

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**CITY OF WAHPETON
WAHPETON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2014



CITY OF WAHPETON
Wahpeton, North Dakota

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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2014

Meryl T. Hansey

Mayor

Alisa Mitskog
Steve Dale

President
Vice-President

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

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

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

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

STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

City 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2014, 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.

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 42-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 April 13, 2015 on our consideration of the City of Wahpeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wahpeton's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
April 13, 2015

CITY OF WAHPETON
Wahpeton, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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, 2014. 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 \$45,539,921 at the close of the most recent fiscal year. Of this amount \$1,124,350 (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 \$2,946,167 as a result of the most recently completed fiscal year's operations.
- Business-type assets exceeded liabilities by \$7,019,025 at the close of the most recent fiscal year. Net position of the business-type activities increased by \$224,859 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$9,432,896 for governmental activities and \$8,860,579 on the modified accrual basis. Revenues from property taxes were \$2,147,433 in the current fiscal year compared to \$1,979,838 in the prior year. Governmental expenditures exceeded revenues by \$350,579 in the governmental fund-based statements and governmental funds reported combined ending fund balances of \$11,049,693. Approximately 25% (\$2,676,743) of this is available for spending at the government's discretion (committed and unassigned fund balances).
- General fund revenues were \$3,146,009 and general fund expenditures were \$2,956,261. General fund expenditures exceeded revenues by \$189,748 and there were net transfers out of the general fund general fund totaling (\$10,676). Unassigned fund balance for the general fund was \$1,112,197 or 38% of the total 2014 general fund expenditures.
- Total revenues from all sources were \$2,436,915 for business-type activities for the year ended December 31, 2014.
- Total expenses were \$6,526,184 for governmental activities on the government-wide basis and total expenditures were \$9,211,158 on the modified accrual basis. The total expenses of business-type activities were \$2,172,602.
- Refunding improvement special assessment bonded debt of \$1,390,000 was issued to permanently finance five infrastructure projects. The bond series has maturities ranging from 2019 to 2029 with a net effective interest rate of 2.63%.

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, 2014?"

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 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 38 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 19-21 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 23-41 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 year ended December 31, 2014 and 2013. 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 \$45,539,921 at the close of the most recent fiscal year for governmental activities and \$7,019,025 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 \$29,337,211 for governmental activities and \$5,823,438 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, 2014 and 2013 (as restated)

<u>Assets:</u>	12-31-14	12-31-13
Current Assets	\$11,408,888	\$10,391,205
LT Uncertified Special Assessments Receivable	5,239,274	4,666,971
Capital Assets (net of accumulated depreciation)	41,614,234	40,672,107
Total Assets	<u>\$58,262,396</u>	<u>\$55,730,283</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 303,593	\$ 554,782
Long-Term Liabilities	12,418,882	12,581,747
Total Liabilities	<u>\$12,722,475</u>	<u>\$13,136,529</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	\$29,337,211	\$28,214,742
Restricted	15,078,360	14,039,689
Unrestricted	1,124,350	339,323
Total Net Position	<u>\$45,539,921</u>	<u>\$42,593,754</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

TABLE I
NET POSITION – BUSINESS-TYPE ACTIVITIES
December 31, 2014 and 2013 (as restated)

<u>Assets:</u>	12-31-14	12-31-13
Current Assets	\$1,278,087	\$1,085,311
Capital Assets (net of accumulated depreciation)	7,124,438	7,288,856
Total Assets	<u>\$8,402,525</u>	<u>\$8,374,167</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 37,956	\$ 37,738
Long-Term Liabilities	1,345,544	1,542,263
Total Liabilities	<u>\$1,383,500</u>	<u>\$1,580,001</u>
<u>Net Position:</u>		
Invested in Capital Assets, net of Related Debt	\$5,823,438	\$5,784,490
Unrestricted	1,195,587	1,009,676
Total Net Position	<u>\$7,019,025</u>	<u>\$6,794,166</u>

A large portion of the City of Wahpeton's net position totaling \$15,078,360 (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). Unrestricted net position of \$1,124,350 (2.5%) represents resources not restricted to use. At the end of the 2014, the City of Wahpeton is able to report an increase in net position of \$2,946,167 including a prior period adjustment of \$8,000 in accumulated depreciation. Current assets increased \$1,017,683 (9.79%) for governmental activities, noncurrent assets of uncertified special assessments receivable increased \$572,303 (12%), and capital assets net of accumulated depreciation increased \$942,127 with the capitalization of several special assessment improvement projects funded by the series 2014 bonds issued in November. Total net position for business-type activities increased \$224,859 with scheduled debt repayment, increases in cash on hand and receivables.

TABLE II
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
As of December 31, 2014 and 2013 (as restated)

Revenues	FY2014	FY2013
<u>Program Revenues:</u>		
Charges for Services	\$ 727,564	\$ 609,812
Operating Grants & Contributions	814,947	1,043,132
Capital Grants & Contributions	1,943,551	1,683,077
<u>General Revenues:</u>		
Property Taxes (general)	825,468	817,557
Property Taxes (special revenue)	1,321,965	1,162,281
Sales Taxes	1,978,482	2,054,402
Non restricted grants and contributions	1,007,118	888,955
Unrestricted Investment Earnings	51,378	35,332
Miscellaneous Revenue	762,423	238,050
Transfers	39,455	124,045
Total Revenues & Transfers	<u>\$ 9,472,351</u>	<u>\$ 8,656,643</u>
Expenses		
General Government	\$ 899,603	\$ 772,344
Public Safety	1,898,148	1,721,179
Public Works	2,435,709	2,055,600
Culture and Recreation	615,276	655,166
Economic Development	345,438	285,772
Other	11,061	13,806
Interest and Service Charges	320,949	309,831
Total Expenses	<u>\$ 6,526,184</u>	<u>\$ 5,813,698</u>
Change in Net Position	<u>\$ 2,946,167</u>	<u>\$ 2,842,945</u>
Net Position - January 1	<u>\$42,585,754</u>	<u>\$38,841,311</u>
PPA	\$ 8,000	\$ 901,498
Net Position - December 31	<u>\$45,539,921</u>	<u>\$42,585,754</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

General Government Revenues: Charges for Services constituted 8%, operating grants and contributions were 9%, capital grants & contributions constituted 21%, property taxes (general) constituted 9%, property taxes (special revenue) constituted 14%, sales taxes constituted 21%, non-restricted operating grants and contributions 11%, unrestricted investment earnings .5%, miscellaneous revenue 8% and net transfers constituted .4% of total revenues of governmental activities of the City for year ended December 31, 2014. General government revenues and net transfers were \$9,472,351 which is \$815,708 (9%) more than the preceding year attributed primarily to a sales tax buy down for an 11 unit housing development to defer special assessments and a storm sewer improvement project funded with a 33% buy down using sales tax for infrastructure.

General Government Expenses: General government constituted 14%, public safety 29%, public works 37%, culture and recreation 9%, economic development 5%, miscellaneous expenses .17%, and interest and service charges at 5% of total expenses for governmental activities for the year ended December 31, 2014. General government expenses were \$712,486 (12%) more than the preceding year with the largest increase in economic development and public works.

The City of Wahpeton's total net position for governmental activities increased by \$2,946,167 (7%) for the year ended December 31, 2014. The net increase is primarily due to growth in all asset categories and a slight decrease in total liabilities. Revenues from sales tax buy downs (misc. revenues), property taxes and unrestricted investment earnings contributed to an increase of 9% over the preceding year. Expenses for general government increased \$127,259 with activity in the special levy funds for relocation of a natural gas pipeline transecting a city owned parcel funded from the real estate levy fund.

TABLE II
CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES

As of December 31, 2014 and 2013 (as restated)

Revenues	FY2014	FY2013
<u>Program Revenues:</u>		
Charges for Services - Water	\$1,322,189	\$1,297,657
Charges for Services - Sewer	667,097	607,631
Charges for Services - Other	446,361	407,761
<u>General Revenues:</u>		
Unrestricted Investment Earnings	580	892
Miscellaneous Revenue	688	18,064
Transfers	(39,454)	(124,045)
Total Revenues & Transfers	\$2,397,461	\$2,207,960
Expenses		
Water Operating Expenses	\$1,066,304	\$1,030,924
Sewer Operating Expenses	639,435	598,078
NM Fund Operating Expenses	421,186	434,817
Interest and Service Charges	45,677	48,267
Total Expenses	\$2,172,602	\$2,112,086
Change in Net Position	\$ 224,859	\$ 95,874
Net Position - January 1	\$6,794,166	\$6,710,359
Prior Period Adjustment	\$ -	\$ (12,067)
Net Position - December 31	\$7,019,025	\$6,794,166

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The business type activities total revenues and net transfers increased \$189,501 (9%) from the preceding year, attributed to a rate increase of \$4.46 in the base water rate and a \$.60 increase in the monthly base sanitary sewer rate. Business type activities expenses increased \$60,516 (3%) from the preceding year with higher 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 \$224,859 and primarily attributed to a decrease in transfers to close capital project funds.

TABLE III
TOTAL AND NET COST OF SERVICES - GOVT. ACTIVITIES

As of December 31, 2014 and 2013 (as restated)

	Total Cost For Year Ended Dec. 31, 2014	Net Cost For Year Ended Dec. 31, 2014	Total Cost For Year Ended Dec. 31, 2013	Net Cost For Year Ended Dec. 31, 2013
General Government	\$ 899,603	\$ 794,287	\$ 772,344	\$ 575,952
Public Safety	1,898,148	1,760,400	1,721,179	1,605,508
Public Works	2,435,709	(720,611)	2,055,600	(945,847)
Culture and Recreation	615,276	574,879	655,166	632,655
Economic Development	345,438	299,157	285,772	285,772
Other	11,061	11,061	13,806	13,806
Capital Outlay	320,949	315,378	309,831	309,831
Total Expenses	<u>\$6,526,184</u>	<u>\$3,040,122</u>	<u>\$5,813,698</u>	<u>\$2,477,677</u>

The net cost of services increased \$562,445 (23%); General Government increased \$218,335 with increases in expenses in the real estate special levy fund. Public Safety increased \$154,892 with the 50% down payment on a 2015 pumper fire engine scheduled for delivery in June of 2015. The increase in Public Works of \$225,236 is a result of the reclassification of capital outlays. The increase in total cost of services is \$712,486 (12%) and is largely attributed to capital outlays related to infrastructure projects.

Financial Analysis of the Government's Funds

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

Governmental Funds – Balance Sheet

The focus of the City of Wahpeton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Wahpeton's financing requirements. In particular, unassigned and committed *fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Wahpeton's governmental funds reported combined ending fund balances of \$11,049,693. The total unassigned and committed *fund balances* are \$64,659. 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 \$2,984,210 related to capital improvements, loans receivable of \$2,193,732 and \$5,807,092 restricted for specific fund obligations. Total fund balances of governmental funds increased by \$1,370,051 (14%) primarily due to an increase in fund balances in the sales tax for infrastructure and sales tax for flood mitigation.

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

It is noted that total revenues for governmental funds decreased (\$478,823) (5%) for the year ended December 31, 2014 decreasing from \$9,339,402 to \$8,860,579. The revenue decrease was attributed to an additional \$1,134,500 received from the State of North Dakota for flood mitigation improvements in 2013 that was not requested in 2014. Expenditures decreased overall by (\$594,298) (6%) decreasing from \$9,805,456 to \$9,211,158 with decreased expenditures primarily in the capital outlay funds of (\$974,119).

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, unassigned fund balance of the general fund was \$1,112,197. The fund balance of the City of Wahpeton's general fund increased by \$179,072 (19%) during the current fiscal year; with an increase in permits/fees and intergovernmental revenue. Unassigned fund balance represents 38% of total general fund expenditures. Revenues of the general fund totaled \$3,146,009 and expenditures totaled \$2,956,261 for the year ended December 31, 2014. Revenues of the general fund increased by \$250,164 (9%) and expenditures decreased \$4,088 (0%). Of the increase in revenue \$142,982 was attributed to increased revenues from the State of North Dakota State Aid and Highway Tax Distributions. Revenue from franchise fees, building permits and fees increased \$119,766. Revenues decreased in fines & forfeits and interest income with no significant trends.

The sales tax for economic development fund balance increased \$453,242 due to the execution of a development agreement for a downtown urban renewal project that is structured as a 10 year forgivable loan for \$790,000 and a \$240,000 12 year real estate mortgage due and payable in one single payment upon maturity. The structure of the agreement allows the funds to remain as loans receivable with annual loan forgiveness expense of \$79,000 starting in 2015. The revolving loan fund balance increased \$7,881 with consistent loan activity and associated fees. The debt service funds balance increased by \$233,375 with continued amortization of special assessment debt and the addition of a new sinking fund in November of 2014. The capital projects funds balance changed \$510,828 with the completion of several infrastructure improvement projects. The other government funds balance decreased \$14,347 and is primarily attributed to increased expenditures.

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, 2014 was \$7,019,025, an increase of \$224,859 (3%); the change in net position attributed to operations was \$60,516 (3%), with increased revenues of \$189,501 (9%) mostly attributed to rate increases. Unrestricted net position of the Water Operating Fund totaled \$597,174. Total increase in net position for this fund was \$151,725 (5%). Total Sanitary Sewer Operating Fund net position increased \$47,959 (2%) due to increases in cash and receivables. Total other enterprise funds net position totaled \$190,235, an increase of \$25,175 (15%) with reinstatement of the vector control fee. There was an increase of approximately \$122,598 (5%) in charges for services in the business-type funds resulting from a planned rate increase attributed to decreased volume sales in water and sanitary sewer. The increase in total net position for the proprietary funds of \$224,859 is attributed to planned growth in revenue in excess of operating expenses.

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 \$65,787 less than appropriations. Realized revenues before transfers were \$300,757 greater than projected creating a surplus in revenue over expense of \$366,544. Transfers in were increased by \$74,756, and transfers out were increased \$262,228 resulting in a net increase in the general fund balance of \$179,072 (19%). The general fund expenditures were amended to actual general ledger amounts for the year ended December 31, 2014, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 42-44 of this report and in Note 2 on page 29 of this report.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2014 amounted to \$41,614,234 (net of accumulated depreciation), representing an increase of \$950,127 (2%) due primarily to infrastructure capital asset additions. The decrease in business-type activities capital assets was (\$164,418) (2%) due to depreciation expense of \$315,510 exceeding the capitalization of new assets. The decreasing value of capital assets net of depreciation in the enterprise funds illustrates the need to evaluate the increased investment of resources into capital assets while maintaining operating expenses level with realizable operating revenues.

TABLE IV
CAPITAL ASSETS - GOVT. ACTIVITIES (AS RESTATED)
 (Net of Accumulated Depreciation)
 December 31, 2014 and 2013 (as restated)

	12-31-14	12-31-13
Land	\$ 3,115,810	\$ 3,115,810
Buildings	3,135,675	3,210,324
Equipment	1,941,512	1,950,191
Vehicles	127,352	113,656
Infrastructure	31,140,522	24,186,640
Construction in Progress	2,153,363	8,087,486
Total Capital Assets (net of accumulated depreciation)	<u>\$41,614,234</u>	<u>\$40,664,107</u>

TABLE IV
CAPITAL ASSETS - BUSINESS-TYPE ACTIVITIES
 (Net of Accumulated Depreciation)
 December 31, 2014 and 2013 (as restated)

	12-31-14	12-31-13
Buildings	\$1,422,570	\$1,470,438
Equipment	868,222	959,898
Vehicles	-	3,589
Infrastructure	4,833,646	4,854,931
Total Capital Assets (net of accumulated depreciation)	<u>\$7,124,438</u>	<u>\$7,288,856</u>

Additional information on the City of Wahpeton's capital assets can be found in Note 10 of this report found on pages 31-32.

DEBT ADMINISTRATION

At year-end the City had total long-term debt and compensated absences for governmental activities totaling \$12,418,882, a net overall decrease of \$162,865 (1%) over the prior year. The decrease was a result of normally scheduled debt payments on existing debt in excess of issuance of \$1,390,000 of new debt and a net increase in capital leases of equipment totaling \$59,658. Compensated absences increased \$17,477 with staff longevity and payroll increases resulting in higher leave balances.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
GOVERNMENTAL ACTIVITIES
 December 31, 2014 and 2013

	Total		Total	
	Outstanding Dec. 31, 2014	Due Within One Year	Outstanding Dec. 31, 2013	Due Within One Year
Leases Payable	\$ 207,023	\$ 84,237	\$ 147,365	\$ 48,268
Spec. Assmts. Bonds Payable	12,070,000	1,535,000	12,310,000	1,630,000
Compensated Absences Payable	141,859	14,186	124,382	12,438
Total Debt	<u>\$12,418,882</u>	<u>\$1,633,423</u>	<u>\$12,581,747</u>	<u>\$1,690,706</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

Business-type activities long-term debt decreased by \$196,719 (13%) going from \$1,542,263 to \$1,345,544. The decrease was due solely to scheduled debt payments.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
BUSINESS-TYPE ACTIVITIES
 December 31, 2014 and 2013

	Total Outstanding Dec. 31, 2014	Due Within One Year	Total Outstanding Dec. 31, 2013	Due Within One Year
Revenue Bonds Payable	\$1,301,000	\$144,000	\$1,504,366	\$203,366
Compensated Absences Payable	44,544	4,455	37,897	3,790
Total Debt	\$1,345,544	\$148,455	\$1,542,263	\$207,156

Note 18 to the financial statements describes the City's long-term debt in greater detail and are found on pages 34-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015 budget included a decreased mill levy with a City levy rate of 118.64 mills compared to 123.60 levied for City services in 2014. The mill levy change represented a (\$27,941) decrease in revenue from current year taxes levied. Value of a mill for the City for the 2015 budget increased from \$14,599 to \$15,171 per mill.

Total appropriations for operations for 2015 increased by approximately \$124,018 from 2014 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 \$70,156 (2%) with the increases primarily in the public works 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, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 8,603,996	\$ 1,118,393	\$ 9,722,389
Utility Billings Receivable	-	159,694	159,694
Accounts Receivable	6,653	-	6,653
Intergovernmental Receivable	502,059	-	502,059
Taxes Receivable	56,784	-	56,784
Special Assessments Receivable	45,664	-	45,664
Loans Receivable	2,193,732	-	2,193,732
Long-Term Receivable:			
Uncertified Special Assessments Receivable	5,239,274	-	5,239,274
Capital Assets (not being depreciated):			
Land	3,115,810	-	3,115,810
Construction in Progress	2,153,363	-	2,153,363
Capital Assets (being depreciated):			
Buildings	3,135,675	1,422,570	4,558,245
Equipment	1,941,512	868,222	2,809,734
Vehicles	127,352	-	127,352
Infrastructure	31,140,522	4,833,646	35,974,168
Total Capital Assets	<u>\$ 41,614,234</u>	<u>\$ 7,124,438</u>	<u>\$ 48,738,672</u>
Total Assets	<u>\$ 58,262,396</u>	<u>\$ 8,402,525</u>	<u>\$ 66,664,921</u>
LIABILITIES			
<u>Current Liabilities:</u>			
Accounts Payable & Accrued Expenses	\$ 29,286	\$ 20,561	\$ 49,847
Salaries Payable and Accrued Benefits	66,350	6,554	72,904
Grant Match Payable	38,197	-	38,197
RLF Payable	500	-	500
Contracts Payable	122,414	-	122,414
Accrued Interest Payable	46,846	10,841	57,687
Total Current Liabilities	<u>\$ 303,593</u>	<u>\$ 37,956</u>	<u>\$ 341,549</u>
<u>Non-Current Liabilities:</u>			
Portion Due or Payable Within One Year:			
Leases Payable	\$ 84,237	\$ -	\$ 84,237
Special Assessment Bonds Payable	1,535,000	-	1,535,000
Revenue Bonds Payable	-	144,000	144,000
Compensated Absences Payable	14,186	4,455	18,641
Portion Due or Payable After One Year:			
Leases Payable	122,786	-	122,786
Special Assessment Bonds Payable	10,535,000	-	10,535,000
Revenue Bonds Payable	-	1,157,000	1,157,000
Compensated Absences Payable	127,673	40,089	167,762
Total Noncurrent Liabilities	<u>\$ 12,418,882</u>	<u>\$ 1,345,544</u>	<u>\$ 13,764,426</u>
Total Liabilities	<u>\$ 12,722,475</u>	<u>\$ 1,383,500</u>	<u>\$ 14,105,975</u>
NET POSITION			
Net Investment in Capital Assets	\$ 29,337,211	\$ 5,823,438	\$ 35,160,649
Restricted for:			
Debt Service	8,247,670	-	8,247,670
Public Safety	171,751	-	171,751
Public Works	727,430	-	727,430
Economic/Job Development	2,495,706	-	2,495,706
Loans	2,193,732	-	2,193,732
Culture and Recreation	287,762	-	287,762
Capital Improvements	760,817	-	760,817
Other Special Purposes	193,492	-	193,492
Unrestricted	1,124,350	1,195,587	2,319,937
Total Net Position	<u>\$ 45,539,921</u>	<u>\$ 7,019,025</u>	<u>\$ 52,558,946</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, 2014

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	\$ 899,603	\$ 43,545	\$ 61,771	\$ -	\$ (794,287)		\$ (794,287)
Public Safety	1,898,148	124,937	12,811	-	(1,760,400)		(1,760,400)
Public Works	2,435,709	551,406	661,363	1,943,551	720,611		720,611
Culture and Recreation	615,276	2,537	37,860	-	(574,879)		(574,879)
Economic Development	345,438	5,139	41,142	-	(299,157)		(299,157)
Other	11,061	-	-	-	(11,061)		(11,061)
Interest & Fees on Long-Term Debt	320,949	-	-	-	(320,949)		(320,949)
Total Governmental Activities	\$ 6,526,184	\$ 727,564	\$ 814,947	\$ 1,943,551	\$ (3,040,122)		\$ (3,040,122)
<u>Business-Type Activities:</u>							
Water Operations	\$ 1,105,283	\$ 1,322,189	\$ -	\$ -	\$ -	\$ 216,906	\$ 216,906
Sanitary Sewer Operations	646,133	667,097	-	-	-	20,964	20,964
Garbage & Other Enterprise	421,185	446,361	-	-	-	25,176	25,176
Total Business-Type Activities	\$ 2,172,601	\$ 2,435,647	\$ -	\$ -	\$ -	\$ 263,046	\$ 263,046
Total Primary Government	\$ 8,698,785	\$ 3,163,211	\$ 814,947	\$ 1,943,551	\$ (3,040,122)	\$ 263,046	\$ (2,777,076)
<u>General Revenues:</u>							
Taxes:							
Property taxes, levied for general purposes					\$ 825,468	\$ -	\$ 825,468
Property taxes, levied for special purposes					1,321,965	-	1,321,965
Sales taxes					1,978,482	-	1,978,482
State aid distribution, other unrestricted grants & contributions					1,007,118	-	1,007,118
Unrestricted Investment Earnings					51,378	580	51,958
Miscellaneous					762,423	688	763,111
Transfers					39,455	(39,455)	-
Total General Revenues and Transfers					\$ 5,986,289	\$ (38,187)	\$ 5,948,102
Change in Net Position					\$ 2,946,167	\$ 224,859	\$ 3,171,026
Net Position - January 1					\$ 42,585,754	\$ 6,794,166	\$ 49,379,920
Prior Period Adjustments					8,000	-	8,000
Net Position - January 1, as restated					\$ 42,593,754	\$ 6,794,166	\$ 49,387,920
Net Position - December 31					\$ 45,539,921	\$ 7,019,025	\$ 52,558,946

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, 2014

	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	\$ 856,366	\$ 1,202,450	\$ 558,268	\$ 2,909,716	\$ -	\$ 3,077,196	\$ 8,603,996
Accounts Receivable	6,653	-	-	-	-	-	6,653
Intergovernmental Receivable	327,994	62,297	-	-	111,768	-	502,059
Due from Other Funds	-	-	-	74,747	-	-	74,747
Loans Receivable	-	1,266,785	926,947	-	-	-	2,193,732
Taxes Receivable	12,152	-	-	25,368	-	19,264	56,784
Special Assessments Receivable	-	-	-	45,664	-	-	45,664
Long-Term Uncertified Special Assmts. Rec.	-	-	-	5,239,274	-	-	5,239,274
Total Assets	\$ 1,203,165	\$ 2,531,532	\$ 1,485,215	\$ 8,294,769	\$ 111,768	\$ 3,096,460	\$ 16,722,909
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES							
OF RESOURCES							
Liabilities:							
Accounts Payable & Accrued Expenses	\$ 12,466	\$ -	\$ 139	\$ 253	\$ 5,006	\$ 11,422	\$ 29,286
Accrued Payroll Benefits	66,350	-	-	-	-	-	66,350
Grant Match Payable	-	-	-	-	-	38,197	38,197
Contracts Payable	-	-	-	-	122,414	-	122,414
RLF Payable	-	-	500	-	-	-	500
Due to Other Funds	-	-	-	-	74,747	-	74,747
Total Liabilities	\$ 78,816	\$ -	\$ 639	\$ 253	\$ 202,167	\$ 49,619	\$ 331,494
Deferred Inflows of Resources:							
Deferred Property Taxes	\$ 12,152	\$ -	\$ -	\$ 25,368	\$ -	\$ 19,264	\$ 56,784
Deferred Special Assessments	-	-	-	45,664	-	-	45,664
Deferred Long-Term Uncertified Special Assmts.	-	-	-	5,239,274	-	-	5,239,274
Total Deferred Inflows	\$ 12,152	\$ -	\$ -	\$ 5,310,306	\$ -	\$ 19,264	\$ 5,341,722
Total Liabilities & Deferred Inflows of Resources	\$ 90,968	\$ -	\$ 639	\$ 5,310,559	\$ 202,167	\$ 68,883	\$ 5,673,216
Fund Balances:							
Non-Spendable:							
Loans Receivable	\$ -	\$ 1,266,785	\$ 926,947	\$ -	\$ -	\$ -	\$ 2,193,732
Restricted:							
Debt Service	-	-	-	2,984,210	-	-	2,984,210
Sales Tax Funds/Economic Develop.	-	1,264,747	-	-	2,521,685	679,084	4,465,516
Public Works	-	-	-	-	-	637,412	637,412
Culture & Recreation	-	-	-	-	-	287,999	287,999
Public Safety	-	-	-	-	-	208,651	208,651
Other/General Government	-	-	-	-	-	207,514	207,514
Committed:							
Sales Tax Funds/Economic Develop.	-	-	557,629	-	-	-	557,629
Equipment Replacement	-	-	-	-	-	851,216	851,216
Public Safety	-	-	-	-	-	53,825	53,825
Public Works	-	-	-	-	-	101,876	101,876
Unassigned:							
General Fund	1,112,197	-	-	-	-	-	1,112,197
Negative Fund Balances	-	-	-	-	(2,612,084)	-	(2,612,084)
Total Fund Balances	\$ 1,112,197	\$ 2,531,532	\$ 1,484,576	\$ 2,984,210	\$ (90,399)	\$ 3,027,577	\$ 11,049,693
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,203,165	\$ 2,531,532	\$ 1,485,215	\$ 8,294,769	\$ 111,768	\$ 3,096,460	\$ 16,722,909

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, 2014

Total *Fund Balances* of Governmental Funds \$ 11,049,693

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	\$ 51,812,331	
Less Accumulated Depreciation	<u>(10,198,097)</u>	41,614,234

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	\$ 56,784	
Special Assessments Receivable	<u>45,664</u>	102,448

Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 5,239,274

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	\$ (12,070,000)	
Leases Payable	(207,023)	
Interest Payable	(46,846)	
Compensated Absences Payable	<u>(141,859)</u>	
Total Long-Term Liabilities		<u>(12,465,728)</u>

Total Net Position - Governmental Activities \$ 45,539,921

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, 2014

	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	\$ 826,627	\$ -	\$ -	\$ -	\$ -	\$ 1,324,568	\$ 2,151,195
Sales Taxes	-	708,088	-	-	1,270,394	-	1,978,482
Special Assessment Taxes	-	-	-	1,367,472	-	-	1,367,472
Licenses, Permits and Fees	592,604	-	-	-	-	-	592,604
Fines and Forfeits	117,474	-	-	-	-	-	117,474
Intergovernmental	1,576,409	-	-	-	164,832	80,824	1,822,065
Charges for Services	8,016	-	-	-	-	9,470	17,486
Loan Receivable Receipts	-	-	11,906	-	-	-	11,906
Interest Income	3,342	45,850	496	-	-	1,690	51,378
Miscellaneous	21,537	38,050	1,582	-	562,084	127,264	750,517
Total Revenues	\$ 3,146,009	\$ 791,988	\$ 13,984	\$ 1,367,472	\$ 1,997,310	\$ 1,543,816	\$ 8,860,579
Expenditures:							
Current:							
General Government	\$ 592,940	\$ -	\$ -	\$ -	\$ -	\$ 235,822	\$ 828,762
Public Safety	1,546,224	-	-	-	-	285,026	1,831,250
Public Works/Highways & Streets	590,270	-	-	-	-	382,903	973,173
Culture and Recreation	215,766	-	-	-	-	391,510	607,276
Economic Development	-	-	1,103	-	-	341,977	343,080
Other	11,061	-	-	-	-	-	11,061
Capital Outlay	-	170,153	-	-	2,016,909	397,313	2,584,375
Debt Service:							
Principal	-	-	-	1,630,000	-	85,996	1,715,996
Interest	-	-	-	274,708	-	2,369	277,077
Fees	-	-	-	39,108	-	-	39,108
Total Expenditures	\$ 2,956,261	\$ 170,153	\$ 1,103	\$ 1,943,816	\$ 2,016,909	\$ 2,122,916	\$ 9,211,158
Excess (Deficiency) of Revenues Over Expenditures	\$ 189,748	\$ 621,835	\$ 12,881	\$ (576,344)	\$ (19,599)	\$ (579,100)	\$ (350,579)
Other Financing Sources (Uses):							
Transfers In	\$ 430,439	\$ -	\$ -	\$ 914,733	\$ 355,941	\$ 810,336	\$ 2,511,449
Bond Proceeds	-	-	-	113,608	1,276,392	-	1,390,000
Lease Issuance	-	-	-	-	-	145,654	145,654
Net Bond Discount	-	-	-	(455)	(5,116)	-	(5,571)
Transfers Out	(441,115)	(168,593)	(5,000)	(218,167)	(1,096,790)	(391,237)	(2,320,902)
Total Other Financing Sources and Uses	\$ (10,676)	\$ (168,593)	\$ (5,000)	\$ 809,719	\$ 530,427	\$ 564,753	\$ 1,720,630
Net Change in Fund Balances	\$ 179,072	\$ 453,242	\$ 7,881	\$ 233,375	\$ 510,828	\$ (14,347)	\$ 1,370,051
Fund Balances - January 1	\$ 933,125	\$ 2,078,290	\$ 1,476,695	\$ 2,750,835	\$ (601,227)	\$ 3,041,924	\$ 9,679,642
Fund Balances - December 31	\$ 1,112,197	\$ 2,531,532	\$ 1,484,576	\$ 2,984,210	\$ (90,399)	\$ 3,027,577	\$ 11,049,693

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, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,370,051

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 to enterprise activities in the current year.

Capital Asset Additions (Outlays)	\$ 2,207,972	
Capital Asset Capital Contributions to Enterprise Funds	(151,092)	
Current Year Depreciation Expense	<u>(1,214,142)</u>	842,738

Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues. 102,000

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets		(2,611)
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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	\$ 1,630,000	
Repayment of Leases	85,996	
Lease Issuance	(145,654)	
Issuance of Bonds	<u>(1,390,000)</u>	180,342

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	\$ (17,477)	
Net Change in Interest Payable	<u>807</u>	(16,670)

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	\$ (3,762)	
Net Change in Special Assessments Receivable	(98,224)	
Net Change in Long-Term Uncertified Special Assessments Receivable	<u>572,303</u>	<u>470,317</u>

Change in Net Position of Governmental Activities		<u>\$ 2,946,167</u>
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The notes to the financial statements are an integral part of this financial statement.

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 636,994	\$ 351,658	\$ 129,741	\$ 1,118,393
Utility Billings Receivable	22,809	74,367	62,518	159,694
Total Current Assets	<u>\$ 659,803</u>	<u>\$ 426,025</u>	<u>\$ 192,259</u>	<u>\$ 1,278,087</u>
Noncurrent Assets:				
Capital Assets (Being Depreciated):				
Buildings	\$ 1,372,217	\$ 50,353	\$ -	\$ 1,422,570
Equipment	372,669	495,553	-	868,222
Infrastructure	1,917,436	2,916,210	-	4,833,646
Total Noncurrent Assets	<u>\$ 3,662,322</u>	<u>\$ 3,462,116</u>	<u>\$ -</u>	<u>\$ 7,124,438</u>
Total Assets	<u>\$ 4,322,125</u>	<u>\$ 3,888,141</u>	<u>\$ 192,259</u>	<u>\$ 8,402,525</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 18,866	\$ 1,676	\$ 19	\$ 20,561
Salaries Payable	6,554	-	-	6,554
Accrued Interest Payable	9,258	1,583	-	10,841
Revenue Bonds Payable	124,000	20,000	-	144,000
Compensated Absences	2,795	1,459	201	4,455
Total Current Liabilities	<u>\$ 161,473</u>	<u>\$ 24,718</u>	<u>\$ 220</u>	<u>\$ 186,411</u>
Noncurrent Liabilities:				
Revenue Bond Payable	\$ 987,000	\$ 170,000	\$ -	\$ 1,157,000
Compensated Absences	25,156	13,129	1,804	40,089
Total Noncurrent Liabilities	<u>\$ 1,012,156</u>	<u>\$ 183,129</u>	<u>\$ 1,804</u>	<u>\$ 1,197,089</u>
Total Liabilities	<u>\$ 1,173,629</u>	<u>\$ 207,847</u>	<u>\$ 2,024</u>	<u>\$ 1,383,500</u>
NET POSITION				
Net Investment in Capital Assets	\$ 2,551,322	\$ 3,272,116	\$ -	\$ 5,823,438
Unrestricted	597,174	408,178	190,235	1,195,587
Total Net Position	<u>\$ 3,148,496</u>	<u>\$ 3,680,294</u>	<u>\$ 190,235</u>	<u>\$ 7,019,025</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, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sanitary	Other	Enterprise
	Operating	Sewer Operating	Enterprise Funds	Enterprise Total
Operating Revenues:				
Charges for Sales and Services	\$ 1,322,189	\$ 667,097	\$ 446,361	\$ 2,435,647
Operating Expenses:				
Salaries and Wages	\$ 313,282	\$ 190,830	\$ 22,173	\$ 526,285
Benefits	105,511	67,192	6,758	179,461
Heating Fuel, Gas and Oil	11,878	6,805	312	18,995
Utilities - Electricity and Telephone	83,217	60,893	107,661	251,771
Service Contracts	16,063	13,543	-	29,606
Waste Removal Contract	-	-	247,069	247,069
Hazardous Waste Disposal Fees	-	-	7,646	7,646
Supplies and Postage	13,679	11,794	7,241	32,714
Repairs and Maintenance	20,439	3,783	-	24,222
Equipment/Technology	16,259	1,743	-	18,002
Equipment & Maintenance/Repairs	28,321	-	3,992	32,313
Lift Station Maintenance	-	25,567	-	25,567
Insurance and Safety	1,399	603	-	2,002
Chemicals	130,080	13,845	11,207	155,132
Mosquito Control/Spraying	-	-	6,898	6,898
Professional Fees and Other Service Charges	2,600	1,911	-	4,511
Meters/Hydrants/Wells/Lagoons/Manholes	75,640	69,268	-	144,908
Utility Main/Water Main Valve Repairs	29,801	7,017	-	36,818
Wells/Testing Fees	11,396	-	-	11,396
Audit Fees	5,250	5,250	-	10,500
Schools/Training	2,511	1,620	215	4,346
Lagoons & Water Storage	19,064	4,235	-	23,299
Memberships	421	-	-	421
Miscellaneous Operating	543	758	14	1,315
Processing Fees	6,028	6,028	-	12,056
Worker's Compensation	866	221	-	1,087
Curbside Repairs	1,999	-	-	1,999
Uncollectible Accounts	372	372	-	744
Expense Refunds	-	332	-	332
Depreciation	169,685	145,825	-	315,510
Total Operating Expenses	\$ 1,066,304	\$ 639,435	\$ 421,186	\$ 2,126,925
Operating Income	\$ 255,885	\$ 27,662	\$ 25,175	\$ 308,722
Nonoperating Revenues (Expenses):				
Interest Income	\$ 581	\$ -	\$ -	\$ 581
Miscellaneous Income	688	-	-	688
Interest Expense	(30,182)	(5,697)	-	(35,879)
Miscellaneous Expense	(2,785)	-	-	(2,785)
Service Charges and Administration Fees	(6,013)	(1,000)	-	(7,013)
Total Nonoperating Revenue (Expenses)	\$ (37,711)	\$ (6,697)	\$ -	\$ (44,408)
Income Before Contributions and Transfers	\$ 218,174	\$ 20,965	\$ 25,175	\$ 264,314
Transfers In - From Governmental Activities	\$ 104,389	\$ 46,702	\$ -	\$ 151,091
Transfers Out	(170,838)	(19,708)	-	(190,546)
Change in Net Position	\$ 151,725	\$ 47,959	\$ 25,175	\$ 224,859
Total Net Position - January 1	\$ 2,996,771	\$ 3,632,335	\$ 165,060	\$ 6,794,166
Total Net Position - December 31	\$ 3,148,496	\$ 3,680,294	\$ 190,235	\$ 7,019,025

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, 2014

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers and Users	\$ 1,366,067	\$ 650,950	\$ 434,637	\$ 2,451,654
Payments to Suppliers	(467,479)	(239,023)	(403,772)	(1,110,274)
Payments to Employees	(407,885)	(256,195)	(28,465)	(692,545)
Net Cash Provided by Operating Activities	<u>\$ 490,703</u>	<u>\$ 155,732</u>	<u>\$ 2,400</u>	<u>\$ 648,835</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers to Other Funds	<u>\$ (170,838)</u>	<u>\$ (19,708)</u>	<u>\$ -</u>	<u>\$ (190,546)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Miscellaneous Expense	\$ (2,785)	\$ -	\$ -	\$ (2,785)
Miscellaneous Income	688	-	-	688
Principal Paid on Capital Debt	(183,366)	(20,000)	-	(203,366)
Interest Paid on Capital Debt	(31,580)	(6,030)	-	(37,610)
Fees Paid on Capital Debt	(6,013)	(1,000)	-	(7,013)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (223,056)</u>	<u>\$ (27,030)</u>	<u>\$ -</u>	<u>\$ (250,086)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest Received	<u>\$ 581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 97,390</u>	<u>\$ 108,994</u>	<u>\$ 2,400</u>	<u>\$ 208,784</u>
Cash and Cash Equivalents, January 1	<u>\$ 539,604</u>	<u>\$ 242,664</u>	<u>\$ 127,341</u>	<u>\$ 909,609</u>
Cash and Cash Equivalents, December 31	<u>\$ 636,994</u>	<u>\$ 351,658</u>	<u>\$ 129,741</u>	<u>\$ 1,118,393</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	\$ 255,885	\$ 27,662	\$ 25,175	\$ 308,722
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	169,685	145,825	-	315,510
Change in Assets and Liabilities:				
Utility Billings Receivable	43,878	(16,147)	(11,724)	16,007
Accounts Payable	10,347	(3,435)	(11,517)	(4,605)
Salaries Payable	6,554	-	-	6,554
Compensated Absences	4,354	1,827	466	6,647
Net Cash Provided (Used) by Operating Activities	<u>\$ 490,703</u>	<u>\$ 155,732</u>	<u>\$ 2,400</u>	<u>\$ 648,835</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, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>\$ 24,862</u>
<u>Liabilities:</u>	
Due to Other Entities	<u>\$ 24,862</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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

COMPONENT UNITS

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

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

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

RELATED ORGANIZATIONS

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

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus, Basis of Accounting

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

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

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

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

D. Cash, Cash Equivalents and Investments

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

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

E. Capital Assets

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

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

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

F. Compensated Absences

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

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

Police Officers and Sergeants:

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

Water Plant Personnel:

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

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

G. 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, 2014 represented 28% of annual 2014 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, 2014.

Non-spendable Fund Balances (additional detail):

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

Restricted Fund Balances – consist of the following items at December 31, 2014:

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

Special Revenue Funds – Restricted & Committed Fund Balances:

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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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	\$3,200,935	\$ 262,000	\$3,462,935
Debt Service Funds	1,889,240	54,608	1,943,848
Capital Project Funds	35	2,263,010	2,263,045
<u>Nonmajor Special Revenue Funds</u>			
Planning Commission	13,278	2,885	16,163
Band Levy	3,322	2,892	6,214
Social Security	101,274	675	101,949
Employee Safety	1,204	2,826	4,030
Capital Improvements	144,715	15,002	159,717
Fire Department Building and Equipment	177,042	196,697	373,739
Real Estate Levy	125,466	114,120	239,586
City Share Special Assessments	39,257	17,968	57,225
Special Transportation	-	12,100	12,100
Miscellaneous Fund	400	745	1,145
Vector Control	1,500	260	1,760
Job Development Levy	26,557	66,050	92,607
Weed Maintenance Levy	39,846	27,126	66,972
Sales Tax Recreation	150,000	24,407	174,407
Sales Tax Development Reserve	-	7,010	7,010
Sales Tax Mini-Match Reserve	-	10,350	10,350
Sales Tax Help Fund	-	2,060	2,060
Gasoline, Oil, Etc. (inventory)	-	14,995	14,995
Local Law Enforcement Block Grant	-	5	5
Community Policing Fund	-	935	935
Clubhouse Maintenance	5,000	16,070	21,070

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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, 2014, the city's carrying amount of deposits was \$9,750,860 and the bank balances were \$9,904,814. Of the bank balances, \$2,301,931 was covered by Federal Depository Insurance. The remaining bank balances of \$7,602,883 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2014, the city held certificates of deposit totaling \$351,502.

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

NOTE 4: UTILITY BILLINGS RECEIVABLE

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

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

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

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 8: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 9: LOANS RECEIVABLE

Loans receivable consist of loans for the promotion of economic development within the city through various Wahpeton sales tax and loan funds. The loans receivable activity for the year ended December 31, 2014 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Econ. Development Fund	\$ -	\$1,266,785	\$ -	\$1,266,785
Revolving Loan Fund	945,425	130,929	149,407	926,947
Total Loans Receivable	\$945,425	\$1,397,714	\$149,407	\$2,193,732

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

Governmental Activities

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-14	Adjustment	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>						
Land	\$ 3,115,810	\$ -	\$ -	\$ -	\$ -	\$ 3,115,810
Construction in Progress	8,087,486	-	2,025,236	-	(7,959,359)	2,153,363
Total Capital Assets, Not Being Depreciated	\$11,203,296	\$ -	\$2,025,236	\$ -	\$(7,959,359)	\$ 5,269,173
<i>Capital assets being depreciated:</i>						
Buildings	\$ 4,775,590	\$ -	\$ -	\$ -	\$ -	\$ 4,775,590
Equipment	4,382,527	-	236,212	6,527	-	4,612,212
Vehicles	474,164	-	48,524	62,836	-	459,852
Infrastructure	28,887,237	-	-	-	7,808,267	36,695,504
Total Capital Assets, Being Depreciated	\$38,519,518	\$ -	\$ 284,736	\$69,363	\$ 7,808,267	\$46,543,158
<i>Less Accumulated Depreciation for:</i>						
Buildings	\$ 1,565,266	\$(8,000)	\$ 82,649	\$ -	\$ -	\$ 1,639,915
Equipment	2,432,336	-	242,280	3,916	-	2,670,700
Vehicles	360,508	-	34,828	62,836	-	332,500
Infrastructure	4,700,597	-	854,385	-	-	5,554,982
Total Accumulated Depreciation	\$ 9,058,707	\$(8,000)	\$1,214,142	\$66,752	\$ -	\$10,198,097
Total Capital Assets Being Depreciated, Net	\$29,460,811	\$ 8,000	\$ (929,406)	\$ 2,611	\$ 7,808,267	\$36,345,061
<i>Governmental Activities Capital Assets, Net</i>	\$40,664,107	\$ 8,000	\$1,095,830	\$ 2,611	\$ (151,092)	\$41,614,234

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	\$ 86,873
Public Safety	104,433
Public Works	160,451
Culture and Recreation	8,000
Infrastructure	854,385
Total Depreciation Expense-Governmental Activities	\$1,214,142

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets being depreciated:</i>					
Buildings	\$2,330,460	\$ -	\$ -	\$ -	\$2,330,460
Equipment	1,791,461	-	-	-	1,791,461
Vehicles	26,447	-	-	-	26,447
Infrastructure	2,538,380	-	-	104,390	2,642,770
Total Capital Assets, Being Depreciated	\$6,686,748	\$ -	\$ -	\$104,390	\$6,791,138
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 911,634	\$ 46,609	\$ -	\$ -	\$ 958,243
Equipment	1,365,915	52,877	-	-	1,418,792
Vehicles	22,858	3,589	-	-	26,447
Infrastructure	658,724	66,610	-	-	725,334
Total Accumulated Depreciation	\$2,959,131	\$ 169,685	\$ -	\$ -	\$3,128,816
Governmental Activities Capital Assets, Net	\$3,727,617	\$(169,685)	\$ -	\$104,390	\$3,662,322

Business-Type Activities (Sewer Fund):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets being depreciated:</i>					
Buildings	\$ 62,942	\$ -	\$ -	\$ -	\$ 62,942
Equipment	2,735,733	-	-	-	2,735,733
Vehicles	17,969	-	-	-	17,969
Infrastructure	3,979,683	-	-	46,702	4,026,385
Total Capital Assets, Being Depreciated	\$6,796,327	\$ -	\$ -	\$46,702	\$6,843,029
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 11,330	\$ 1,259	\$ -	\$ -	\$ 12,589
Equipment	2,201,378	38,802	-	-	2,240,180
Vehicles	17,969	-	-	-	17,969
Infrastructure	1,004,411	105,764	-	-	1,110,175
Total Accumulated Depreciation	\$3,235,088	\$ 145,824	\$ -	\$ -	\$3,380,913
Governmental Activities Capital Assets, Net	\$3,561,239	\$(145,824)	\$ -	\$46,702	\$3,462,116

Business-Type Activities (Total):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,393,402	\$ -	\$ -	\$ -	\$ 2,393,402
Equipment	4,527,194	-	-	-	4,527,194
Vehicles	44,416	-	-	-	44,416
Infrastructure	6,518,063	-	-	151,092	6,669,155
Total Capital Assets, Being Depreciated	\$13,483,075	\$ -	\$ -	\$151,092	\$13,634,167
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 922,964	\$ 47,868	\$ -	\$ -	\$ 970,832
Equipment	3,567,294	91,679	-	-	3,658,973
Vehicles	40,826	3,589	-	-	44,415
Infrastructure	1,663,135	172,374	-	-	1,835,509
Total Accumulated Depreciation	\$ 6,194,219	\$ 315,510	\$ -	\$ -	\$ 6,509,729
Governmental Activities Capital Assets, Net	\$ 7,288,856	\$(315,510)	\$ -	\$151,092	\$ 7,124,438

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 11: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2014:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 430,439	\$ 441,115
Sales Tax Economic Development Fund	-	168,593
Revolving Loan Fund	-	5,000
Debt Service Funds	914,733	218,167
Capital Projects Funds	355,941	1,096,790
Special Revenue Funds		
Library	21,576	-
Social Security Levy	-	101,948
Retirement Levy	-	124,099
Employee Safety Committee	5,000	-
Capital Improvements	386,031	-
Special Street Maintenance	-	5,160
Levee Maintenance	123,704	-
Economic Development	168,593	-
Absolute Marketing Campaign	-	-
Weed Maintenance Levy	-	13,282
Sales Tax Recreation	-	54,547
Employee Bonus/Retirement	29,027	-
Gasoline, Oil, Etc. (Inventory)	-	11,949
Local Law Enforcement Block Grant	-	5
Police Dept. Radio Sinking Fund	18,440	-
Community Policing Fund	-	935
Clubhouse Maintenance	4,547	-
Sidewalk Maintenance	53,418	-
Restaurant Tax Enhancement	-	79,312
Business-Type Funds		
Water	-	170,839
Sewer	-	19,708
Total Transfers	\$2,511,449	\$2,511,449

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 12: DEFERRED INFLOWS

Deferred inflows of resources in the governmental fund modified accrual basis balance sheet as of December 31, 2014 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 12,152
Delinquent property taxes receivable (debt service fund- major)	25,368
Delinquent property taxes receivable (non-major funds)	19,264
Delinquent special assessments receivable (debt service funds)	45,664
Long-Term Uncertified Special Assessments Receivable (debt service)	5,239,274
Total Deferred Inflows of Resources	\$5,341,722

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 13: ACCOUNTS PAYABLE

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

NOTE 14: PAYROLL BENEFITS

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

NOTE 15: GRANT MATCH PAYABLE

The City has a contingent grant match payable of \$17,044 reported in the Sales Tax Recreation Fund (non-major special revenue fund); \$5,000 reported in the capital fire building and equipment levy fund; and, \$16,153 reported in the library fund. These are related to ND DOT Traffic Enhancement grant match for 16th Avenue Shared Use Path, for a new flag pole at the fire department, and for a new front door at the library.

NOTE 16: CDBG/RLF PAYABLE

The City has obtained Community Development Block Grant (CDBG) revolving loan fund (RLF) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by property financed and are payable solely from the payments received on the underlying mortgage grants. Upon repayment of the grants, ownership of the acquired facilities transfers to the private-sector entity served by the grant.

As of December 31, 2014, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of \$500. The City receives reimbursement for payments made on this loan payable.

NOTE 17: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2014.

NOTE 18: LONG-TERM LIABILITIES

During the year ended December 31, 2014, the following changes occurred in long-term liabilities of the city (including compensated absences):

Governmental Activities:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Special Assessment Bonds	\$12,310,000	\$1,390,000	\$1,630,000	\$12,070,000	\$1,535,000
Leases Payable	147,365	145,654	85,996	207,023	84,237
Compensated Absences *	124,382	17,477	-	141,859	14,186
Total Governmental Activities	\$12,581,747	\$1,553,131	\$1,715,996	\$12,418,882	\$1,633,423

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Business-Type Activities:

Water Fund: Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Revenue Bonds	\$1,294,366	\$ -	\$183,366	\$1,111,000	\$124,000
Compensated Absences *	23,598	4,353	-	27,951	2,795
Total Water Fund	\$1,317,964	\$4,353	\$183,366	\$1,138,951	\$126,795

Sewer Fund: Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Revenue Bonds	\$210,000	\$ -	\$20,000	\$190,000	\$20,000
Compensated Absences *	12,760	1,828	-	14,588	1,459
Total Water Fund	\$222,760	\$1,828	\$20,000	\$204,588	\$21,459

Other Funds: Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Compensated Absences *	\$1,539	\$466	\$ -	\$2,005	\$201

Total: Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Revenue Bonds	\$1,504,366	\$ -	\$203,366	\$1,301,000	\$144,000
Compensated Absences *	37,897	6,647	-	44,544	4,455
Total Business-Type Activities	\$1,542,263	\$6,647	\$203,366	\$1,345,544	\$148,455

* - 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, 2014, 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 .65 to 1.8%.	\$ 1,370,000
\$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of \$150,000 to \$195,000 through 2020, with interest at 4.5%.	1,055,000
\$3,130,000 2009 Refunding Improvement Bonds #10809, due in annual installments of \$240,000 to \$450,000 through 2017, with interest at 3.0% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002.	770,000
\$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.	4,145,000

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 1.2% to 2.5%. This issue refunded series 2003D. \$ 675,000

\$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. 2,665,000

\$1,390,000 Series 2014 Refunding Improvement Bonds #10910, due in annual installments of \$70,000 to \$270,000 through 2029, with interest at 1.25% to 3.00%. 1,390,000

Total Special Assessment Bonds \$12,070,000

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

Governmental activities debt service requirements to maturity (excluding compensated absences payable) at December 31, 2014 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending 12-31-14	Special Assessment Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2015	\$ 1,535,000	\$ 271,102	\$ 84,237	\$4,128
2016	1,535,000	242,484	85,949	2,416
2017	1,525,000	210,261	36,837	890
2018	1,285,000	179,916	-	-
2019	1,295,000	150,861	-	-
2020 - 2024	3,815,000	396,508	-	-
2025 - 2029	1,080,000	47,797	-	-
Total	\$12,070,000	\$1,498,929	\$207,023	\$7,434

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%. \$ 80,000

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%. \$1,031,000

Total Water Fund \$1,111,000

Sewer Fund:

\$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$20,000 to \$25,000 through 2023, with interest at 2.5%. \$ 190,000

Total Enterprise Revenue Bonds \$1,301,000

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

BUSINESS-TYPE ACTIVITIES - REVENUE BONDS						
Year Ending 12-31-14	WATER FUND		SEWER FUND		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
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	115,000	15,050	20,000	2,750	135,000	17,800
2020 - 2024	487,000	30,775	90,000	5,875	577,000	36,650
Total	\$1,111,000	\$138,125	\$190,000	\$24,625	\$1,301,000	\$162,750

NOTE 19: DUE TO/FROM OTHER FUNDS

At year-end December 31, 2014, negative overall cash fund balance existed in the capital projects fund totaling \$74,747. The capital projects fund cash deficit for reporting purposes in the balance sheet was covered by the debt service fund. A corresponding due from other funds in the debt service funds was reported in the capital projects fund

NOTE 20: CONDUIT DEBT

Industrial Development Revenue Bonds:

From time to time, the city has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount outstanding of these types of bonds is not known. \$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, 2014. The outstanding principal balance on those loans was \$204,044 at December 31, 2014.

NOTE 21: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 \$2,781,876 for public assets (inland marine/mobile equipment and portable property) coverage.

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

The City has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides employees with health insurance. Contributions to the insurance plan are based on family, single or no coverage selections made by the employees.

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

NOTE 22: PENSION PLAN

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, 2014, 2013 and 2012, were \$0, \$4,370, and \$3,784, 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, 2014 plan members are required to contribute 7% of their annual covered salary. The City is required to contribute 7.26% which the City chose to increase to 10.26% to reduce the employee contribution from 7% to 4% of the employee's salary. The employer contribution consists of 9.12% 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, 2014, 2013, and 2012 were \$204,636, \$170,539, and \$147,044, respectively, equal to the required contributions for the year.

NOTE 23 FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2014:

Fund Name	Balance
Governmental Funds:	
5-1-97 Flood Phase II	\$(1,041,452)
Town Centre Square	(48,800)
3 rd Ave. N. Reconstruction	(101,434)
11 th St. N. Ave. B to 16 th Ave.	(668,874)
11 th St. N. Ave. B. to 16 th Ave.	(104,313)
E. Central Streets	(393)
N. Central Streets	(253)
E. Sanitary Sewer 13-02-02	(115,980)
Well #3 Riser Repairs/Well HSE	(43,239)
Library Roof/Walls/Door	(38,535)
Lift Station #1 Manhole Repair	(321,567)
Business-Type Funds:	
Non-Major Business-Type Funds:	
Street Lights	(10,739)

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 24: FRANCHISE AGREEMENTS

The City of Wahpeton has various franchise fees owed to them from various companies. The franchise fees are based on services provided and fees collected at 5% of cable television revenues, 3% of natural gas revenues and 3% of the electric rate revenues. Remaining payments on franchise contracts owed to the City of Wahpeton as of December 31, 2014 are estimated at current rates as follows:

Payments to Wahpeton	Contract Term	Contract Start	Renewal or Term. Date	Total Contract Amount	Received 2014	Remaining at 12-31-14
Midcontinent Communications	10 years	9/1/14	9/1/24	\$ 940,000	\$ 94,000	\$916,500
Great Plains Natural Gas	10 years	11/13/07	5/17/17	900,000	90,000	255,000
Ottertail Power Company	10 years	10/5/09	10/16/19	1,960,000	196,000	931,000

NOTE 25: COMMITMENTS

The City of Wahpeton had various commitments to vendors outstanding longer than one year as of December 31, 2014. The larger of these commitments are as follows:

Construction Contracts:

Project	Project Amount	Change Orders	Total Project	Total Completed	Remaining Project
<i>Capital Improvements:</i>					
16th Ave. N. 11th St. to 210 Bypass	\$ 178,568	\$49,206	\$ 227,774	\$ 103,136	\$ 124,638
Automated Meter Reading Equip & Software	227,285	-	227,285	227,285	-
Briarwood Flood Protection Levee	322,058	(42,206)	279,852	279,852	-
Commercial Street Rehab	266,559	(31,096)	235,463	232,941	2,522
Cul-de-sac Street Imp. Various Locations	770,108	781	770,889	770,620	269
Eastside Sanitary Sewer Facility Plan	86,000	30,500	116,500	116,500	-
Flood Mitigation	47,500	-	47,500	-	47,500
Golf Clubhouse Re-shingle	19,300	-	19,300	19,300	-
Library Roof & Misc. Repairs	176,400	9,860	186,260	43,176	143,084
Lift St. No. 1 Wet Well Manhole Repair	368,436	-	368,436	-	368,436
N. Side Ditch Mtc.	64,631	(4,301)	60,330	60,330	-
Ph. I Old City Hall/Police Dept.	18,700	-	18,700	18,700	-
Reconstruction of 3rd Ave. N.	107,883	43,714	151,597	41,279	110,318
S. Side Storm Sewer Part 3, Ph. B & C	522,310	10,378	532,688	494,754	37,934
Town Centre Square Plaza Rehabilitation	211,661	(33,295)	178,366	178,366	-
Well Hse. #3 & 10" Pipe Failure	331,200	-	331,200	41,900	289,300
Westside Intersection Traff. Impact Study	22,669	-	22,669	16,383	6,286
Westside Liftstation Engineering Project	14,543	-	14,543	8,818	5,726
Westside Subdivision Drainage Project	22,057	9,836	31,893	28,013	3,880
<i>Total Capital Improvements</i>	<i>\$3,777,868</i>	<i>\$43,377</i>	<i>\$3,821,245</i>	<i>\$2,681,353</i>	<i>\$1,139,893</i>

Other commitments/contracts:

Other Commitments-Contracts	Contract Term	Contract Start	Renewal or Term. Date	Total Contract Amount	Paid 2014	Remaining at 12-31-14
Waste Management - Garbage Contract	120 months	7/1/13	6/30/18	\$2,528,880	\$252,888	\$885,108
E-Civis -- Grants Database subscription	36 months	9/18/12	9/18/15	11,505	3,835	-
Leads Online -- License for database	36 months	5/7/12	5/7/15	5,274	1,758	-
NDACo Resources Group- data back up	36 months	11/19/13	11/19/16	19,131	6,377	12,223
Verizon Wireless - cell phone services	48 months	4/10/12	4/10/16	39,600	9,900	13,200

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 26: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment for the 2014 Statement of Activities (governmental activities) consists of a capital asset related item to decrease beginning accumulated depreciation for buildings for governmental activities.

The effects of the prior period adjustment to beginning net position for the decrease to accumulated depreciation for governmental activities is as follows:

Other Governmental Funds	Fund Balance
Other Governmental fund balance, as previously reported	\$42,585,754
Adjustments to restate the January 1 fund balance	
Buildings - accumulated depreciation deduction	8,000
Fund Balance January 1, 2014 as restated	\$42,593,754

NOTE 27: CONTRACTS PAYABLE

Contracts payable consists of amounts owed to various contractors on open construction projects at December 31, 2014 for well #3 riser repairs, library roof, walls & door, and the lift station #1 manhole repair projects.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 774,978	\$ 774,978	\$ 826,627	\$ 51,649
Licenses, Permits and Fees	521,736	521,736	592,604	70,868
Fines and Forfeits	138,838	138,838	117,474	(21,364)
Intergovernmental	1,380,300	1,380,300	1,576,409	196,109
Charges for Services	1,300	1,300	8,016	6,716
Interest Income	11,000	11,000	3,342	(7,658)
Miscellaneous Income	17,100	17,100	21,537	4,437
Total Revenues	\$ 2,845,252	\$ 2,845,252	\$ 3,146,009	\$ 300,757
<u>Expenditures:</u>				
Current:				
General Government	\$ 604,229	\$ 604,229	\$ 592,940	\$ 11,289
Public Safety	1,553,497	1,553,497	1,546,224	7,273
Public Works	635,839	635,839	590,270	45,569
Culture and Recreation	213,483	213,483	215,766	(2,283)
Other	15,000	15,000	11,061	3,939
Total Expenditures	\$ 3,022,048	\$ 3,022,048	\$ 2,956,261	\$ 65,787
Excess (Deficiency) of Revenues Over Expenditures	\$ (176,796)	\$ (176,796)	\$ 189,748	\$ 366,544
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 355,683	\$ 355,683	\$ 430,439	\$ 74,756
Transfers Out	(178,887)	(440,887)	(441,115)	(228)
Total Other Financing Sources and Uses	\$ 176,796	\$ (85,204)	\$ (10,676)	\$ 74,528
Net Change in Fund Balances	\$ -	\$ (262,000)	\$ 179,072	\$ 441,072
Fund Balance - January 1	\$ 933,125	\$ 933,125	\$ 933,125	\$ -
Fund Balance - December 31	\$ 933,125	\$ 671,125	\$ 1,112,197	\$ 441,072

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 680,000	\$ 680,000	\$ 708,088	\$ 28,088
Interest income	16,000	16,000	45,850	29,850
Miscellaneous income	-	-	38,050	38,050
Total Revenues	\$ 696,000	\$ 696,000	\$ 791,988	\$ 95,988
<u>Expenditures:</u>				
Current:				
Capital Outlay	\$ 509,500	\$ 509,500	\$ 170,153	\$ 339,347
Excess (Deficiency) of Revenues Over Expenditures	\$ 186,500	\$ 186,500	\$ 621,835	\$ 435,335
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (170,500)	\$ (170,500)	\$ (168,593)	\$ 1,907
Net Change in Fund Balances	\$ 16,000	\$ 16,000	\$ 453,242	\$ 437,242
Fund Balance - January 1	\$ 2,078,290	\$ 2,078,290	\$ 2,078,290	\$ -
Fund Balance - December 31	\$ 2,094,290	\$ 2,094,290	\$ 2,531,532	\$ 437,242

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Loan receivable receipts	\$ -	\$ -	\$ 11,906	\$ 11,906
Interest income	500	500	496	(4)
Miscellaneous income	7,300	7,300	1,582	(5,718)
Total Revenues	\$ 7,800	\$ 7,800	\$ 13,984	\$ 6,184
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 2,800	\$ 2,800	\$ 1,103	\$ 1,697
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,000	\$ 5,000	\$ 12,881	\$ 7,881
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ 7,881	\$ 7,881
Fund Balance - January 1	\$ 1,476,695	\$ 1,476,695	\$ 1,476,695	\$ -
Fund Balance - December 31	\$ 1,476,695	\$ 1,476,695	\$ 1,484,576	\$ 7,881

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, 2014

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, 2014

	Balance 1-1-14	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-14
Major Funds:							
General Fund	\$ 665,680.08	\$ 3,085,459.90	\$ 430,438.97	\$ -	\$ 441,115.19	\$ 2,956,261.01	\$ 784,202.75
Major Special Revenue Funds:							
Sales Tax Econ. Development Fund	\$ 2,014,808.09	\$ 793,173.65	\$ -	\$ -	\$ 168,593.29	\$ 170,153.53	\$ 2,469,234.92
Revolving Loan Fund	1,476,695.61	13,984.23	-	-	5,000.00	1,103.55	1,484,576.29
Total Major Special Revenue Funds	\$ 4,157,183.78	\$ 3,892,617.78	\$ 430,438.97	\$ -	\$ 614,708.48	\$ 3,127,518.09	\$ 4,738,013.96
Major Debt Service Funds:							
Special Assessment Deficiency Levy	\$ 215,074.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,074.50
Tax Increment Fund	1,239.40	241,452.82	-	-	218,167.00	-	24,525.22
R/I 10708 Westside TIF	343,814.12	135,935.04	203,167.00	-	-	206,911.00	476,005.16
R/I 10809 (Refi 5 issues)	652,753.15	221,203.06	158,836.25	-	-	476,452.75	556,339.71
R/I 10910 Series 2010	659,554.50	504,561.91	69,536.00	-	-	536,174.74	697,477.67
R/I 11011 Series 20111 (Refi 03)	321,136.93	111,111.21	-	-	-	160,194.50	272,053.64
R/I 11111 Series 2011B Flood	374,124.79	-	272,252.50	-	-	294,637.50	351,739.79
R/I 11212 Series 2012A	183,137.97	92,558.83	159,473.40	-	-	238,410.00	196,760.20
R/I 11314 Series 2014	-	60,648.90	51,467.45	113,152.64	-	31,035.21	194,233.78
Total Major Debt Service Funds	\$ 2,750,835.36	\$ 1,367,471.77	\$ 914,732.60	\$ 113,152.64	\$ 218,167.00	\$ 1,943,815.70	\$ 2,984,209.67
Major Capital Projects Funds:							
Sales Tax for Infrastructure	\$ 1,284,397.46	\$ 521,524.53	\$ -	\$ -	\$ 271,468.81	\$ -	\$ 1,534,453.18
1/2 Sales Tax	847,744.57	750,995.29	-	-	723,275.69	-	875,464.17
5-2-97 (Flood Phase II)	(511,922.11)	-	-	-	-	529,922.14	(1,041,844.25)
08-02-03 Southside Storm Sewer	(242,316.97)	-	83,492.20	180,026.66	20,744.25	457.64	-
Southside Drainage Improve. DR12-203	(531,749.29)	84,696.93	187,976.61	296,952.55	21,487.72	16,389.08	-
Cul de Sac St. Imp. Proj. ST 10-1	(692,214.82)	428,115.02	5,160.00	369,692.32	30,731.53	80,020.99	-
Alley Improvements Various Loc. St10162	(143,002.95)	3,813.70	-	147,177.86	7,798.80	189.81	-
Town Centre Square Plaza	(127,292.83)	-	79,312.00	-	-	819.00	(48,799.83)
3rd Ave. N. Recon. Proj. # ST11-180	(68,837.80)	-	-	-	-	32,596.27	(101,434.07)
6th St. S. Shared Use Path SW12	19,556.58	164,832.08	-	-	3,417.61	180,971.05	-
West Side Natural Drain Improve. Proj.	(69,175.89)	45,458.76	-	30,580.62	5,371.68	1,491.81	-
11th St. N. Ave. B to 16th Ave.	(189,359.38)	-	-	-	-	479,514.50	(668,873.88)
Commercial Street Rehab 12-04-04	(183,920.09)	-	-	246,846.10	12,493.72	50,432.29	-
16th Ave. 11th St. to Highway 210	(44,361.57)	-	-	-	-	59,951.10	(104,312.67)
E. Central Streets 12-01-04	(393.00)	-	-	-	-	-	(393.00)
N. Central Streets 2013 13-01-04	(253.00)	-	-	-	-	-	(253.00)
E. Sanitary Sewer 13-02-02	(62,020.00)	-	-	-	-	53,960.00	(115,980.00)
Well #3 Riser Repairs/Well HSE	-	-	-	-	-	43,238.65	(43,238.65)
Library Roof, Walls, & Door	-	-	-	-	-	39,329.52	(39,329.52)
Lift Station #1 Manhole Repair	-	-	-	-	-	325,212.06	(325,212.06)
Total Major Capital Projects Funds	\$ (715,121.09)	\$ 1,999,436.31	\$ 355,940.81	\$ 1,271,276.11	\$ 1,096,789.81	\$ 1,894,495.91	\$ (79,753.58)
Non-Major Funds:							
Special Revenue Funds:							
Library Levy	\$ 179,425.05	\$ 283,192.47	\$ 21,576.61	\$ -	\$ -	\$ 265,439.16	\$ 218,754.97
Advertising Levy	17,424.14	15,006.75	-	-	-	10,471.16	21,959.73
Planning Commission Levy	-	16,704.56	-	-	-	16,160.42	544.14
Band Levy	6,210.83	3,501.17	-	-	-	6,210.83	3,501.17
Social Security Levy	\$ 27,868.16	\$ 103,286.13	\$ -	\$ -	\$ 101,948.40	\$ -	\$ 29,205.89
Retirement	37,570.09	129,955.52	-	-	124,099.19	-	43,426.42
Employee Safety Committee	9,928.34	2,810.75	5,000.00	-	-	4,025.94	13,713.15
Capital Improvements	687,683.43	17,589.60	386,031.58	-	-	240,088.11	851,216.50
Fire Dept. Bldg. & Equipment Levy	336,705.74	208,600.54	-	-	-	373,736.03	171,570.25
Real Estate Levy	122,594.10	184,049.10	-	-	-	239,585.23	67,057.97
Special Street Maintenance	32,444.05	69,169.36	-	-	5,160.00	32,747.27	63,706.14

Continued on next page.....

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-14
CONTINUED							
<u>Non-Major Funds:</u>							
<u>Special Revenue Funds:</u>							
Snow/Flood Emergency Levy	\$ 5,182.14	\$ 29,107.78	\$ -	\$ -	\$ -	\$ 10,922.50	\$ 23,367.42
Levee Maintenance	-	-	123,703.54	-	-	123,703.54	-
City Share of Specials Levy	71,992.71	41,958.10	-	-	-	57,223.13	56,727.68
Special Transportation Funding	398,549.68	-	-	-	-	12,095.43	386,454.25
Unemployment Compensation Reserve	26,379.85	-	-	-	-	4,312.05	22,067.80
Economic Development Department	-	1,855.00	168,593.29	-	-	170,448.29	-
Miscellaneous Fund	(1,308.50)	3,388.09	-	-	-	1,142.70	936.89
Vector Control District Levy	4,644.17	859.33	-	-	-	1,758.30	3,745.20
1% Lodging Tax (Additional 1-1-08)	75,484.30	23,331.74	-	-	-	5,021.12	93,794.92
Job Development Levy	58,323.06	67,500.08	-	-	-	92,605.42	33,217.72
Weed Maintenance Levy	133,827.08	49,592.42	-	-	13,282.00	53,689.61	116,447.89
Lodging Tax	47,534.41	48,263.39	-	-	-	54,493.71	41,304.09
Sales Tax Recreation	130,623.50	104,526.58	-	-	54,547.00	119,860.12	60,742.96
Sales Tax Defaults Reserve	39,528.98	-	-	-	-	-	39,528.98
Sales Tax Housing & Dev. Agmt.	257,419.07	-	-	-	-	7,003.00	250,416.07
Sales Tax Mini-Match Reserve	29,128.39	-	-	-	-	10,345.38	18,783.01
Sales Tax H.E.L.P. Housing	181,595.14	0.12	-	-	-	2,059.50	179,535.76
Employee Bonus/Retirement Reserve	38,572.18	-	29,027.00	-	-	12,450.00	55,149.18
Gasoline, Oil, Etc.	4,031.73	7,986.56	-	-	11,949.13	69.16	-
Local Law Enforcement Block Grant	5.15	-	-	-	5.15	-	-
Police Dept. Special Equipment	22,599.62	-	18,439.71	-	-	-	41,039.33
Police Dept. Canine Unit	7,386.71	4,600.00	-	-	-	722.25	11,264.46
Community Policing	934.56	-	-	-	934.56	-	-
Clubhouse Maintenance	15,890.89	5,631.50	4,547.00	-	-	21,069.46	4,999.93
Sidewalk Maintenance	16,747.06	-	53,417.61	-	-	-	70,164.67
1% Restaurant Tax Enhancement	17,183.71	121,074.11	-	-	79,312.00	27,234.22	31,711.60
C.E.R.T.	1,813.76	275.00	-	-	-	567.75	1,521.01
Total Special Revenue Funds (nonmajor)	\$ 3,041,923.28	\$ 1,543,815.75	\$ 810,336.34	\$ -	\$ 391,237.43	\$ 1,977,260.79	\$ 3,027,577.15
Total Governmental Funds	\$ 9,234,821.33	\$ 8,803,341.61	\$ 2,511,448.72	\$ 1,384,428.75	\$ 2,320,902.72	\$ 8,943,090.49	\$ 10,670,047.20
<u>Major Enterprise Funds:</u>							
Water Operating	\$ 591,522.24	\$ 1,319,965.10	\$ -	\$ -	\$ 170,838.00	\$ 1,099,033.37	\$ 641,615.97
Meter Deposits Trust	6,249.59	3,491.41	-	-	-	1,646.06	8,094.94
Total Water Operating - Major	\$ 597,771.83	\$ 1,323,456.51	\$ -	\$ -	\$ 170,838.00	\$ 1,100,679.43	\$ 649,710.91
Sanitary Sewer Operating	\$ 295,773.47	\$ 667,096.92	\$ -	\$ -	\$ 19,708.00	\$ 518,813.92	424,348.47
<u>Nonmajor Enterprise Funds:</u>							
Waste Removal Operating	\$ 74,815.53	\$ 267,063.60	\$ -	\$ -	\$ -	\$ 263,312.91	\$ 78,566.22
Waste Reduction	46,878.15	20,391.32	-	-	-	8,338.24	58,931.23
Vector Control	43,673.76	44,028.38	-	-	-	37,619.34	50,082.80
Street Lighting	10,821.44	114,877.75	-	-	-	121,038.72	4,660.47
Total Nonmajor Enterprise Funds	\$ 176,188.88	\$ 446,361.05	\$ -	\$ -	\$ -	\$ 430,309.21	\$ 192,240.72
Total Enterprise Funds	\$ 1,069,734.18	\$ 2,436,914.48	\$ -	\$ -	\$ 190,546.00	\$ 2,049,802.56	\$ 1,266,300.10
<u>Agency Funds:</u>							
Airport 4 Mill Levy	\$ 7,083.62	\$ 57,343.59	\$ -	\$ -	\$ -	\$ 62,849.15	\$ 1,578.06
CDC	13,975.36	-	-	-	-	13,975.36	-
Handicapped Parking Fines	100.00	520.00	-	-	-	615.00	5.00
Safe Communities Coalition	4,472.97	1,090.00	-	-	-	5,562.97	-
Golf Course Donations	11,201.71	26,140.81	-	-	-	14,063.94	23,278.58
Total Agency Funds	\$ 36,833.66	\$ 85,094.40	\$ -	\$ -	\$ -	\$ 97,066.42	\$ 24,861.64
Total Primary Government	\$ 10,341,389.17	\$ 11,325,350.49	\$ 2,511,448.72	\$ 1,384,428.75	\$ 2,511,448.72	\$ 11,089,959.47	\$ 11,961,208.94

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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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, 2014, 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 April 13, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CITY OF WAHPETON

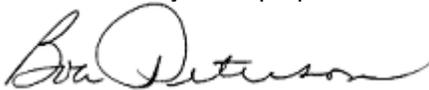
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards - Continued

Compliance and Other Matters

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
April 13, 2015

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None noted

Section II - Financial Statement Findings

No matters were reported.