Projects Funds	555,450	1,048,855
Library	80,314	-
Social Security Levy	-	96,275
Retirement Levy	-	104,899
Employee Safety Committee	5,000	-
Capital Improvements	216,756	-
Fire Department Levy	8,070	-
Real Estate Levy	-	125,957
Special Street Maintenance	-	5,295
Levee Maintenance	113,293	-
Economic Development	158,269	-
Absolute Marketing Campaign	3,913	-
Weed Maintenance Levy	-	13,282
Sales Tax Recreation	-	104,979
Sales Tax Default Reserve	-	23,319
Sales Tax Development Reserve	175,000	-
Sales Tax Help Fund	-	175,000
Sidewalk Maintenance	50,000	40,000
Restaurant Tax Enhancement	-	90,000
Business-Type Funds:		
Water	-	143,894
Sewer	-	85,498
Total Transfers	\$2,598,277	\$2,598,277

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 INFLOWS

Deferred inflows of resources in the governmental fund modified accrual basis balance sheet as of December 31, 2013 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 17,820
Delinquent property taxes receivable (debt service fund- major)	20,860
Delinquent property taxes receivable (non-major funds)	21,866
Delinquent special assessments receivable (debt service funds)	143,888
Long-Term Uncertified Special Assessments Receivable (debt service)	4,666,971
Total Deferred Inflows of Resources	\$4,871,405

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 14: ACCOUNTS PAYABLE

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

NOTE 15: PAYROLL BENEFITS

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

NOTE 16: GRANT MATCH PAYABLE

The City has a contingent grant match payable of \$339,000 reported in the Sales Tax Economic Development Fund (major special revenue fund) and \$33,196 reported in the Sales Tax Recreation Fund (non-major special revenue fund). These are related to a Housing Development Agreement, ND DOT Traffic Enhancement grant matches, and Safe Routes to Schools sidewalk improvement grant matches.

NOTE 17: 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, 2013, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of \$500. The City receives reimbursement for payments made on this loan payable.

NOTE 18: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2013.

NOTE 19: LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities of the city (including compensated absences):

Governmental Activities:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Special Assessment Bonds	\$13,930,000	\$ -	\$1,620,000	\$12,310,000	\$1,630,000
Leases Payable	216,931	-	69,566	147,365	48,268
Compensated Absences *	117,202	7,180	-	124,382	12,438
Total Governmental Activities	\$14,264,133	\$7,180	\$1,689,566	\$12,581,747	\$1,690,706

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Revenue Bonds	\$1,473,366	\$ -	\$179,000	\$1,294,366	\$183,366
Compensated Absences *	21,414	2,184	-	23,598	2,360
Total Water Fund	\$1,494,780	\$2,184	\$179,000	\$1,317,964	\$185,726

Business-Type Activities (Sewer Fund):	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Revenue Bonds	\$230,000	\$ -	\$20,000	\$210,000	\$20,000
Compensated Absences *	10,707	2,053	-	12,760	1,276
Total Water Fund	\$240,707	\$2,053	\$20,000	\$222,760	\$21,276

Business-Type Activities (Other Funds):	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Compensated Absences *	\$449	\$1,090	\$ -	\$1,539	\$154

Business-Type Activities (Total):	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Revenue Bonds	\$1,703,366	\$ -	\$199,000	\$1,504,366	\$203,366
Compensated Absences *	32,570	5,327	-	37,897	3,790
Total Business-Type Activities	\$1,735,936	\$5,327	\$199,000	\$1,542,263	\$207,156

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

Special Assessment Debt:

The city has issued special assessment bonds to provide funds for the cost of various improvement districts within the city. Special assessments on benefited property are used to pay for the cost of these improvements. The city is required to levy a special assessment deficiency tax, in the event that collections of special assessments and other revenues are insufficient for the repayment of the bonds.

Long-term debt of the governmental activities at December 31, 2013, is comprised of the following individual issues:

Special Assessment Bonds (governmental activities):

\$1,815,000 Series A 2012 Refunding Improvement Bonds #11212, due in annual installments of \$60,000 to \$225,000 through 2021, with interest at .35 to 1.8%.	\$ 1,590,000
\$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of \$150,000 to \$195,000 through 2020, with interest at 4.0% to 4.5%.	1,210,000
\$3,130,000 2009 Refunding Improvement Bonds #10809, due in annual installments of \$240,000 to \$450,000 through 2017, with interest at 2.2% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002.	1,215,000
\$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.	4,565,000

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Special Assessment Bonds (governmental activities): Continued

\$1,120,000 2011 Refunding Improvement Bonds #11011, due in annual installments of \$130,000 to \$145,000 through 2019, with interest at .65% to 2.5%. This issue refunded series 2003D. \$ 820,000

\$3,290,000 Series B 2011 Refunding Improvement Bonds #11111, due in annual installments of \$135,000 to \$285,000 through 2026, with interest at 1.0% to 2.8%. This issue refunded series 2007 to be called in February 2013. 2,910,000

Total Special Assessment Bonds \$12,310,000

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

Governmental activities debt service requirements to maturity (excluding compensated absences payable) at December 31, 2013 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending 12-31-13	Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 1,630,000	\$ 274,708	\$ 48,268	\$2,369
2015	1,465,000	244,083	49,117	1,520
2016	1,430,000	214,063	49,980	657
2017	1,425,000	183,121	-	-
2018	1,185,000	154,026	-	-
2019 - 2023	4,070,000	399,244	-	-
2024 - 2028	1,105,000	41,110	-	-
Total	\$12,310,000	\$1,510,355	\$147,365	\$4,546

Business-Type Activities – Revenue Bonds:

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

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

Enterprise Revenue Bonds:

Water Fund:

\$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; due in annual installments of \$20,000 through 2018, with interest at 2.5%. \$ 100,000

\$1,062,366 of 1993 Revenue Bonds, due in annual installments of \$60,000 to \$62,366 through 2014, with interest at 2.5%. 62,366

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Enterprise Revenue Bonds: Continued

Water Fund:

\$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$99,000 to \$126,000 through 2023, with interest at 2.5%. \$1,132,000

Total Water Fund \$1,294,366

Sewer Fund:

\$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$20,000 to \$25,000 through 2023, with interest at 2.5%. \$ 210,000

Total Enterprise Revenue Bonds \$1,504,366

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

BUSINESS-TYPE ACTIVITIES - REVENUE BONDS						
Year Ending 12-31-13	WATER FUND		SEWER FUND		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 183,366	\$ 32,359	\$ 20,000	\$ 5,250	\$ 203,366	\$ 37,609
2015	124,000	27,775	20,000	4,750	144,000	32,525
2016	126,000	24,675	20,000	4,250	146,000	28,925
2017	128,000	21,525	20,000	3,750	148,000	25,275
2018	131,000	18,325	20,000	3,250	151,000	21,575
2019 - 2023	602,000	45,825	110,000	8,625	712,000	54,450
Total	\$1,294,366	\$170,484	\$210,000	\$29,875	\$1,504,366	\$200,359

NOTE 20: DUE TO/FROM OTHER FUNDS

At year-end December 31, 2013, negative overall cash fund balance existed in the capital projects fund totaling \$674,941, and Gasoline, Oil, Etc. fund (a nonmajor special revenue fund) totaling \$9,085. The capital projects fund cash deficit for reporting purposes in the balance sheet was covered by the debt service fund, and the Gasoline, Oil, Etc. fund cash deficit was covered by the General Fund. A corresponding due from other funds in the debt service funds and General Fund and a due to other funds was reported in the capital projects fund and nonmajor funds.

NOTE 21: 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 administered by the Lake Agassiz Regional Council and loans from the Governor’s Revolving Fund. The loans are issued for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity. The City is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

The total principal balance of the CDBG loans issued to various industries totaled \$375,000 at December 31, 2013. The outstanding principal balance on those loans was \$244,640 at December 31, 2013.

NOTE 22: 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 (NDRIF), 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 NDRIF for its general liability, auto, and public assets insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to \$2,938,619 for public assets (inland marine/mobile equipment and portable property) coverage.

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

The city has workers compensation with the North Dakota Workforce Safety and Insurance. The city provides employees with health insurance. Contributions to the insurance plan are based on 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 23: 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 day notice in writing. Each permanent employee is eligible to contribute to the retirement plan.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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 one employee near retirement that chose not to participate in the defined benefit plan, the city's required contributions for the years ended December 31, 2013, 2012 and 2011, were \$4,370, \$3,784, and \$2,400, 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.

As of January 1st, 2013 plan members are required to contribute 6% of their annual covered salary. The city is required to contribute 7.26% which the city chose to increase to 9.26% to reduce the employee contribution from 6% to 4% of the employee's salary. The employer contribution consists of 8.12% 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, 2013, 2012 and 2011 were \$170,539, \$147,044, and \$123,045, respectively, equal to the required contributions for the year.

NOTE 24: FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2013:

Fund Name	Balance
<u>Capital Project Funds:</u>	
5-1-97 Flood Phase II	\$ (511,922)
Southside Storm Sewer	(242,317)
Southside Drainage Improve. DR09-150	(531,749)
Cul de Sac Improvements	(692,215)
Alley Improvements Misc. Locations	(143,003)
Town Centre Square	(127,293)
3rd Ave. N. Reconstruction	(68,838)
West Side Drain Imp. Proj.	(69,176)
11th St. N. Ave. B to 16th Ave.	(189,359)
Commercial Street Rehab	(183,920)
16th Ave. 11th St. to 210	(44,362)
E. Central Streets	(393)
N. Central Streets	(253)
E. Sanitary Sewer 13-02-02	(62,020)
<u>Nonmajor Special Revenue Fund:</u>	
Miscellaneous Fund	(1,309)

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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 25: WATER/SEWER

Water / Sewer Billings:

In July of 2011, the Public Works Director and Water Plant Superintendent initiated 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, 2010. 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 from August 2011 through August 2013. The final payment was received in 2013.

NOTE 26: COMMITMENTS

Construction commitments as of the balance sheet date of December 31, 2013 are as follows:

Project	Project Amount	Change Orders	Total Project	Total Completed	Remaining Project
<i>Capital Improvements:</i>					
Eastside Sanitary Sewer Facility Plan	\$ 86,000	\$30,500	\$ 116,500	\$ 61,375	\$ 55,125
Cul-de-sac Street Imp. Various Locations	635,833	9,597	645,430	565,289	80,141
Commercial Street Rehab	229,433	-	229,433	156,381	73,052
Automated Meter Reading Equip & Software	227,285	-	227,285	129,187	98,098
Town Centre Square Plaza Rehabilitation	211,661	(33,295)	178,366	178,366	-
Hydrant Replacement Proj. Misc. Loc.	68,330	-	68,330	66,200	2,130
N. Side Ditch Mtc.	64,631	-	64,631	52,908	11,723
S. Side Storm Sewer Part B Ctr. St & 7th Ave. S	474,951	-	474,951	437,547	37,404
Lift Station No. 5 Rehabilitation	19,392	-	19,392	17,917	1,475
Fairview Developments Infrastructure Plan	11,878	-	11,878	11,878	-
Westside Intersection Traff. Impact Study	59,269	-	59,269	46,211	13,058
Town Centre Square Plaza Rehabilitation	24,140	-	24,140	24,140	-
S. Side Storm Sewer Part 3, Ph. B & C	134,732	-	134,732	128,191	6,541
Cul-de-sac Street Imp. Various Locations	134,275	-	134,275	109,067	25,208
Alley Imp. Various Locations	15,736	-	15,736	15,736	-
Reconstruction of 3rd Ave. N.	167,244	-	167,244	68,125	99,119
6th St. S. Shared Use Path	31,434	-	31,434	31,434	-
Westside Natural Dran	10,819	-	10,819	10,819	-
11th St. N. Ave. B to 16th Ave.	178,804	-	178,804	178,804	-
Commercial Street Rehab	37,126	-	37,126	26,320	10,807
Westside Natural Dran	114,783	9,304	124,087	124,087	-
Westside Major Street Plan	11,000	-	11,000	11,000	-
Briarwood Flood Protection Levee	322,058	-	322,058	261,459	60,599
S. Side Storm Sewer Part 3, Ph.C	187,334	3,430	190,764	190,764	-
6th St. S. Shared Use Path	261,191	-	261,191	164,832	96,359
Lift Station No. 5 Rehabilitation	88,102	-	88,102	88,102	-
<i>Total Capital Improvements</i>	\$3,807,440	\$19,536	\$3,826,977	\$3,156,138	\$670,839

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 27: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove the airport fund, and to add the library fund. The airport fund was reclassified from a special revenue fund to an agency fund, and the library was reclassified from a discretely presented component unit to a special revenue fund.

The effects of the prior period adjustments to beginning fund balance are as follows:

Other Governmental Funds	Fund Balance
Other Governmental fund balance, as previously reported	\$2,622,576
Adjustments to restate the January 1 fund balance	
Add Library special revenue fund balance	78,636
Remove agency fund	(3,472)
Fund Balance January 1, 2013 as restated	\$2,697,740

Prior period adjustments for the 2013 Statement of Activities (governmental activities) consist of a beginning balance adjustment to remove the airport fund, and to add the library fund. The airport fund was reclassified from a special revenue fund to an agency fund, and the library was reclassified from a discretely presented component unit to a special revenue fund. Items affecting net position related to the library were adjusted. Additionally, a prior period adjustment was related to capital asset related items as noted in more detail below.

The effects of the prior period adjustments to beginning net position are as follows:

Governmental Activities	Net Position
Net Position, as previously reported	\$38,841,311
Adjustments to restate the January 1 net position	
Add Library special revenue fund balance	78,636
Add Library capital assets - cost	343,726
Add Library capital assets - depreciation	(34,005)
Add Library taxes receivable	8,691
Add Library compensated absences	(2,392)
Remove agency fund	(3,472)
Land	313,236
Construction in progress - Cost deduction	(90,922)
Building cost	400,000
Building depreciation	(112,000)
Net Position January 1, 2013 as restated	\$39,742,809

Prior period adjustments for the 2013 Statement of Activities (business-type activities) consist of capital asset related items.

The effects of the prior period adjustments to beginning net position are as follows:

Business-Type Activities	Net Position
Business-Type Activities Net Position, as previously reported	\$6,710,359
Adjustments to restate the January 1 net position	
Equipment - accumulated depreciation deduction	(12,067)
Net Position January 1, 2013 as restated	\$6,698,292

NOTE 28: CHANGE IN REPORTING ENTITY

During FY2013, the Library was reclassified as a special revenue fund, and became part of the City of Wahpeton. In prior years, the Library was reported as a discretely presented component unit. In FY2013, there was a change in reporting entity to report the Library as a special revenue fund, in accordance with GASB Statement 54, paragraphs 30-32. This restatement was shown as a restatement of beginning net position, in accordance with GASB Statement 34, note 13.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 792,117	\$ 792,117	\$ 826,980	\$ 34,863
Licenses, permits and fees	510,389	510,389	472,838	(37,551)
Fines and forfeits	91,000	91,000	124,586	33,586
Intergovernmental	1,205,200	1,205,200	1,433,427	228,227
Charges for services	2,900	2,900	3,814	914
Interest income	11,000	11,000	18,726	7,726
Miscellaneous income	18,300	18,300	15,474	(2,826)
Total Revenues	\$ 2,630,906	\$ 2,630,906	\$ 2,895,845	\$ 264,939
<u>Expenditures:</u>				
Current:				
General government	\$ 584,072	\$ 584,072	\$ 579,232	\$ 4,840
Public safety	1,596,916	1,596,916	1,597,563	(647)
Public works	578,645	578,645	558,432	20,213
Culture and recreation	175,000	175,000	203,140	(28,140)
Other	15,000	15,000	13,806	1,194
Total Expenditures	\$ 2,949,633	\$ 2,949,633	\$ 2,952,173	\$ (2,540)
Excess (Deficiency) of Revenues Over Expenditures	\$ (318,727)	\$ (318,727)	\$ (56,328)	\$ 262,399
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 353,809	\$ 353,809	\$ 318,456	\$ (35,353)
Transfers out	(150,982)	(150,982)	(150,966)	16
Total Other Financing Sources and Uses	\$ 202,827	\$ 202,827	\$ 167,490	\$ (35,337)
Net Change in Fund Balances	\$ (115,900)	\$ (115,900)	\$ 111,162	\$ 227,062
Fund Balance - January 1	\$ 821,963	\$ 821,963	\$ 821,963	\$ -
Fund Balance - December 31	\$ 706,063	\$ 706,063	\$ 933,125	\$ 227,062

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
SALES TAX ECONOMIC DEVELOPMENT FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 513,000	\$ 513,000	\$ 585,953	\$ 72,953
Interest income	2,500	2,500	10,249	7,749
Miscellaneous income	-	-	2,528	2,528
Total Revenues	\$ 515,500	\$ 515,500	\$ 598,730	\$ 83,230
<u>Expenditures:</u>				
Current:				
Capital Outlay	\$ 343,000	\$ 716,150	\$ 723,955	\$ (7,805)
Excess (Deficiency) of Revenues Over Expenditures	\$ 172,500	\$ (200,650)	\$ (125,225)	\$ 75,425
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 23,319	\$ 23,319
Transfers out	(170,000)	(170,000)	(162,182)	7,818
Total Other Financing Sources and Uses	\$ (170,000)	\$ (170,000)	\$ (138,863)	\$ 31,137
Net Change in Fund Balances	\$ 2,500	\$ (370,650)	\$ (264,088)	\$ 106,562
Fund Balance - January 1	\$ 2,342,378	\$ 2,342,378	\$ 2,342,378	\$ -
Fund Balance - December 31	\$ 2,344,878	\$ 1,971,728	\$ 2,078,290	\$ 106,562

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
REVOLVING LOAN FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Loan receivable receipts	\$ -	\$ -	\$ 9,162	\$ 9,162
Interest income	-	-	744	744
Miscellaneous income	5,000	5,000	8,657	3,657
Total Revenues	\$ 5,000	\$ 5,000	\$ 18,563	\$ 13,563
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 2,800	\$ 2,800	\$ 271	\$ 2,529
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,200	\$ 2,200	\$ 18,292	\$ 16,092
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ -
Net Change in Fund Balances	\$ (2,800)	\$ (2,800)	\$ 13,292	\$ 16,092
Fund Balance - January 1	\$ 1,463,403	\$ 1,463,403	\$ 1,463,403	\$ -
Fund Balance - December 31	\$ 1,460,603	\$ 1,460,603	\$ 1,476,695	\$ 16,092

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, 2013

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, 2013

	Balance 1-1-13	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-13
Major Funds:							
General Fund	\$ 554,196.89	\$ 2,896,165.91	\$ 318,455.96	\$ -	\$ 150,965.55	\$ 2,952,173.13	\$ 665,680.08
Major Special Revenue Funds:							
Sales Tax Economic Development Fund	\$ 2,287,451.99	\$ 590,174.02	\$ 23,319.42	\$ -	\$ 162,182.33	\$ 723,955.01	\$ 2,014,808.09
Revolving Loan Fund	1,463,403.50	18,562.61	-	-	5,000.00	270.50	1,476,695.61
Total Major Special Revenue Funds	\$ 4,305,052.38	\$ 3,504,902.54	\$ 341,775.38	\$ -	\$ 318,147.88	\$ 3,676,398.64	\$ 4,157,183.78
Major Debt Service Funds:							
Special Assessment Deficiency	\$ 214,799.70	\$ 274.80	\$ -	\$ -	\$ -	\$ -	\$ 215,074.50
Tax Increment Fund	916.06	223,198.34	-	-	222,875.00	-	1,239.40
R/I 10708 Sinking Fund	285,927.29	57,786.83	207,875.00	-	-	207,775.00	343,814.12
R/I 10809 Sinking Fund	734,829.72	243,595.43	166,431.00	-	-	492,103.00	652,753.15
R/I 10910 Sinking Fund	633,876.68	499,272.37	70,784.19	-	-	544,378.74	659,554.50
R/I 11011 Sinking Fund	356,603.37	125,873.31	-	-	-	161,339.75	321,136.93
R/I 11111 Sinking Fund	374,052.29	-	281,928.00	-	-	281,855.50	374,124.79
R/I 11212 Sinking Fund	164,981.27	98,590.45	163,419.00	-	-	243,852.75	183,137.97
Total Major Debt Service Funds	\$ 2,765,986.38	\$ 1,248,591.53	\$ 890,437.19	\$ -	\$ 222,875.00	\$ 1,931,304.74	\$ 2,750,835.36
Major Capital Projects Funds:							
Sales Tax for Flood & Infrastructure Fund	\$ 1,054,863.41	\$ 534,627.74	\$ -	\$ -	\$ 305,093.69	\$ -	\$ 1,284,397.46
Sales Tax for Flood Mitigation Fund	619,094.48	962,329.88	-	-	733,679.79	-	847,744.57
5-1-97 Flood Phase II	(789,547.02)	1,204,500.00	-	-	-	926,875.09	(511,922.11)
Dakota Ave. Reconstruction 2008	-	-	5,295.49	-	-	5,295.49	-
Southside Storm Sewer	(227,311.62)	-	-	-	-	15,005.35	(242,316.97)
Safe Routes to School	10,081.91	-	-	-	10,081.91	-	-
Southside Drainage Improve. DR09-150	(13,756.50)	-	-	-	-	517,992.79	(531,749.29)
Cul de Sac Improvements	(11,985.60)	-	-	-	-	680,229.22	(692,214.82)
Alley Improvements Misc. Locations	(143,002.95)	-	-	-	-	-	(143,002.95)
Town Centre Square	-	-	90,000.00	-	-	217,292.83	(127,292.83)
3rd Ave. N. Reconstruction	(51,352.30)	-	-	-	-	17,485.50	(68,837.80)
WTP Energy Efficiency Imp.	(105,990.84)	-	106,490.84	-	-	500.00	-
Hydrant Replacements	(93,255.50)	-	93,255.50	-	-	-	-
Safe Rts. To School 2011	(20,061.12)	-	20,061.12	-	-	-	-
6th St. S. Shared Use Path	(29,684.92)	133,398.60	135,000.00	-	-	219,157.10	19,556.58
West Side Drain Imp. Proj.	(164,641.69)	95,534.80	-	-	-	69.00	(69,175.89)
11th St. N. Ave. B to 16th Ave.	(176,980.41)	-	-	-	-	12,378.97	(189,359.38)
Commercial Street Rehab	(46.00)	-	-	-	-	183,874.09	(183,920.09)
Lift Station #5 Rehab	(8,450.00)	-	105,347.35	-	-	96,897.35	-
16th Ave. 11th St. to 210	-	-	-	-	-	44,361.57	(44,361.57)
E. Central Streets	-	-	-	-	-	393.00	(393.00)
N. Central Streets	-	-	-	-	-	253.00	(253.00)
E. Sanitary Sewer 13-02-02	-	-	-	-	-	62,020.00	(62,020.00)
Total Major Capital Projects Funds	\$ (152,026.67)	\$ 2,930,391.02	\$ 555,450.30	\$ -	\$ 1,048,855.39	\$ 3,000,080.35	\$ (715,121.09)
Non-Major Funds:							
Special Revenue Funds:							
Library	\$ 78,635.69	\$ 271,582.85	\$ 80,314.03	\$ -	\$ -	\$ 251,107.52	\$ 179,425.05
Advertising	29,076.29	15,075.56	-	-	-	26,727.71	17,424.14
Planning Commission	5,053.22	13,770.92	-	-	-	18,824.14	-
Band Levy	2,743.26	3,467.57	-	-	-	-	6,210.83
Social Security Levy	19,482.69	104,660.71	-	-	96,275.24	-	27,868.16
Retirement Levy	31,274.55	111,194.26	-	-	104,898.72	-	37,570.09
Employee Safety Committee	7,546.08	-	5,000.00	-	-	2,617.74	9,928.34
Capital Improvements	680,103.37	37,045.80	216,756.05	-	-	246,221.79	687,683.43
Fire Department Levy	171,245.95	181,964.52	8,069.51	-	-	24,574.24	336,705.74
Real Estate Levy	167,634.78	89,196.93	-	-	125,957.44	8,280.17	122,594.10
Special Street Maintenance	-	69,649.00	-	-	5,295.49	31,909.46	32,444.05
Snow/Flood Emergency	26,393.87	27,571.65	-	-	-	48,783.38	5,182.14
Levee Maintenance	-	-	113,293.49	-	-	113,293.49	-
City Share of Specials	68,867.37	42,379.73	-	-	-	39,254.39	71,992.71

Continued on next page.....

CITY OF WAHPETON
Wahpeton, North Dakota
SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2013

	Balance 1-1-13	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-13
CONTINUED....							
<u>Non-Major Funds:</u>							
<u>Special Revenue Funds:</u>							
Special Transportation Funding	\$ 34,172.65	\$ 366,627.03	\$ -	\$ -	\$ -	\$ 2,250.00	\$ 398,549.68
Unemployment Reserve	38,745.78	-	-	-	-	12,365.93	26,379.85
Economic Development	-	33.20	158,269.40	-	-	158,302.60	-
Absolute Marketing Campaign	-	-	3,912.93	-	-	3,912.93	-
Miscellaneous Fund	599.70	2,191.23	-	-	-	4,099.43	(1,308.50)
Vector Control	5,808.89	636.09	-	-	-	1,800.81	4,644.17
1% Additional Lodging Tax 1-1-08	54,070.72	24,413.58	-	-	-	3,000.00	75,484.30
Job Development Levy	4,497.83	53,825.23	-	-	-	-	58,323.06
Weed Maintenance Levy	130,091.36	48,187.69	-	-	13,282.00	31,169.97	133,827.08
Lodging Tax	41,823.99	48,029.45	-	-	-	42,319.03	47,534.41
Sales Tax Recreation	354,075.44	64,563.33	-	-	104,979.21	183,036.06	130,623.50
Sales Tax Default Reserve	62,848.40	-	-	-	23,319.42	-	39,528.98
Sales Tax Development Reserve	140,305.90	-	175,000.00	-	-	57,886.83	257,419.07
Sales Tax Mini-Match Reserve	47,164.11	-	-	-	-	18,035.72	29,128.39
Sales Tax Help Fund	357,345.14	0.12	-	-	175,000.00	750.12	181,595.14
Employee Bonus/Retirement	38,572.18	-	-	-	-	-	38,572.18
Gasoline, Oil, Etc. (inventory)	1,639.03	2,392.70	-	-	-	-	4,031.73
Local Law Enforcement Block Grant	5.15	-	-	-	-	-	5.15
Police Dept. Radio Sinking Fund	22,599.62	-	-	-	-	-	22,599.62
Police Dept. Canine Unit Fund	8,739.12	-	-	-	-	1,352.41	7,386.71
Community Policing Fund	934.56	-	-	-	-	-	934.56
Clubhouse Maintenance	15,376.90	5,000.00	-	-	-	4,486.01	15,890.89
Sidewalk Maintenance	6,747.06	-	50,000.00	-	40,000.00	-	16,747.06
Restaurant Tax Enhancement	41,086.25	91,853.54	-	-	90,000.00	25,756.08	17,183.71
Comm. Emergency Response (CERT)	2,434.64	473.54	-	-	-	1,094.42	1,813.76
Total Special Revenue Funds	\$ 2,697,741.54	\$ 1,675,786.23	\$ 810,615.41	\$ -	\$ 779,007.52	\$ 1,363,212.38	\$ 3,041,923.28
Total Governmental Activities	\$ 9,616,753.63	\$ 9,359,671.32	\$ 2,598,278.28	\$ -	\$ 2,368,885.79	\$ 9,970,996.11	\$ 9,234,821.33
<u>Major Enterprise Funds:</u>							
Water Operating	\$ 555,626.87	\$ 1,297,668.36	\$ -	\$ -	\$ 143,894.31	\$ 1,117,878.68	\$ 591,522.24
Meter Deposits	3,989.85	3,400.00	-	-	-	1,140.26	6,249.59
Total Water Operating - Major	\$ 559,616.72	\$ 1,301,068.36	\$ -	\$ -	\$ 143,894.31	\$ 1,119,018.94	\$ 597,771.83
Sewer Operating	\$ 342,865.03	\$ 623,175.58	\$ -	\$ -	\$ 85,498.18	\$ 584,768.96	\$ 295,773.47
<u>Nonmajor Enterprise Funds:</u>							
Waste Removal	\$ 72,586.68	\$ 257,549.60	\$ -	\$ -	\$ -	\$ 255,320.75	\$ 74,815.53
Waste Reduction	36,455.32	20,025.64	-	-	-	9,602.81	46,878.15
Vector Control	79,124.31	15,479.98	-	-	-	50,930.53	43,673.76
Street Lights	4,397.87	114,705.35	-	-	-	108,281.78	10,821.44
Total Nonmajor Enterprise Funds	\$ 192,564.18	\$ 407,760.57	\$ -	\$ -	\$ -	\$ 424,135.87	\$ 176,188.88
Total Enterprise Funds	\$ 1,095,045.93	\$ 2,332,004.51	\$ -	\$ -	\$ 229,392.49	\$ 2,127,923.77	\$ 1,069,734.18
<u>Agency Funds:</u>							
Airport	\$ 3,471.97	\$ 62,240.69	\$ -	\$ -	\$ -	\$ 58,629.04	\$ 7,083.62
CDC	13,975.36	-	-	-	-	-	13,975.36
Handicapped Parking Fines	200.00	535.00	-	-	-	635.00	100.00
Safe Communities Coalition	2,959.73	1,985.00	-	-	-	471.76	4,472.97
Golf Club Donations	1,101.71	10,100.00	-	-	-	-	11,201.71
Total Agency Funds	\$ 21,708.77	\$ 74,860.69	\$ -	\$ -	\$ -	\$ 59,735.80	\$ 36,833.66
Total Primary Government	\$ 10,733,508.33	\$ 11,766,536.52	\$ 2,598,278.28	\$ -	\$ 2,598,278.28	\$ 12,158,655.68	\$ 10,341,389.17

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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***

Independent Auditor's Report

City Commission
City of Wahpeton
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Wahpeton's basic financial statements, and have issued our report thereon dated June 18, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2013-01].

CITY OF WAHPETON

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards - Continued

Compliance and Other Matters

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

City of Wahpeton's Response to Findings

The City of Wahpeton's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The City of Wahpeton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 18, 2014

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ X	None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ X	_____ Yes	None noted
Noncompliance material to financial statements noted?	_____ Yes	_____ X	None noted

Section II - Financial Statement Findings

2013-01 – PRIOR PERIOD ADJUSTMENT

Condition:

Prior period adjustments were necessary to adjust the beginning net position of governmental activities, business type activities and fund balances of the non-major funds. The adjustments consisted of the following:

Prior period adjustments for the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove the airport fund, and to add the library fund. The airport fund was reclassified from a special revenue fund to an agency fund, and the library was reclassified from a discretely presented component unit to a special revenue fund.

The effects of the prior period adjustments to beginning fund balance are as follows:

Other Governmental Funds	Fund Balance
Other Governmental fund balance, as previously reported	\$2,622,576
Adjustments to restate the January 1 fund balance	
Add Library special revenue fund balance	78,636
Remove agency fund	(3,472)
Fund Balance January 1, 2013 as restated	\$2,697,740

CITY OF WAHPETON

Schedule of Findings and Questioned Costs - Continued

Prior period adjustments for the 2013 Statement of Activities (governmental activities) consist of a beginning balance adjustment to remove the airport fund, and to add the library fund. The airport fund was reclassified from a special revenue fund to an agency fund, and the library was reclassified from a discretely presented component unit to a special revenue fund. Items affecting net position related to the library were adjusted. Additionally, a prior period adjustment was related to capital asset related items. The effects of the prior period adjustments to beginning fund balance are as follows:

Governmental Activities	Net Position
Net Position, as previously reported	\$38,841,311
Adjustments to restate the January 1 net position	
Add Library special revenue fund balance	78,636
Add Library capital assets - cost	343,726
Add Library capital assets - depreciation	(34,005)
Add Library taxes receivable	8,691
Add Library compensated absences	(2,392)
Remove agency fund	(3,472)
Land	313,236
Construction in progress - Cost deduction	(90,922)
Building cost	400,000
Building depreciation	(112,000)
Net Position January 1, 2013 as restated	\$39,742,809

Prior period adjustments for the 2013 Statement of Activities (business-type activities) consist of capital asset related items.

The effects of the prior period adjustments to beginning fund balance are as follows:

Business-Type Activities	Net Position
Business-Type Activities Net Position, as previously reported	\$6,710,359
Adjustments to restate the January 1 net position	
Equipment - accumulated depreciation deduction	(12,067)
Net Position January 1, 2013 as restated	\$6,698,292

Effect:

Net prior period adjustments to fund balances of non-major governmental funds totaled (\$3,472) decrease for the reclassification of the airport fund from special revenue fund to an agency fund.

The reclassification of the library component unit to a non-major special revenue fund totaled an increase of \$78,636 to total non-major funds beginning fund balance.

Total beginning fund balance net change to total non-major funds was \$75,164.

Net prior period adjustments to beginning governmental activities totaled a net increase of \$901,498 consisting of the following: reclassification (decrease) of the airport fund (\$3,472) from special revenue to agency; reclassification of the library reporting entity from a component unit to a non-major special revenue fund and related activities/balances of the primary government (\$394,656 net increase); capital assets related to the golf course building and land (\$601,236 net increase); and, capital asset decrease for a construction in progress deduction of \$90,922 for a prior period error.

Net prior period adjustments to beginning enterprise activities and funds totaled (\$12,067) net decrease for errors related to equipment depreciation in prior years -- accumulated depreciation was increased.

CITY OF WAHPETON

Schedule of Findings and Questioned Costs - Continued

Cause:

GASB 61 determining the reporting entity caused a reclassification of the library component unit reported in prior years to be a special revenue fund combined in the non-major funds for 2013. This was an entity and fund 'reclassification' due to a new reporting standard.

The airport fund was also re-evaluated under the provisions of GASB 54 and GASB 61 and determined to be an agency fund and not a special revenue fund, so this fund balance was moved from total non-major funds and governmental activities to agency funds.

Regarding the capital assets errors, the city did not report land and a golf course building that are city property and building.

Criteria:

GASB 54 and GASB 61 require the proper reporting of fund balances and the reporting entity.

Accounting principles generally accepted in the United States of America require the proper reporting of capital assets, including all land and buildings owned and maintained by an entity.

Recommendation:

We recommend the City of Wahpeton ensure proper amounts of capital assets are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset.

Views of Responsible Officials / Planned Corrective Actions:

City of Wahpeton Finance Director acknowledges and concurs the necessity of the prior period adjustments to ensure capital assets are properly stated and the fund classifications are compliant with GASB 54 and GASB 61. Reclassification of the Airport and Library Funds will more accurately depict the classification and restrictions of the City's total assets.