

OFFICE OF THE STATE AUDITOR

**CITY OF WAHPETON
Wahpeton, North Dakota**

Audit for the Year Ended

December 31, 2006



CITY OF WAHPETON
Wahpeton, North Dakota

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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2006

James Sturdevant	Mayor
Alisa Mitskog	President
Meryl T. Hansey	Vice-President
Martin Schmidt	Board Member
Wayne Beyer	Board Member
Tiana Bohn	Board Member
Glen Tollefson	Board Member
Lane Wateland	Board Member
Lisa Otterson	Board Member
Shawn Kessel	City Coordinator
Darcie Huwe	City Finance Director
Carla J. Broadland	City Assessor
Steven J. Lies	City Attorney
Scott Thorsteinson	Police Chief

STATE AUDITOR
ROBERT R. PETERSON
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OFFICE OF THE STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wahpeton, North Dakota management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, Wahpeton, North Dakota, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2007, on our consideration of the City of Wahpeton, North Dakota 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and pages 37 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CITY OF WAHPETON
Independent Auditor's Report - Continued

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Wahpeton, North Dakota, basic financial statements. The schedule of fund activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of fund activity has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Robert R. Peterson
State Auditor

March 28, 2007

CITY OF WAHPETON
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2006

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, 2006. The intent of the MD&A is to look at the City's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- Governmental assets exceeded its liabilities (net assets) by \$16,976,920 at the close of the most recent fiscal year. Of this amount, \$834,240 (unrestricted net assets) may be used to meet the government's ongoing obligations.
- Business type assets exceeded its liabilities by \$4,847,531 at the close of the most recent fiscal year.
- The total net assets of governmental activities of the City of Wahpeton increased by \$2,448,021 as a result of the most recently completed fiscal year's operations.
- Net assets of the business-type activities increased by \$753,363 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$6,407,294 for governmental activities and \$5,727,869 on the modified accrual basis.
- Governmental expenditures exceeded revenues by \$47,283 in the governmental fund-based statements and governmental funds reported combined ending fund balances of \$9,566,391. Approximately 65% (\$6,175,800) of this is available for spending at the government's discretion (unreserved fund balances).
- General fund revenues were \$2,343,964 and general fund expenditures were \$2,170,297. General fund revenues exceeded expenditures by \$173,667 and there were net transfers out of the general fund general fund totaling \$110,807. Unreserved fund balance for the general fund was \$467,714 or 22% of the total 2006 general fund expenditures.
- Total revenues from all sources were \$2,688,377 for business-type activities for the year ended December 31, 2006, an increase of \$1,090,032 (68%) over the year ended December 31, 2005.
- Total expenses were \$4,040,373 for governmental activities on the government-wide basis and total expenditures were \$5,775,152 on the modified accrual basis. The total expenses of business-type activities was \$1,784,314.
- Special assessment bond debt of \$970,000 was issued to help finance the costs of the Rosewood Phase II and 16th Avenue North projects.
- Beginning net assets of governmental activities were decreased by \$142,717 and beginning net assets of business-type activities were decreased by \$7,996 for various capital asset errors.

USING THIS ANNUAL REPORT

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Wahpeton's finances, in a manner similar to a private-sector business and to answer the question "How did the City do financially during the year ended December 31, 2006?".

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

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

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

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

The government-wide financial statements can be found on pages 11-12 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 major funds: capital improvements, sales tax operating fund, sales tax reserve fund, revolving loan fund, debt service fund and capital projects fund. Data from the other 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, sales tax operating fund, sales tax reserve fund, capital improvements fund and the revolving loan fund.

The governmental fund statements may be found on pages 13-14 and 16-17 of this report.

Proprietary funds - the City of Wahpeton maintains one type of proprietary fund. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide statements. The City of Wahpeton uses enterprise funds to account for its Water Operations as a major fund 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 22-36 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following two tables present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2006 and 2005. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wahpeton, assets exceeded liabilities by \$16,976,920 at the close of the most recent fiscal year for governmental activities and \$4,847,531 for enterprise business-type activities. The City of Wahpeton's net assets includes its investment in capital assets (e.g. land, buildings, infrastructure, equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The City of Wahpeton uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Wahpeton's investment in its capital assets is reported net of related debt (\$2,889,521), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1
NET ASSETS
December 31, 2006 and 2005

	2006	2006	2005	2005
	Governmental	Business-Type	Governmental	Business-Type
Assets:				
Current Assets	\$10,033,593	\$1,077,164	\$ 9,206,551	\$1,051,861
Noncurrent Assets	4,380,045	-	4,058,235	-
Capital Assets (net of accum. depreciation)	12,513,274	6,659,179	11,655,546	6,091,978
Total Assets	<u>\$26,926,912</u>	<u>\$7,736,343</u>	<u>\$24,920,332</u>	<u>\$7,143,839</u>
Liabilities:				
Current Liabilities	\$ 1,255,644	\$ 215,898	\$1,504,280	\$ 204,673
Long-Term Liabilities	8,694,348	2,672,914	8,741,175	2,775,788
Total Liabilities	<u>\$ 9,949,992</u>	<u>\$2,888,812</u>	<u>\$10,245,455</u>	<u>\$2,980,461</u>
NET ASSETS:				
Invested in Capital Assets, net of Related Debt	\$ 2,889,521	\$3,826,218	\$ 1,903,642	\$3,232,714
Restricted	13,253,159	-	11,965,378	-
Unrestricted	834,240	1,021,313	805,857	930,664
Total Net Assets	<u>\$16,976,920</u>	<u>\$4,847,531</u>	<u>\$14,674,877</u>	<u>\$4,163,378</u>

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

A large portion of the City of Wahpeton's net assets totaling \$13,253,159 (78%) 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). The remaining balance of *unrestricted net assets* totaling \$834,240 (5%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 2006, the City of Wahpeton is able to report positive balances in all three categories of net assets for governmental activities, as well as both categories for the business-type activities. Current assets increased by \$827,042 (9%). Capital assets and invested in capital assets, net of related debt both significantly increased due to the addition of infrastructure in 2006. Current liabilities decreased by \$248,636 primarily due to an \$188,637 decrease in accounts payable at December 31, 2006.

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2006 and 2005

	2006	2006	2005	2005
	Governmental	Business-Type	Governmental	Business-Type
	Activities	Activities	Activities	Activities
Revenues				
<u>Program Revenues:</u>				
Charges for Services	\$ 686,562	\$1,833,639	\$ 620,832	\$1,598,345
Operating Grants & Contributions	726,378	-	803,487	-
Capital Grants & Contributions	346,169	838,638	37,499	-
<u>General Revenues:</u>				
Taxes	3,609,970	-	3,019,557	-
State Aid	349,825	-	402,792	-
Interest Earnings	400,781	16,100	163,368	-
Miscellaneous Revenue	288,363	-	226,685	25
Total Revenues	<u>\$ 6,408,048</u>	<u>\$2,688,377</u>	<u>\$5,274,220</u>	<u>\$1,598,370</u>
Expenses				
General Government	\$ 663,898	\$ -	\$ 696,464	\$ -
Public Safety	1,164,202	-	1,008,551	-
Public Works	954,529	-	826,702	-
Economic Development	707,286	-	422,543	-
Conservation of Natural Resources	16,614	-	24,635	-
Culture and Recreation	134,128	-	93,375	-
Other	20,260	-	8,804	-
Capital Outlay	-	-	1,182,542	-
Interest and Fees	379,456	-	374,045	-
Water Operations	-	920,522	-	1,058,675
Sewer	-	500,861	-	-
Garbage and other	-	362,931	-	679,884
Total Expenses	<u>\$ 4,040,373</u>	<u>\$1,784,314</u>	<u>\$4,637,661</u>	<u>\$1,738,559</u>
Excess before transfers/special items	<u>\$ 2,367,675</u>	<u>\$ 904,063</u>	<u>\$ 636,559</u>	<u>\$ (140,189)</u>
Transfers	80,346	(150,700)	171,651	(262,681)
Change in Net Assets	<u>\$ 2,448,021</u>	<u>\$ 753,363</u>	<u>\$ 808,210</u>	<u>\$ (402,870)</u>
Net Assets – January 1	<u>\$14,671,616</u>	<u>\$4,102,164</u>	<u>\$13,367,387</u>	<u>\$3,624,274</u>
Prior Period Adjustments	\$ (142,717)	\$ (7,996)	\$ 499,280	\$ 880,760
Net Assets – December 31	<u>\$16,976,920</u>	<u>\$4,847,531</u>	<u>\$14,674,877</u>	<u>\$4,102,164</u>

Property taxes constituted 56%, operating grants and contributions 11%, charges for services 11%, investment earnings 6%, capital grants and contributions 5%, non-restricted grants and contributions 6%, and miscellaneous revenue made up 5% of the total revenues of governmental activities of the City for year ended December 31, 2006.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

General government constituted 16%, public safety 29%, public works 24%, economic development 18%, interest and fees 9%, and the remaining 4% is split among three other categories of total expenses for governmental activities for the year ended December 31, 2006.

The City of Wahpeton's total net governmental activities assets equity increased by \$2,448,021 (17%) for the year ended December 31, 2006. The increase is due to the addition of infrastructure (net increase \$884,524) and an increase in total revenues of \$1,133,828. Business-type activities net assets increased by \$753,363 (18%). A majority of the increase is due to the addition of infrastructure from capital grants from the governmental funds.

It is noted that governmental activities revenues increased \$1,133,828 and business-type revenues increased by \$1,090,007. Causes of the increase in governmental revenues was an increase in charges for services of \$65,730, an increase in capital grants and contributions for infrastructure totaling \$308,670 and an increase in total tax revenues of \$590,413. The tax revenue increase was due to an increase in taxable valuation and due to the addition of \$969,250 in long-term uncertified special assessments recognized as special assessments tax revenue at the government wide level coupled with the removal of \$641,161 of special assessment tax revenue recognized in the previous year. The increase in business-type revenues is largely due to an increase in water gallons produced and used by citizens in the 2006 year compared with 2005 (charges for services increased by \$235,294).

It is noted that governmental activities expenses decreased \$597,288 (13%) and business-type expenses increased by \$45,755 (3%). Causes of the decrease in governmental expenses was a decrease in capital outlay in 2006 compared with 2005. The increase in business-type expenses is largely due to costs associated with the sewer and garbage funds.

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

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Wahpeton's governmental funds reported combined ending fund balances of \$9,566,391. The total *unreserved fund balances* are \$6,175,800. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service \$2,034,123 related to capital improvements, and is reserved for inventories \$5,991 and loans \$1,350,477. Total fund balances of governmental funds increased by \$1,003,817 primarily due to a bond issuance of \$970,000 and an increase in net transfers in over the prior year.

It is noted that total revenues for governmental funds decreased \$180,402 (3%) for the year ended December 31, 2006 going from \$5,908,271 to \$5,727,869. The primary cause of the revenue decrease was less special assessment taxes levied and collected. Expenditures increased only \$24,045 (.4%) from \$5,751,107 to \$5,775,152. Economic development expenditures increased by \$284,850 while capital outlay expenditures decreased by \$359,205.

The general fund is the chief operating fund of the City of Wahpeton. At the end of the current fiscal year, unreserved fund balance of the general fund was \$467,714. Unreserved fund balance represents 22% of total general fund expenditures. Revenues of the general fund totaled \$2,343,964 and expenditures totaled \$2,170,297 for the year ended December 31, 2006. Revenues of the general fund increased by \$107,869 (5%) and expenditures increased by \$32,989 (1.5%). Of the increase in revenues, \$92,171 is represented by an increase in licenses, permits and fees.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The fund balance of the City of Wahpeton's general fund increased by \$62,860 (16%) during the current fiscal year. The main reason for the general fund balance increase was an increase in overall revenues exceeding expenditures.

The sales tax operating fund balance decreased by \$289,994 (19%) due to transferring out \$699,922 to other funds. The sales tax reserve fund balance increased \$271,644 (23%) due to receiving \$217,819 in sales tax proceeds and \$60,299 in interest income. The capital improvements fund balance increased by \$101,258 (15%) due to transfers in totaling \$296,788. The revolving loan fund balance decreased \$71,185 (5%) due to spending \$254,789 on economic development projects. The debt service fund balance decreased by \$108,215 (5%) due to debt retirement costs exceeding tax revenue collected. The capital projects fund balance increased by \$816,661 (346%) due to debt issuance totaling \$970,000. The remaining major funds did not have significant fund balance changes.

Proprietary Funds

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

Unrestricted net assets of the Water Operating Fund totaled \$680,982. Total increase in net assets for this fund was \$212,460. A large portion of the total increase in net assets equity is attributable to an increase in user fees received for water utility operations totaling \$108,183 during the year ended December 31, 2006.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the City's general operating fund was a relatively minor \$59,102 (3%) decrease in expenditure appropriations and an increase in revenue of \$283,883 (14%). Transfers in were decreased by \$125,490 and transfers out were increased by \$154,825. The general fund budget was amended to actual amounts for the year ended December 31, 2006, as were all other major and non-major funds.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2006 amounted to \$12,513,274 (net of accumulated depreciation), representing an \$857,728 (7%) increase due to the addition of infrastructure. The change in business-type activities capital assets was a net increase of \$567,201 (9%) due to the addition of infrastructure. This investment in capital assets includes land, infrastructure, buildings, equipment and vehicles. There were no major capital asset events during the year ended December 31, 2006.

TABLE III
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2006 and 2005

	2006 Governmental Activities	2006 Business-Type Activities	2005 Governmental Activities	2005 Business-Type Activities
Land	\$ 243,911	\$ -	\$ 247,510	\$ 11,000
Buildings	1,899,856	1,719,884	1,944,753	1,766,223
Equipment	2,107,880	1,270,069	2,101,608	1,365,602
Vehicles	117,746	19,939	102,318	3,940
Infrastructure	8,143,881	3,649,287	7,259,357	2,945,213
Total Capital Assets	\$12,513,274	\$6,659,179	\$11,655,546	\$6,091,978

Additional information on the City of Wahpeton's capital assets can be found in note 9 of this report found on pages 29-30.

DEBT ADMINISTRATION

At year-end the City had total long-term debt for governmental activities totaling \$9,623,753, a net overall decrease of \$128,151 (1%) over the prior year. The decrease was caused by normal scheduled debt payments on existing debt combined with the issuance of \$970,000 in special assessment bonds for the 16th Avenue North and Rosewood Phase II projects. Business-type activities long-term debt decreased by \$167,517 (6%) going from \$3,000,478 to \$2,832,961. The decrease was due solely to scheduled debt payments.

TABLE IV
OUTSTANDING LONG-TERM DEBT
 As of December 31, 2006 and 2005

	Total Outstanding Dec. 31, 2006	Due Within One Year	Total Outstanding Dec. 31, 2005	Due Within One Year
Governmental Activities:				
Special Assessment Bonds Payable	\$ 9,401,405	\$ 929,776	\$ 9,404,102	\$ 977,697
Loans Payable	222,348	108,493	325,751	103,376
Leases Payable	-	-	22,051	22,051
Total Governmental Activities	\$ 9,623,753	\$1,038,269	\$ 9,751,904	\$1,103,124
Business-Type Activities:				
Revenue Bonds Payable	\$ 2,832,961	\$ 181,225	\$ 1,158,264	\$ 102,303
Total Long-Term Debt	\$12,456,714	\$1,219,494	\$12,752,382	\$1,205,427

Note 12 to the financial statements describes the City's long-term debt in greater detail and is found on pages 31-33 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2006 budget did include a mill levy decrease of .38 mills going from 118.32 to 117.94. The value of a mill for the City for the 2006 budget increased from \$11,625 to \$12,339 per mill.

Total appropriations for operations for 2006 increased by approximately \$739,097 from 2005 levels. The 12% increase is caused primarily by increases in capital construction projects for various city street, water and sewer, storm sewer, and street lighting improvements. Total appropriations for operations for 2007 decreased by approximately \$1,711,178 from 2006 levels. The 17% decrease is primarily caused by decreases in appropriations for flood mitigation, economic development projects and various city street, storm sewer, street lighting and water and sewer improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
December 31, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Library
ASSETS				
Cash, cash equivalents, and investments	\$ 7,996,943	\$ 911,181	\$ 8,908,124	\$ 44,611
Utility billings receivable	-	165,958	165,958	-
Accounts receivable	64,994	-	64,994	-
Due from county	8,880	-	8,880	367
Intergovernmental receivable	195,568	-	195,568	-
Taxes receivable	143,410	-	143,410	7,786
Special assessments receivable	173,630	-	173,630	-
Loans receivable	1,444,177	25	1,444,202	-
Inventories	5,991	-	5,991	-
Long-term receivable:				
Uncertified special assessments receivable	4,380,045	-	4,380,045	-
Capital assets:				
Land	243,911	-	243,911	-
Buildings	1,899,856	1,719,884	3,619,740	-
Equipment	2,107,880	1,270,069	3,377,949	5,982
Vehicles	117,746	19,939	137,685	-
Infrastructure	8,143,881	3,649,287	11,793,168	-
Total Capital Assets	<u>\$ 12,513,274</u>	<u>\$ 6,659,179</u>	<u>\$ 19,172,453</u>	<u>\$ 5,982</u>
Total Assets	<u>\$ 26,926,912</u>	<u>\$ 7,736,343</u>	<u>\$ 34,663,255</u>	<u>\$ 58,746</u>
LIABILITIES				
Accounts payable	\$ 14,099	\$ 12,018	\$ 26,117	\$ 3,037
Accrued payroll benefits	42,363	-	42,363	-
CDBG loan payable	93,700	-	93,700	-
Accrued interest payable	67,213	22,655	89,868	-
Long-term liabilities:				
Portion due or payable within one year:				
Loans payable	108,493	-	108,493	-
Special assessment bonds payable	929,776	-	929,776	-
Revenue bonds payable	-	181,225	181,225	-
Portion due or payable after one year:				
Loans payable	113,855	-	113,855	-
Special assessment bonds payable	8,471,629	-	8,471,629	-
Revenue bonds payable	-	2,651,736	2,651,736	-
Compensated absences payable	108,864	21,178	130,042	1,976
Total Liabilities	<u>\$ 9,949,992</u>	<u>\$ 2,888,812</u>	<u>\$ 12,838,804</u>	<u>\$ 5,013</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 2,889,521	\$ 3,826,218	\$ 6,715,739	\$ 5,982
Restricted for:				
Debt service	6,541,575	-	6,541,575	-
Public safety	13,147	-	13,147	-
Public works	276,295	-	276,295	-
Economic/job development	5,105,733	-	5,105,733	-
Culture and recreation	16,459	-	16,459	47,751
Conservation of natural resources	42,941	-	42,941	-
Capital improvements	1,257,009	-	1,257,009	-
Unrestricted	834,240	1,021,313	1,855,553	-
Total Net Assets	<u>\$ 16,976,920</u>	<u>\$ 4,847,531</u>	<u>\$ 21,824,451</u>	<u>\$ 53,733</u>

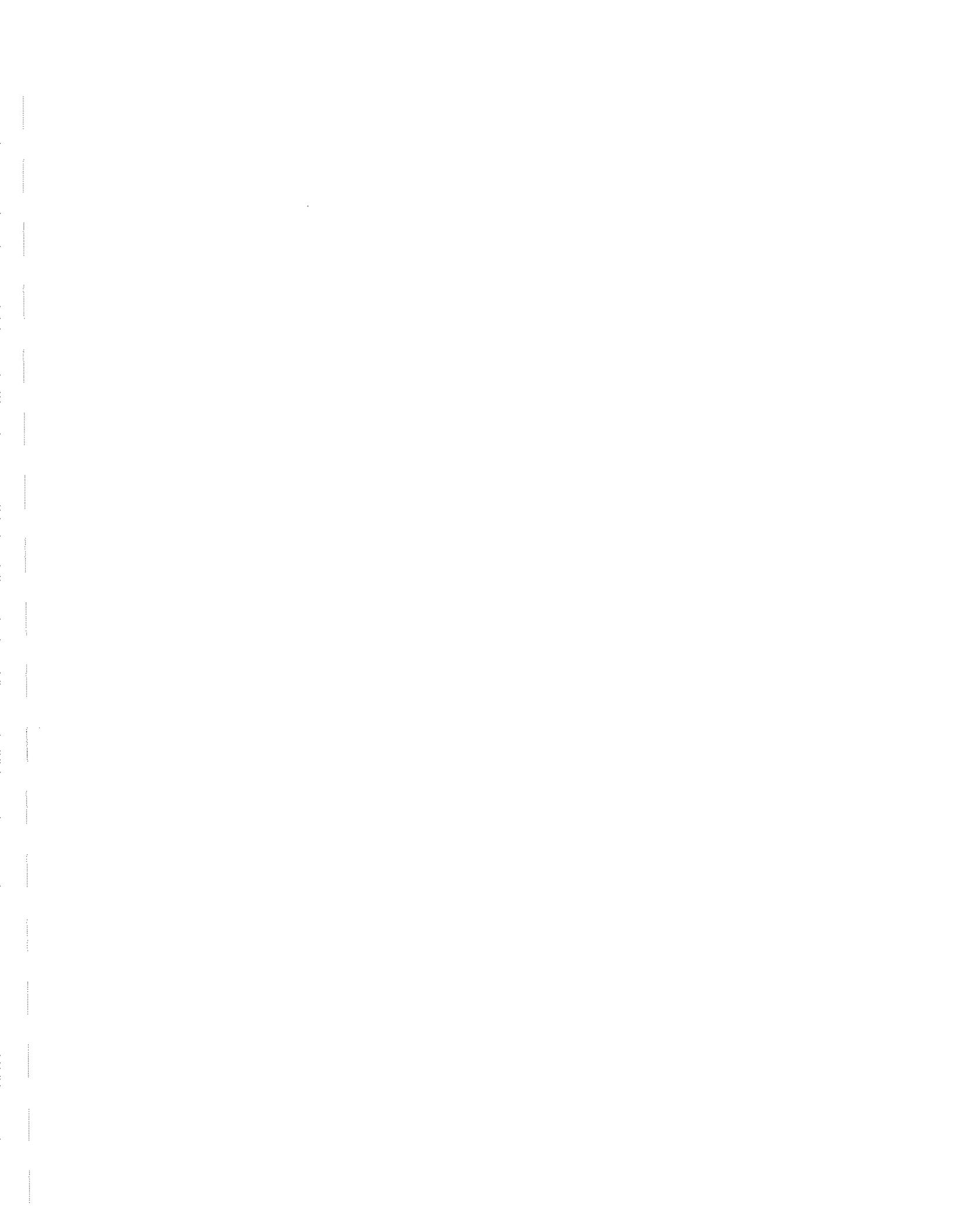
The notes to the financial statements are an integral part of this statement.

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Library
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals	
Primary Government:								
<u>Governmental Activities:</u>								
General government	\$ 663,898	\$ 498,396	\$ 45,540	\$ -	\$ (119,962)		\$ (119,962)	
Public safety	1,164,202	170,859	167,307	-	(826,036)		(826,036)	
Public works	954,529	17,307	510,531	346,169	(80,522)		(80,522)	
Culture and recreation	134,128	-	3,000	-	(131,128)		(131,128)	
Conservation of natural resources	16,614	-	-	-	(16,614)		-	
Economic development	707,286	-	-	-	(707,286)		(707,286)	
Other	20,260	-	-	-	(20,260)		(20,260)	
Interest and fees on long-term debt	379,456	-	-	-	(379,456)		(379,456)	
Total Governmental Activities	\$ 4,040,373	\$ 686,562	\$ 726,378	\$ 346,169	\$ (2,281,264)		\$ (2,264,650)	
<u>Business-Type Activities:</u>								
Water operations	\$ 920,522	\$ 1,095,325	\$ -	\$ 188,207	\$ -	\$ 363,010	\$ 363,010	
Sewer operations	500,861	385,740	-	650,431	-	535,310	535,310	
Garbage & other	362,931	352,574	-	-	-	(10,357)	(10,357)	
Total Business-Type Activities	\$ 1,784,314	\$ 1,833,639	\$ -	\$ 838,638	\$ -	\$ 887,963	\$ 887,963	
Total Primary Government	\$ 5,824,687	\$ 2,520,201	\$ 726,378	\$ 1,184,807	\$ (2,281,264)	\$ 887,963	\$ (1,376,687)	
<u>Component Unit:</u>								
Library	\$ 187,270	\$ 2,607	\$ 34,892	\$ -				\$ (149,771)
<u>General Revenues:</u>								
<u>Taxes:</u>								
Property taxes, levied for general purposes					\$ 1,350,928	\$ -	\$ 1,350,928	\$ 84,107
Property taxes, levied for special purposes					17,063	-	17,063	-
Special assmt. and property taxes, levied for debt service					1,152,884	-	1,152,884	-
Sales taxes					1,089,095	-	1,089,095	-
State aid distribution					349,825	-	349,825	-
Unrestricted investment earnings					400,781	-	400,781	-
Miscellaneous					287,609	16,100	303,709	927
Bond Premium					754	-	754	-
Transfers					80,346	(150,700)	(70,354)	70,354
Total General Revenues and Transfers					\$ 4,729,285	\$ (134,600)	\$ 4,594,685	\$ 155,388
Changes in Net Assets					\$ 2,448,021	\$ 753,363	\$ 3,201,384	\$ 5,617
Net Assets - January 1					\$ 14,671,616	\$ 4,102,164	\$ 18,773,780	\$ 51,116
Prior Period Adjustments					(142,717)	(7,996)	(150,713)	(3,000)
Net Assets - January 1, as restated					\$ 14,528,899	\$ 4,094,168	\$ 18,623,067	\$ 48,116
Net Assets - December 31					\$ 16,976,920	\$ 4,847,531	\$ 21,824,451	\$ 53,733

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



Other Governmental Funds	Total Governmental Funds
\$ 1,798,991	\$ 7,996,943
1,881	64,994
2,591	8,880
1,898	195,568
9,746	1,444,177
64,624	143,410
-	173,630
5,991	5,991
<u>\$ 1,885,722</u>	<u>\$ 10,033,593</u>

\$ 6,733	\$ 14,099
3,118	42,363
-	93,700
64,624	317,040

<u>\$ 74,475</u>	<u>\$ 467,202</u>
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\$ -	\$ 2,034,123
5,991	5,991
9,746	1,350,477
-	467,714
1,795,510	5,223,200
-	484,886

<u>\$ 1,811,247</u>	<u>\$ 9,566,391</u>
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<u>\$ 1,885,722</u>	<u>\$ 10,033,593</u>
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CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2006

Total <i>Fund Balances</i> of Governmental Funds	\$	9,566,391
<p>Total <i>net assets</i> reported for governmental activities in the statement of net assets is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	\$ 16,375,091	
Less Accumulated Depreciation	<u>(3,861,817)</u>	
Net Capital Assets		12,513,274
<p>Property taxes and special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.</p>		
Taxes Receivable	\$ 143,410	
Special Assessments Receivable	<u>173,630</u>	317,040
<p>Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.</p>		
		4,380,045
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net assets. Balances at December 31 are made up of the following liabilities:</p>		
Special Assessment Bonds Payable	\$ (9,401,405)	
Loans Payable	(222,348)	
Interest Payable	(67,213)	
Compensated Absences Payable	<u>(108,864)</u>	
Total Long-Term Liabilities		<u>(9,799,830)</u>
Total Net Assets - Governmental Activities	\$	<u><u>16,976,920</u></u>

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

Other Governmental Funds	Total Governmental Funds
\$ 648,688	\$ 1,333,850
-	1,089,095
-	853,769
-	468,351
-	184,304
30,130	1,076,203
21,052	33,907
13,571	400,781
94,894	287,609
<u>\$ 808,335</u>	<u>\$ 5,727,869</u>

\$ 146,308	\$ 629,304
76,079	1,327,780
103,663	640,224
46,879	134,128
16,614	16,614
384,833	707,077
-	20,260
-	1,098,151
-	373,744
-	4,533
379,497	823,337

\$ 1,153,873 \$ 5,775,152

\$ (345,538) \$ (47,283)

\$ 761,532	\$ 1,878,400
-	970,000
-	754
(195,206)	(1,798,054)

\$ 566,326 \$ 1,051,100

\$ 220,788 \$ 1,003,817

\$ 1,590,459 \$ 8,562,574

\$ 1,811,247 \$ 9,566,391

CITY OF WAHPETON
Wahpton, 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, 2006

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,003,817

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

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

Capital Asset Additions	\$ 1,466,262	
Current Year Depreciation Expense	<u>(435,215)</u>	1,031,047

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. This amount consists of loss on disposals of capital assets. (30,602)

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

Repayment of Debt	\$ 1,098,151	
Issuance of Special Assessment Bonds	<u>(970,000)</u>	128,151

Collections on uncertified special assessments is a revenue in the governmental funds, but the collection reduces the long-term receivable in the statement of net assets. This is the amount of receivable collection. Issuance of uncertified special assessments increases a long-term receivable via a capital grant/contribution. The issuance of long-term special assessments are not reported in the funds as the assets are not available soon enough after year-end to pay current period expenditures.

Collection on Long-Term Receivable	\$ (647,440)	
Issuance of Long-Term Receivable	<u>969,250</u>	321,810

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 Increase in Compensated Absences	\$ (16,469)	
Net Increase in Interest Payable	<u>(1,179)</u>	(17,648)

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	\$ (39,226)	
Net Change in Special Assessments Receivable	<u>50,672</u>	<u>11,446</u>

Change in Net Assets of Governmental Activities \$ 2,448,021

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2006

	Business-type Activities - Enterprise Funds			
	Water Operating	Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 622,851	\$ 137,679	\$ 150,651	\$ 911,181
Utility billings receivable	97,740	37,036	31,182	165,958
Loans receivable	-	25	-	25
Noncurrent Assets:				
Capital assets:				
Buildings	1,659,460	60,424	-	1,719,884
Equipment	410,087	859,982	-	1,270,069
Vehicles	1,970	17,969	-	19,939
Infrastructure	1,428,704	2,220,583	-	3,649,287
Total capital assets	<u>\$ 3,500,221</u>	<u>\$ 3,158,958</u>	<u>\$ -</u>	<u>\$ 6,659,179</u>
Total Assets	<u>\$ 4,220,812</u>	<u>\$ 3,333,698</u>	<u>\$ 181,833</u>	<u>\$ 7,736,343</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 4,917	\$ 1,476	\$ 5,625	\$ 12,018
Accrued interest payable	19,705	2,950	-	22,655
Revenue bonds payable	156,000	25,225	-	181,225
Noncurrent Liabilities:				
Revenue bond payable	2,323,366	328,370	-	2,651,736
Compensated absences	14,987	5,963	228	21,178
Total Liabilities	<u>\$ 2,518,975</u>	<u>\$ 363,984</u>	<u>\$ 5,853</u>	<u>\$ 2,888,812</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,020,855	\$ 2,805,363	\$ -	\$ 3,826,218
Unrestricted	680,982	164,351	175,980	1,021,313
Total Net Assets	<u>\$ 1,701,837</u>	<u>\$ 2,969,714</u>	<u>\$ 175,980</u>	<u>\$ 4,847,531</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds			
	Water Operating	Sewer Operating	Other Enterprise Funds	Enterprise Total
<u>Operating Revenues:</u>				
Charges for sales and services	\$ 1,095,325	\$ 385,740	\$ 352,574	\$ 1,833,639
<u>Operating Expenses:</u>				
Salaries and wages	\$ 199,691	\$ 100,216	\$ 10,463	\$ 310,370
Benefits	53,085	26,860	2,924	82,869
Heating fuel, gas and oil	11,628	2,232	-	13,860
Utilities - electricity and telephone	55,143	44,019	-	99,162
Service contracts	19,056	-	277,278	296,334
Supplies and postage	16,593	4,431	3,371	24,395
Repairs and maintenance	51,919	44,129	5,614	101,662
Equipment/Lift Station Maintenance	51,174	58,627	21	109,822
Equipment	357	1,773	-	2,130
Insurance	19,112	5,538	-	24,650
Chemicals	105,561	14,664	9,506	129,731
Professional fees and other service charges	7,969	14,248	50,414	72,631
Meters/hydrants/wells/lagoons	14,308	22,448	-	36,756
Wells	55,130	-	-	55,130
Audit Fees	2,535	2,173	-	4,708
Schools/Training	1,789	761	-	2,550
Uncollectible	500	412	-	912
Memberships	500	-	-	500
Miscellaneous	4,452	5,938	3,340	13,730
Depreciation	135,910	141,601	-	277,511
Total Operating Expenses	\$ 806,412	\$ 490,070	\$ 362,931	\$ 1,659,413
Operating Income	\$ 288,913	\$ (104,330)	\$ (10,357)	\$ 174,226
<u>Nonoperating Revenues (Expenses):</u>				
Payments to contractors-construction	\$ (36,195)	\$ -	\$ -	\$ (36,195)
Principal payments	-	-	32,303	32,303
Capital contributions from governmental funds	188,207	650,431	-	838,638
Interest expense	(65,160)	(8,999)	-	(74,159)
Service charges and administration fees	(12,755)	(1,792)	-	(14,547)
Miscellaneous	150	-	15,950	16,100
Total Nonoperating Revenue (Expenses)	\$ 74,247	\$ 639,640	\$ 15,950	\$ 729,837
Income Before Contributions and Transfers	\$ 363,160	\$ 535,310	\$ 5,593	\$ 904,063
Transfers in	\$ 418,819	-	\$ -	\$ 418,819
Transfers out	(569,519)	-	-	(569,519)
Change in Net Assets	\$ 212,460	\$ 535,310	\$ 5,593	\$ 753,363
Total Net Assets - January 1	\$ 1,497,777	\$ 2,434,000	\$ 170,387	\$ 4,102,164
Prior Period Adjustments	(8,400)	404	-	(7,996)
Total Net Assets - January 1, as restated	\$ 1,489,377	\$ 2,434,404	\$ 170,387	\$ 4,094,168
Total Net Assets - December 31	\$ 1,701,837	\$ 2,969,714	\$ 175,980	\$ 4,847,531

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds			
	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,027,198	\$ 374,147	\$ 343,978	\$ 1,745,323
Payments to suppliers	(417,034)	(219,917)	(343,919)	(980,870)
Payments to employees	(251,683)	(125,846)	(13,359)	(390,888)
Net Cash Provided (Used) by Operating Activities	<u>\$ 358,481</u>	<u>\$ 28,384</u>	<u>\$ (13,300)</u>	<u>\$ 373,565</u>
Cash Flows from Noncapital Financing Activities:				
Transfers in	\$ 418,819	\$ -	\$ -	\$ 418,819
Amount collected on loan receivable	-	360	-	360
Transfers out	(569,519)	-	-	(569,519)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (150,700)</u>	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ (150,340)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases and construction of capital assets	\$ -	\$ (9,845)	\$ -	\$ (9,845)
Payments to contractors	(36,195)	-	-	(36,195)
Proceeds from loan drawdowns	12,786	-	-	12,786
Miscellaneous income	150	-	15,950	16,100
Principal paid on capital debt	(148,000)	(32,303)	-	(180,303)
Interest paid on capital debt	(64,653)	(9,221)	-	(73,874)
Fees paid on capital debt	(12,755)	(1,792)	-	(14,547)
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (248,667)</u>	<u>\$ (53,161)</u>	<u>\$ 15,950</u>	<u>\$ (285,878)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (40,886)</u>	<u>\$ (24,417)</u>	<u>\$ 2,650</u>	<u>\$ (62,653)</u>
Cash and Cash Equivalents, January 1	<u>\$ 663,737</u>	<u>\$ 162,096</u>	<u>\$ 148,001</u>	<u>\$ 973,834</u>
Cash and Cash Equivalents, December 31	<u>\$ 622,851</u>	<u>\$ 137,679</u>	<u>\$ 150,651</u>	<u>\$ 911,181</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 288,913	\$ (104,330)	\$ (10,357)	\$ 174,226
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	131,686	141,601	-	273,287
Utility billings receivable	(68,127)	(11,593)	(8,596)	(88,316)
Accounts payable	4,917	1,476	5,625	12,018
Compensated absences	1,092	1,230	28	2,350
Net Cash Provided (Used) by Operating Activities	<u>\$ 358,481</u>	<u>\$ 28,384</u>	<u>\$ (13,300)</u>	<u>\$ 373,565</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, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wahpeton, North Dakota operates under a Home Rule Charter adopted in 1988. The financial statements of the city have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component unit have been included in the financial reporting entity as a discretely presented component unit.

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

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

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

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

RELATED ORGANIZATIONS

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

Airport	\$ 48,749
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The City of Wahpeton is accountable for the Bois de Sioux Golf Club, a legally separate entity because it appoints a voting majority to its governing board. The city also owns the land used by the golf club. The city cannot and does not control the operations of the club.

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Sales Tax Operating 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.

Sales Tax Reserve Fund. This fund accounts for the use of the city sales tax set aside for recreation purposes.

Revolving Loan Fund. This fund accounts for the use of the money set aside for various types of economic development loans.

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

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

The City reports the following major enterprise funds:

Water Operating Fund. This fund accounts for the activities of the Water Department. This department operates the water distribution system in the City of Wahpeton.

Sewer Fund. This fund accounts for the activities of the Sewer Department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Wahpeton.

C. Measurement Focus, Basis of Accounting

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

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

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents include amounts in demand deposits and money market accounts.

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

E. Inventories

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

F. Capital Assets

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

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

Governmental and Business-type Activities:	Years
Buildings	50
Equipment	15
Office Equipment	3
Vehicles	5
Infrastructure	10 - 25

G. Compensated Absences

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

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Police Officers and Sergeants:

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

Water Plant Personnel:

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

Other Full-Time City Employees:

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

Permanent Part-Time City Employees:

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

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

H. Fund Balances

Reserves represent those portions of fund balances not appropriable for expenditure or legally segregated for a specific future use.

NOTE 2: LEGAL COMPLIANCE - BUDGETSBudget Amendments - Expenditures:

The city's governing board approved budget amendments for all governmental funds to amend fund budgets to actual amounts for revenues, expenditures, transfers in and transfers out. Below are the expenditure and transfer out budget amendments for the governmental funds.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Fund	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$2,481,166	\$ 95,724	\$2,576,890
Sales Tax Operating	440,000	320,904	760,904
Capital Improvements	301,167	(72,517)	228,650
Sales Tax Reserve	25,000	(18,526)	6,474
Revolving Loan Fund	266,000	(11,211)	254,789
Debt Service Funds	1,309,517	178,713	1,488,230
Capital Projects Funds	427,777	642,893	1,070,670
Nonmajor Funds - Special Revenue	1,120,721	221,927	1,342,648

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the city council. 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, 2006, the city's carrying amount of deposits was \$8,952,235 and the bank balances were \$9,021,888. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances 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, 2006, the city held certificates of deposit totaling \$2,795,304.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the city. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5: 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 6: TAXES RECEIVABLE

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

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

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

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 8: 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, 2006 is as follows:

City Fund:	Beg. Balance	Additions	Deductions	End. Balance
Real Estate Levy Fund	\$ 5,025	\$ -	\$ 2,440	\$ 2,585
Sales Tax Operating Fund	455,235	600,000	334,669	720,566
Sanitary Sewer Operating Fund	385	-	360	25
Sales Tax Reserve Fund	35,000	-	-	35,000
Sales Tax H.E.L.P. Housing	4,269	3,900	1,008	7,161
Revolving Loan Fund	496,969	301,944	120,048	678,865
Total Loans Receivable	\$996,883	\$905,844	\$458,525	\$1,444,202

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2006:

Governmental Activities:

Governmental Activities:	Balance 1-1-06	Increases	Decreases	Balance 12-31-06
<i>Capital assets not being depreciated:</i>				
Land	\$ 243,911	\$ -	\$ -	\$ 243,911
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,862,987	\$ -	\$ -	\$ 2,862,987
Equipment	3,113,493	356,401	40,971	3,428,923
Vehicles	318,894	56,523	30,178	345,239
Infrastructure	8,440,692	1,053,338		9,494,030
Total Capital Assets, Being Depreciated	\$14,736,066	\$1,466,262	\$71,149	\$16,131,179
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 918,234	\$ 44,897	\$ -	\$ 963,131
Equipment	1,151,002	189,161	19,120	1,321,043
Vehicles	216,577	32,343	21,427	227,493
Infrastructure	1,181,335	168,814	-	1,350,149
Total Accumulated Depreciation	\$ 3,467,148	\$ 435,215	\$40,547	\$ 3,861,816
Total Capital Assets Being Depreciated, Net	\$11,268,918	\$1,031,047	\$30,602	\$12,269,363
Governmental Activities-Capital Assets, Net	\$11,512,829	\$1,031,047	\$30,602	\$12,513,274

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

Governmental Activities:	Amounts
General Government	\$ 32,158
Public Safety	74,915
Public Works	159,328
Infrastructure	168,814
Total Depreciation Expense-Governmental Activities	\$435,215

Business-Type Activities:

Business-Type Activities:	Balance 1-1-06	Increases	Decreases	Balance 12-31-06
<i>Capital assets being depreciated:</i>				
Buildings	\$2,316,946	\$ -	\$ -	\$ 2,316,946
Equipment	3,847,923	56,571	-	3,904,494
Vehicles	18,350	17,969	-	36,319
Infrastructure	3,643,492	773,944	-	4,417,436
Total Capital Assets, Being Depreciated	\$9,826,711	\$848,484	\$ -	\$10,675,195
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 550,723	\$ 46,339	\$ -	\$ 597,062
Equipment	2,482,317	152,108	-	2,634,425
Vehicles	14,410	1,970	-	16,380
Infrastructure	695,279	72,870	-	768,149
Total Accumulated Depreciation	\$3,742,729	\$273,287	\$ -	\$ 4,016,016
Total Capital Assets Being Depreciated, Net	\$6,083,982	\$575,197	\$ -	\$ 6,659,179

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Component Unit - Library:

Governmental Activities (Library):	Balance 1-1-06	Increases	Decreases	Balance 12-31-06
<i>Capital assets not being depreciated:</i>				
Land	\$ -	\$ -	\$ -	\$ -
<i>Capital assets being depreciated:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	-	5,982	-	5,982
Total Capital Assets, Being Depreciated	\$25,000	\$ 5,982	\$ -	\$30,982
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	-	-	-	-
Total Accumulated Depreciation	\$25,000	\$ -	\$ -	\$25,000
Total Capital Assets Being Depreciated, Net	\$ -	\$ 5,982	\$ -	\$ 5,982
Governmental Activities-Capital Assets, Net	\$ -	\$ 5,982	\$ -	\$ 5,982

NOTE 10: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2006:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 293,836	\$ 404,642
Sales Tax Operating Fund	-	699,923
Capital Improvements	296,788	-
Debt Service Funds	526,245	13,000
Capital Projects Funds	-	485,284
Water Enterprise Funds	418,819	569,519
Nonmajor Funds:		
Special Revenue Funds	761,532	195,206
Component Unit - Library	70,354	-
Total Transfers	\$2,367,574	\$2,367,574

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 11: DEFERRED REVENUE

Deferred revenue in the governmental fund modified accrual basis financial statements as of December 31, 2006 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 57,796
Delinquent property taxes (debt service funds)	20,990
Delinquent special assessments receivable (debt service funds)	173,630
Delinquent property taxes receivable (nonmajor funds)	64,624
Total Deferred Revenue	\$ 317,040

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 12: LONG-TERM LIABILITIES

During the year ended December 31, 2006, the following changes occurred in long-term liabilities of the city:

PRIMARY GOVERNMENT

Governmental Activities:

Governmental Activities:	Balance 1-1-06	Increases	Decreases	Balance 12-31-06	Due Within One Year
Special Assessment Bonds	\$9,404,102	\$970,000	\$ 972,697	\$9,401,405	\$ 929,776
Loans Payable	325,751	-	103,403	222,348	108,493
Leases Payable	22,051	-	22,051	-	-
Compensated Absences *	92,395	10,469	-	108,864	-
Total Governmental Activities	\$9,844,299	\$980,469	\$1,098,151	\$9,732,617	\$1,038,269

Business-Type Activities (Proprietary Funds):

Business-Type Activities:	Balance 1-1-06	Increases	Decreases	Balance 12-31-06	Due Within One Year
Revenue Bonds	\$3,000,478	\$12,786	\$180,303	\$2,832,961	\$181,225
Compensated Absences *	18,827	2,714	-	21,541	-
Total Business-Type Activities	\$3,019,305	\$15,500	\$180,303	\$2,854,502	\$181,225

* - 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, 2006, is comprised of the following individual issues:

Special Assessment Bonds:

\$550,000 2003B Refunding Improvement Bonds #10003, due in annual installments of \$30,000 to \$65,000 through 2009; interest at 1.8% to 2.4%.	\$ 126,405
\$2,375,000 1999B Refunding Improvement Serial Bonds #9698, due in annual installments of \$155,000 to \$160,000 through 2014, interest at 4.3% to 4.95%.	1,255,000
\$810,000 Refunding Improvement Bonds #9800, due in an annual installment of \$10,000 to \$55,000 through 2016, with interest at 4.85% to 5.35%.	485,000
\$2,050,000 2003D Refunding Improvement Bonds #10303, due in annual installments of \$135,000 to \$150,000 through 2019, with interest at 3.0% to 4.0%.	1,800,000

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Special Assessment Bonds – Continued:

\$1,760,000 2003 Refunding Improvement Bonds #9902, due in annual installments of \$120,000 to \$125,000 through 2017, with interest at 2.7% to 4.25%.	\$1,325,000
\$520,000 1999A Refunding Improvement Bonds, due in one annual installment of \$25,000 in 2007, with interest at 4.6%.	25,000
\$2,000,000 2005 Refunding Improvement Bonds, due in annual installments of \$110,000 to \$170,000 through 2020, with interest at 3.75% to 4.0%.	1,885,000
\$1,180,000 1995 Refunding Improvement Bonds # 9395, due in annual installments of \$70,000 to \$75,000 through 2011, with interest at 5.10% to 5.5%.	360,000
\$1,600,000 Refunding Improvement Bonds of 1997, due in annual installments of \$75,000 to \$125,000 through 2017, with interest at 4.85% to 5.125%.	1,065,000
\$1,070,000 1995 Refunding Improvement Bonds #9495, due in annual installments of \$50,000 to \$55,000 through 2008, with interest at 5.10% to 5.2%.	105,000
\$970,000 2006 Refunding Improvement Bonds #10506, due in annual installments of \$45,000 to \$70,000 through 2021, with interest at 4.0%.	<u>970,000</u>
Total Special Assessment Bonds	<u>\$9,401,405</u>

Loans Payable:

\$424,252 Loan from Norwest Investment Services, due in annual installments of \$108,493 to \$113,881 through 2008, with interest at 4.95%.	<u>\$ 222,348</u>
Total Governmental Fund Long-Term Debt	<u>\$9,623,753</u>

Governmental activities debt service requirements to maturity (excluding compensated absences and leases payable) at December 31, 2006 are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending December 31	Special Assessment Bonds		Loans Payable		Total Debt Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 929,776	\$ 368,611	\$108,494	\$11,008	\$1,038,270	\$ 379,619
2008	916,348	334,067	113,854	5,664	1,030,202	339,731
2009	830,281	299,298	-	-	830,281	299,298
2010	810,000	265,964	-	-	810,000	265,964
2011	820,000	231,966	-	-	820,000	231,966
2012-2016	3,480,000	682,491	-	-	3,480,000	682,491
2017-2021	1,615,000	115,018	-	-	1,615,000	115,018
Totals	\$9,401,405	\$2,297,415	\$222,348	\$16,672	\$9,623,753	\$2,314,087

Proprietary Funds – Revenue Bonds:

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

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

Enterprise Revenue Bonds – Set Payment Schedules:

\$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; Due in annual installments of \$15,000 to \$20,000 through 2018, with interest at 2.5%.3	\$ 235,000
\$1,062,366 of 1993 Revenue Bonds, due in annual installments of \$55,000 to \$62,366 through 2014, with interest at 2.5%.	467,366
\$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$80,000 to \$118,000 through 2022, with interest at 2.5%.	1,777,000
\$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$15,000 to \$25,000 through 2023, with interest at 2.5%.	330,000
\$550,000 of 2003 Refunding Improvement Bonds Series B, due in annual installments of \$30,000 to \$110,000 through 2009, with interest at 1.8% to 2.4%.	<u>23,595</u>
Total Enterprise Revenue Bonds	<u>\$2,832,961</u>

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

BUSINESS-TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2007	\$ 181,225	\$ 70,648
2008	186,651	66,163
2009	184,719	61,566
2010	187,000	57,009
2011	194,000	52,334
2012-2016	888,366	189,127
2017-2021	712,000	90,050
2022-2026	299,000	11,250
Totals	\$2,832,961	\$598,147

NOTE 13: CDBG LOAN PAYABLE

The city has obtained Community Development Block Grant (CDBG) Loans 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, 2006, there were three CDBG loans outstanding, with an aggregate principal amount payable of \$93,700.

NOTE 14: 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.

As of December 31, 2006, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$1,836,000.

NOTE 15: 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 \$2,005,182 for public assets (formerly inland marine) 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 \$1,500,000 for the city employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has workers compensation with the North Dakota Workforce Safety and Insurance. The city provides employees with health insurance. Contributions to the insurance plan are based on years of employment with the city.

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

NOTE 16: PENSION PLAN

Defined Contribution Plan

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

The city only provides a matching contribution to the 457 plan for existing employees that did not elect to participate in the defined contribution plan at the time of conversion on January 1, 2005. The city had three employees near retirement that chose not to participate in the defined benefit plan, the city's required contributions for the years ended December 31, 2006, 2005 and 2004, were \$1,487, \$3,501, and \$36,800, respectively.

Defined Benefit Plan

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

Plan members are required to contribute 3% of their annual covered salary. The city is required to contribute 5.12% which the city chooses to increase to 6.12% to reduce the employee contribution from 4% to 3% of the employee's salary. The employer contribution consists of 5.12% for employee retirement and 1% 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, 2006 and 2005 were \$69,522 and \$61,215, respectively, equal to the required contributions for the year.

NOTE 17: FUND DEFICITS

The following funds were in a deficit position at December 31, 2006:

	Balance
<u>Capital Projects Funds:</u>	
5-1-97 Flood Phase II	\$ (29,838)
Phase I Interceptor Sewer	(1,445)
Phase II 16th Ave. & 210B	(13,479)
Phase III 17th Ave. Westside	(57,770)
Dakota Ave. Reconstruction 2008	(12,644)
Total	\$(115,176)

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 and/or fees collected.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 18: PRIOR PERIOD ADJUSTMENTS

The beginning net assets for the year ended January 1, 2006 included capital assets at the government-wide level for governmental activities and business-type enterprise activities. During the audit period ended December 31, 2006, it was noted that certain capital assets that were included in the prior year were incorrectly included in governmental and business-type activities. Additionally, the discretely presented component unit (library) had land removed from beginning net assets. The adjustments to remove the inappropriate capitalized assets to restate beginning net assets equity are as follows:

	Governmental Activities
Net Assets Equity as previously reported	\$14,674,877
Adjustments to restate the January 1, 2006 net assets equity for missed capital assets:	
Capital Assets - Cost	(213,501)
Capital Assets - Accumulated Depreciation	70,784
Net Assets Equity January 1, 2006 as restated	\$14,532,160

	Enterprise
Net Assets Equity as previously reported	\$4,102,164
Adjustments to restate the January 1, 2006 net assets equity for missed capital assets:	
Capital Assets - Cost	(11,000)
Capital Assets - Accumulated Depreciation	3,004
Net Assets Equity January 1, 2006 as restated	\$4,094,168

	Library
Net Assets Equity as previously reported	\$ 51,116
Adjustments to restate the January 1, 2006 net assets equity for missed capital assets:	
Capital Assets - Cost	(3,000)
Net Assets Equity January 1, 2006 as restated	\$ 48,116

NOTE 19: CONSTRUCTION COMMITMENTS

The City of Wahpeton had the following open construction contracts on various projects with balances owing at December 31, 2006:

Contractor	Contract Amount	Total Completed	Remaining Balance
GEO H Haggert	\$161,801	\$ -	\$161,801
Interstate Engineering	15,990	13,479	2,511
Interstate Engineering	71,199	51,681	19,518
Total	\$248,990	\$65,160	\$183,830

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 686,503	\$ 685,464	\$ 685,162	\$ (302)
Licenses, permits and fees	428,725	454,010	468,351	14,341
Intergovernmental	653,943	726,321	730,460	4,139
Charges for services	6,950	12,855	12,855	-
Fines	162,000	184,602	184,304	(298)
Interest income	65,000	215,652	215,651	(1)
Miscellaneous	23,500	31,600	47,181	15,581
Total Revenues	\$ 2,026,621	\$ 2,310,504	\$ 2,343,964	\$ 33,460
<u>Expenditures:</u>				
Current:				
General government	\$ 518,118	\$ 482,891	\$ 482,996	\$ (105)
Public safety	1,198,569	1,205,869	1,209,149	(3,280)
Public works	504,662	369,218	372,608	(3,390)
Culture and recreation	-	95,974	87,249	8,725
Other	10,000	18,295	18,295	-
Total Expenditures	\$ 2,231,349	\$ 2,172,247	\$ 2,170,297	\$ 1,950
Excess (Deficiency) of Revenues Over Expenditures	\$ (204,728)	\$ 138,257	\$ 173,667	\$ 35,410
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 419,325	\$ 293,835	\$ 293,835	-
Transfers out	(249,817)	(404,642)	(404,642)	-
Total Other Financing Sources and Uses	\$ 169,508	\$ (110,807)	\$ (110,807)	\$ -
Net Change in Fund Balances	\$ (35,220)	\$ 27,450	\$ 62,860	\$ 35,410
Fund Balance - January 1	\$ 404,854	\$ 404,854	\$ 404,854	\$ -
Fund Balance - December 31	\$ 369,634	\$ 432,304	\$ 467,714	\$ 35,410

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ 2,962	\$ -	\$ (2,962)
Interest income	12,000	30,269	30,269	-
Miscellaneous income	-	5,364	2,850	(2,514)
Total Revenues	\$ 12,000	\$ 38,595	\$ 33,119	\$ (5,476)
<u>Expenditures:</u>				
Current:				
Capital Outlay	\$ 301,167	\$ 206,505	\$ 206,505	\$ -
Debt service:				
Principal	-	22,051	22,051	-
Interest	-	94	93	1
Total Expenditures	\$ 301,167	\$ 228,650	\$ 228,649	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (289,167)	\$ (190,055)	\$ (195,530)	\$ (5,475)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 120,467	\$ 296,788	\$ 296,788	\$ -
Net Change in Fund Balances	\$ (168,700)	\$ 106,733	\$ 101,258	\$ (5,475)
Fund Balance - January 1	\$ 670,865	\$ 670,865	\$ 670,865	\$ -
Fund Balance - December 31	\$ 502,165	\$ 777,598	\$ 772,123	\$ (5,475)

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX OPERATING FUND
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales Taxes	\$ 440,000	\$ 444,465	\$ 435,638	\$ (8,827)
Interest income	15,000	30,409	30,409	-
Miscellaneous	-	4,862	4,862	-
Total Revenues	\$ 455,000	\$ 479,736	\$ 470,909	\$ (8,827)
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 187,000	\$ 60,981	\$ 60,981	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 268,000	\$ 418,755	\$ 409,928	\$ (8,827)
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (253,000)	\$ (699,923)	\$ (699,922)	\$ 1
Net Change in Fund Balances	\$ 15,000	\$ (281,168)	\$ (289,994)	\$ (8,826)
Fund Balance - January 1	\$ 1,498,095	\$ 1,498,095	\$ 1,498,095	\$ -
Fund Balance - December 31	\$ 1,513,095	\$ 1,216,927	\$ 1,208,101	\$ (8,826)

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX RESERVE FUND
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 220,000	\$ 222,232	\$ 217,819	\$ (4,413)
Interest income	30,000	60,299	60,299	-
Total Revenues	<u>\$ 250,000</u>	<u>\$ 282,531</u>	<u>\$ 278,118</u>	<u>\$ (4,413)</u>
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 5,000	\$ 6,474	\$ 6,474	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 245,000</u>	<u>\$ 276,057</u>	<u>\$ 271,644</u>	<u>\$ (4,413)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (20,000)	\$ -	\$ -	\$ -
Net Change in Fund Balances	<u>\$ 225,000</u>	<u>\$ 276,057</u>	<u>\$ 271,644</u>	<u>\$ (4,413)</u>
Fund Balance - January 1	<u>\$ 1,206,511</u>	<u>\$ 1,206,511</u>	<u>\$ 1,206,511</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,431,511</u>	<u>\$ 1,482,568</u>	<u>\$ 1,478,155</u>	<u>\$ (4,413)</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
For the Year Ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest income	\$ 20,000	\$ 45,782	\$ 45,782	\$ -
Miscellaneous	-	137,822	137,822	-
Total Revenues	\$ 20,000	\$ 183,604	\$ 183,604	\$ -
<u>Expenditures:</u>				
Current:				
Economic Development	\$ 266,000	\$ 254,789	\$ 254,789	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (246,000)	\$ (71,185)	\$ (71,185)	\$ -
Fund Balance - January 1	\$ 1,381,227	\$ 1,381,227	\$ 1,381,227	\$ -
Fund Balance - December 31	\$ 1,135,227	\$ 1,310,042	\$ 1,310,042	\$ -

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

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2006

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, 2006

	Balance 1-1-06	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-06
Major Funds:							
General Fund	\$ 250,463.70	\$ 2,301,779.45	\$ 293,835.41	\$ -	\$ 404,642.37	\$ 2,163,522.49	\$ 277,913.70
Sales Tax Operating Fund	\$ 1,464,081.46	\$ 479,735.89	\$ -	\$ -	\$ 699,922.72	\$ 60,980.87	\$ 1,182,913.76
Sales Tax Reserve	1,189,504.39	282,531.10	-	-	-	6,474.00	1,465,561.49
Capital Improvements	665,389.33	38,595.24	296,788.00	-	-	228,649.74	772,122.83
Revolving Loan Fund	1,381,227.34	183,603.75	-	-	-	254,789.43	1,310,041.66
Total Major Funds	\$ 4,950,666.22	\$ 3,286,245.43	\$ 590,623.41	\$ -	\$ 1,104,565.09	\$ 2,714,416.53	\$ 5,008,553.44
Nonmajor Funds:							
Special Revenue Funds:							
Armory Operating	\$ 25,223.71	\$ -	\$ -	\$ -	\$ -	\$ 18,460.56	\$ 6,763.15
Fire Department Levy	212,956.20	142,198.50	-	-	40,000.00	275,932.02	39,222.68
Real Estate Levy	169,651.25	40,499.73	-	-	20,000.00	82,074.04	108,076.94
Job Development Levy	80,142.04	22,569.25	-	-	-	-	102,711.29
Sales Tax Default Reserve	108,555.48	-	-	-	-	-	108,555.48
Sales Tax Development Reserve	-	-	495,200.00	-	-	-	495,200.00
Sales Tax Mini-Match Reserve	27,193.96	-	20,000.00	-	-	12,624.28	34,569.68
Sales Tax Help Fund	317,788.96	13,105.71	-	-	-	30.00	330,864.67
Clubhouse Maintenance	14,638.43	5,000.00	-	-	-	1,000.00	18,638.43
Golf Club Donations	-	21,050.00	-	-	-	21,050.00	-
Lodging Tax	2,426.45	33,968.82	-	-	-	29,502.96	6,892.31
Vector Control	953.88	11,766.22	-	-	-	8,503.27	4,216.83
Advertising	13,749.45	22,611.94	-	-	-	21,110.17	15,251.22
Airport	2,909.40	49,685.56	-	-	-	48,749.38	3,845.58
Planning Commission	37,262.04	27,698.62	-	-	-	40,029.26	24,931.40
Band Levy	573.70	3,287.32	-	-	-	3,676.16	184.86
Social Security Levy	17,807.26	80,094.47	-	-	77,446.16	1,192.00	19,263.57
Retirement Levy	49,549.47	56,105.68	-	-	46,731.18	-	58,923.97
Health Insurance Reserve	16,450.81	468.76	-	-	-	1,925.25	14,994.32
Special Street Maintenance	163,416.62	85,108.36	-	-	-	172,279.75	76,245.23
Snow/Flood Emergency	38,695.74	28,494.86	-	-	-	30,414.94	36,775.66
Levee Maintenance	-	-	44,109.13	-	-	44,109.13	-
City Share of Specials	53,420.72	96,167.22	-	-	-	73,935.44	75,652.50
Ambulance Levy	1,866.53	11,323.37	15,000.00	-	-	24,486.00	3,703.90
Unemployment Reserve	43,039.98	-	-	-	-	349.80	42,690.18
Professional Development Fund	300.00	2,720.02	-	-	-	2,863.16	156.86
Miscellaneous Fund	68.55	-	-	-	-	-	68.55
Weed Maintenance Levy	30,647.59	30,471.02	-	-	11,028.55	16,613.93	33,476.13
Handicapped Parking Fines	-	700.00	-	-	-	700.00	-
Comm. Emergency Response (CERT)	400.00	-	-	-	-	351.13	48.87
Employee Bonus/Retirement	55,969.74	-	-	-	-	1,371.84	54,597.90
Bulk Fuel	2,704.59	2,041.08	-	-	-	293.40	4,452.27
Downtown Cleanup Fund	11,962.15	-	-	-	-	-	11,962.15
Christmas Decorating Fund	169.00	-	-	-	-	-	169.00
Downtown Development Process	25,000.00	15,020.00	33,000.00	-	-	59,536.92	13,483.08
Sidewalk Maintenance	33,421.01	-	-	-	-	-	33,421.01
Local Law Enforcement Block Grant	5.15	-	-	-	-	-	5.15
Police Dept. Radio Sinking Fund	5,000.00	-	2,500.00	-	-	-	7,500.00
Police Dept. Canine Unit Fund	8,699.05	1,198.55	-	-	-	832.27	9,065.33
Community Policing Fund	-	3,192.99	-	-	-	1,629.69	1,563.30
Economic Development	-	93.00	151,722.72	-	-	151,815.72	-
CDC	12,594.06	569.68	-	-	-	-	13,163.74
Total Special Revenue Funds	\$ 1,585,212.97	\$ 807,210.73	\$ 761,531.85	\$ -	\$ 195,205.89	\$ 1,147,442.47	\$ 1,811,307.19
Debt Service Funds:							
City Hall Building Sinking Fund	\$ 145,908.22	\$ -	\$ 95,700.00	\$ -	\$ -	\$ 119,501.03	\$ 122,107.19
Special Assessment Deficiency	199,482.31	22,622.42	-	-	13,000.00	-	209,104.73
R/I 8590 Sinking Fund	155,321.76	10,267.92	-	-	-	78,087.50	87,502.18

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CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2006

	Balance 1-1-06	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-06
CONTINUED:							
<u>Debt Service Funds (Continued):</u>							
R/I 9395 Sinking Fund	\$ 173,704.97	\$ 83,689.17	\$ -	\$ -	\$ -	\$ 96,315.00	\$ 161,079.14
R/I 9495 Sinking Fund	6,821.96	44,977.67	13,000.00	-	-	62,155.00	2,644.63
R/I 9596 Sinking Fund	295,981.89	120,363.19	-	-	-	125,753.76	290,591.32
R/I 9698 Sinking Fund	20,851.24	27,853.47	190,277.15	-	-	221,502.50	17,479.36
R/I 9800 Sinking Fund	73,154.00	66,599.70	-	-	-	81,247.04	58,506.66
R/I 9902 Sinking Fund	291,845.50	173,820.26	-	-	-	175,946.00	289,719.76
R/I 10003 Sinking Fund	200,953.12	44,724.76	-	-	-	96,449.15	149,228.73
R/I 10303 Sinking Fund	393,998.67	232,078.81	42,268.04	-	-	236,171.54	432,173.98
R/I 10405 Sinking Fund	181,277.50	-	185,000.00	-	-	182,100.50	184,177.00
R/I 10506 Sinking Fund	-	26,279.60	-	-	-	-	26,279.60
Total Debt Service Funds	\$ 2,139,301.14	\$ 853,276.97	\$ 526,245.19	\$ -	\$ 13,000.00	\$ 1,475,229.02	\$ 2,030,594.28
<u>Capital Projects Funds:</u>							
2-3-03 Northside Streets	\$ -	\$ -	\$ -	\$ -	\$ 42,268.04	\$ (42,268.04)	\$ -
4-1-04 Rosewood Lighting	(5,737.00)	5,737.00	-	-	-	-	-
Center St. South Refab	(58.14)	-	-	-	-	(58.14)	-
Phase I Interceptor Sewer	-	-	-	-	-	1,445.04	(1,445.04)
5-1-97 Flood Phase II	(23,124.18)	159,045.80	-	-	-	165,759.56	(29,837.94)
1-1-04 Rosewood II	(362,028.50)	-	-	757,202.45	19,150.85	376,023.10	-
2-2-02 16th Ave. N.	(364,169.28)	155,630.26	-	213,551.99	4,478.67	534.30	-
Ph II 16th Ave. & 210B Intersection	-	-	-	-	-	13,478.62	(13,478.62)
Ph III 17th Ave. Westside Dev.	-	-	-	-	-	57,769.74	(57,769.74)
Dakota Ave. Reconstruction 2008	-	-	-	-	-	12,643.70	(12,643.70)
1/2 Sales Tax Fund	549,795.39	444,464.47	-	-	419,386.28	-	574,873.58
Total Capital Projects Funds	\$ (205,321.71)	\$ 764,877.53	\$ -	\$ 970,754.44	\$ 485,283.84	\$ 585,327.88	\$ 459,698.54
Total Nonmajor Funds	\$ 3,519,192.40	\$ 2,425,365.23	\$ 1,287,777.04	\$ 970,754.44	\$ 693,489.73	\$ 3,207,999.37	\$ 4,301,600.01
Total Governmental Activities	\$ 8,469,858.62	\$ 5,711,610.66	\$ 1,878,400.45	\$ 970,754.44	\$ 1,798,054.82	\$ 5,922,415.90	\$ 9,310,153.45
<u>Major Enterprise Funds:</u>							
Water Operating	\$ 798,423.05	\$ 1,095,475.37	\$ 141,471.83	\$ -	\$ 428,047.44	\$ 893,039.98	\$ 714,282.83
Water Tower Reserve	50,000.00	-	-	-	50,000.00	-	-
1-2-02 Water Tower	91,471.83	-	-	-	91,471.83	-	-
1-2-02 11th St. Water Tower Refab	(253,938.45)	-	277,347.44	12,786.00	-	36,194.99	-
Meter Deposits	7,393.83	-	-	-	-	1,084.97	6,308.86
Total Water Operating - Major	\$ 693,350.26	\$ 1,095,475.37	\$ 418,819.27	\$ 12,786.00	\$ 569,519.27	\$ 930,319.94	\$ 720,591.69
<u>Nonmajor Enterprise Funds:</u>							
Sewer Operating	\$ 187,924.26	\$ 385,740.32	\$ -	\$ -	\$ -	\$ 399,194.71	\$ 174,469.87
Waste Removal	\$ 41,380.70	\$ 214,931.99	\$ -	\$ -	\$ -	\$ 207,137.00	\$ 49,175.69
Waste Reduction	78,368.75	34,263.31	-	-	-	50,414.24	62,217.82
Total Waste Fund	\$ 119,749.45	\$ 249,195.30	\$ -	\$ -	\$ -	\$ 257,551.24	\$ 111,393.51
Vector Control	\$ 50,836.92	\$ 25,127.58	\$ -	\$ -	\$ -	\$ 19,725.16	\$ 56,239.34
Street Lights	\$ -	\$ 94,201.42	\$ -	\$ -	\$ -	\$ 85,626.19	\$ 8,575.23
Total Nonmajor Enterprise Funds	\$ 358,510.63	\$ 754,264.62	\$ -	\$ -	\$ -	\$ 762,097.30	\$ 350,677.95
Total Enterprise Funds	\$ 1,051,860.89	\$ 1,849,739.99	\$ 418,819.27	\$ 12,786.00	\$ 569,519.27	\$ 1,692,417.24	\$ 1,071,269.64
Total Primary Government	\$ 9,521,719.51	\$ 7,561,350.65	\$ 2,297,219.72	\$ 983,540.44	\$ 2,367,574.09	\$ 7,614,833.14	\$ 10,381,423.09
<u>Component Unit:</u>							
Library	\$ 43,406.86	\$ 120,243.41	\$ 70,354.37	\$ -	\$ -	\$ 190,603.17	\$ 43,401.47
Total Reporting Entity	\$ 9,565,126.37	\$ 7,681,594.06	\$ 2,367,574.09	\$ 983,540.44	\$ 2,367,574.09	\$ 7,805,436.31	\$ 10,424,824.56

STATE AUDITOR
ROBERT R. PETERSON
PHONE
(701) 328-2241



LOCAL GOVERNMENT DIVISION:
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FAX (701) 328-9503
FARGO BRANCH OFFICE
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
925 BASIN AVENUE
BISMARCK, ND 58504-6647

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

City Council
City of Wahpeton
Wahpeton, North Dakota 58103

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, Wahpeton, North Dakota as of and for the year ended December 31, 2006, which collectively comprise the City of Wahpeton's basic financial statements and have issued our report thereon dated March 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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


Robert R. Peterson
State Auditor

March 28, 2007

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unqualified
Business-Type Activities	Unqualified
Discretely Presented Component Unit	Unqualified
Major Governmental Funds	Unqualified
Major Business-type Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control Over Financial Reporting:

Material Weaknesses Identified?	<u> </u> Yes	<u> X </u> No
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal Control Over Major Programs:

Material Weakness Identified?	<u> </u> Yes	<u> X </u> No
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major program?	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> </u> Yes	<u> X </u> No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Finding and Questioned Cost

None