Office of the State Auditor

CITY OF WAHPETON
Wahpeton, North Dakota

Audit for the Year Ended

December 31, 2008

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Wahpeton, North Dakota

CITY OFFICIALS

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James Sturdevant	Mayor
Alisa Mitskog	President
Meryl T. Hansey	Vice-President
Martin Schmidt	Board Member
Wayne Beyer	Board Member
Tiana Bohn	Board Member
Don Bajumpaa	Board Member
Lane Wateland	Board Member
Chris DeVries	Board Member
Darcie Huwe	City Finance Director
Carla J. Broadland	City Assessor
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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2008, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, 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 11 and 38 through 42 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wahpeton, North Dakota, basic financial statements. The statement of fund activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Wahpeton, North Dakota. The statement of fund activity and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robert R. Peterson
State Auditor

September 14, 2009

CITY OF WAHPETON
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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, 2008. 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 $15,744,774 at the close of the most recent fiscal year. Of this amount, $788,636, (unrestricted net assets) may be used to meet the government's ongoing obligations.
- Business-type assets exceeded its liabilities by $5,135,810 at the close of the most recent fiscal year.
- The total net assets of governmental activities of the City of Wahpeton increased by $1,146,046 as a result of the most recently completed fiscal year's operations.
- Net assets of the business-type activities increased by $260,355, as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were $5,931,230 for governmental activities and $5,833,857 on the modified accrual basis.
- Governmental expenditures exceeded revenues by $2,778,191 in the governmental fund-based statements and governmental funds reported combined ending fund balances of $7,744,630. Approximately 62% ($4,801,456) of this is available for spending at the government's discretion (unreserved fund balances).
- General fund revenues were $2,349,906 and general fund expenditures were $2,401,954. General fund expenditures exceeded revenues by $52,048 and there were net transfers into the general fund general fund totaling $142,262. Unreserved fund balance for the general fund was $560,471 or 23% of the total 2008 general fund expenditures.
- Total revenues from all sources were $2,155,124 for business-type activities for the year ended December 31, 2008, which included capital grants and contributions totaling $369,585.
- Total expenses were $4,875,865 for governmental activities on the government-wide basis and total expenditures were $8,612,048 on the modified accrual basis. The total expenses of business-type activities were $1,782,769.
- Special assessment bond debt of $1,850,000 was issued to help finance the costs of four projects.
- Beginning net assets of governmental activities were decreased by at total of $244,571 and beginning fund balances of governmental funds were decreased $231,200, for prior period adjustment to include missed grant match payables and CDBG payables. Additionally, $13,371 of special assessment bonds were reclassified from enterprise activities to governmental activities.

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, 2008?".

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 other major funds: capital improvements fund, sales tax operating fund, sales tax reserve fund, revolving loan fund, debt service fund and capital projects fund. Data from the other 45 special revenue governmental funds are combined into a single, aggregated presentation titled "Other Governmental Funds".

The City of Wahpeton adopts an annual budget for the general fund, capital improvements fund, sales tax operating fund, sales tax reserve 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 and Sewer Operations as major funds and the remaining enterprise funds are combined into a single, aggregated presentation titled "Other Enterprise Funds". Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The proprietary fund statements may be found on pages 19-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-37 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, 2008 and 2007. 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 $15,744,774 at the close of the most recent fiscal year for governmental activities and $5,135,810 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 ($3,956,901), 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, 2008 and 2007

	2008 Governmental	2008 Business-Type	2007 Governmental	2007 Business-Type
Assets:				
Current Assets	$ 8,753,110	$1,144,822	$ 9,250,172	$1,161,944
Noncurrent Assets	3,841,899	-	3,929,475	-
Capital Assets (net of accum. depreciation)	15,337,370	6,494,834	12,571,545	6,401,367
Total Assets	$27,932,379	$7,639,656	$25,751,192	$7,563,311
Liabilities:				
Current Liabilities	$ 1,744,491	$ 199,758	$ 1,606,877	$ 215,922
Long-Term Liabilities	10,443,114	2,304,088	9,545,587	2,471,934
Total Liabilities	$12,187,605	$2,503,846	$11,152,464	$2,687,856
NET ASSETS:				
Invested in Capital Assets, net of Related Debt	$ 3,956,901	$4,034,468	$ 2,043,281	$3,749,630
Restricted	10,999,237	-	12,216,750	-
Unrestricted	788,636	1,101,342	338,697	1,125,825
Total Net Assets	$15,744,774	$5,135,810	$14,598,728	$4,875,455

A large portion of the City of Wahpeton's net assets totaling $10,999,237 (70%) 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 $788,636 (5%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 2008, 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 decreased by $497,062 (5%) for governmental activities. Capital assets and invested in capital assets, net of related debt for governmental activities both increased significantly by $2,765,825 (22%) due to the addition of infrastructure and buildings in 2008. Business-type assets, liabilities and net assets equity did not significantly fluctuate.

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2008 and 2007

	2008 Governmental Activities	2008 Business-Type Activities	2007 Governmental Activities	2007 Business-Type Activities
Revenues				
Program Revenues:				
Charges for Services	$ 661,992	$1,765,451	$ 666,925	$1,715,549
Operating Grants & Contributions	760,395	-	365,947	-
Capital Grants & Contributions	53,547	369,585	1,337,957	-
General Revenues:				
Taxes	3,638,018	-	3,161,216	-
State Aid	501,139	-	473,552	-
Interest Earnings	189,283	17,657	445,328	-
Miscellaneous Revenue	126,856	2,431	199,462	21,981
	(21,319)	-	(20,564)	-
Total Revenues	$ 5,909,911	$2,155,124	$ 6,629,823	$1,737,530
Expenses				
General Government	$ 683,621	$ -	$ 650,557	$ -
Public Safety	1,639,235	-	1,455,861	-
Public Works	1,127,495	-	1,043,084	-
Economic Development	780,521	-	1,040,938	-
Conservation of Natural Resources	11,336	-	-	-
Culture and Recreation	184,151	-	118,421	-
Other	13,160	-	8,282	-
Capital Outlay	-	-	4,216,211	-
Interest and Fees	436,346	-	390,990	-
Water Operations	-	848,300	-	844,138
Sewer, Garbage and Other	-	934,469	-	831,287
Total Expenses	$ 4,875,865	$ 1,782,769	$ 8,924,344	$1,675,425
Excess before transfers/special items	$ 1,034,046	$ 372,355	$ (2,294,521)	$ 62,105
Transfers	112,000	(112,000)	47,552	(47,552)
Change in Net Assets	$ 1,146,046	$ 260,355	$ (2,246,969)	$ 14,553
Net Assets – January 1	$14,843,299	$ 4,862,084	$16,976,920	$4,847,531
Prior Period Adjustments	(244,571)	13,371	113,348	-
Net Assets – December 31	$15,744,774	$ 5,135,810	$14,843,299	$4,862,084

Taxes and special assessment taxes constituted 62%, operating grants and contributions 13%, charges for services 11%, investment earnings 3%, capital grants and contributions 1%, state aid 8%, and miscellaneous revenue made up 2% of total revenues of governmental activities of the City for year ended December 31, 2008.

General government constituted 14%, public safety 34%, public works 23%, economic development 16%, 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, 2008.

The City of Wahpeton's total net governmental activities assets equity increased by $1,146,046 (8%) for the year ended December 31, 2008. The net increase is primarily due to the addition of infrastructure and buildings of $2,916,978 exceeding the new debt issuance of $1,850,000 for governmental activities. Business-type activities net assets increased overall by $260,355 (5%) primarily due to an increase in infrastructure received by capital contributions.

It is noted that governmental activities revenues decreased $719,912 (11%) and business-type revenues increased overall by $417,594 (24%). The primary cause of the decrease in governmental revenues was a decrease of approximately $1.2 million in capital grants & contributions intergovernmental revenues. The decrease in intergovernmental revenues is attributable to a large State Water Commission grant received totaling $1,337,957 in 2007 for the 5-1-97 Flood Phase II project. The overall increase in business-type revenues is primarily due to an increase in capital grants and contributions of $369,585. Charges for services only fluctuated (increased) by $49,902 (3%) from 2007 to 2008 for business type activities largely influenced by the reinstatement of a vector control fee that had been suspended for the first 6 months of 2007.

It is noted that governmental activities expenses decreased $4,048,479 (45%) and business-type expenses increased by $107,344 (6%). The cause of the large decrease in governmental expenses was a large decrease in capital outlay in 2008 compared with 2007. The increase in business-type expenses is largely due to an increase in the water meter replacement program and other operating expenses.

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 $7,744,630. The total *unreserved fund balances* are $4,801,456. 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 $1,966,235 related to capital improvements, and is reserved for inventories $10,814 and loans $966,125. Total fund balances of governmental funds decreased by $710,401 primarily due to expenditures exceeding revenues by $2,778,191 combined with a debt issuance proceeds totaling $1,828,681, net of discount and expenses.

It is noted that total revenues for governmental funds decreased $1,235,244 (17%) for the year ended December 31, 2008 going from $7,069,101 to $5,833,857. The primary cause of the revenue decrease was a decrease of $1,337,957 in cost share cash reimbursement from the ND State Water Commission for expenses related to the Flood Mitigation Phase II project in 2007. Expenditures decreased overall by $1,454,594 (14%) going from $10,066,642 to $8,612,048. In particular, the major capital projects fund expenditures decreased overall by $2,858,644 (68%) primarily related to a decrease in the 5-1-97 Flood Phase II fund infrastructure construction project of $2.6 million.

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 $560,471. Unreserved fund balance represents 23% of total general fund expenditures. Revenues of the general fund totaled $2,349,906 and expenditures totaled $2,401,954 for the year ended December 31, 2008. Revenues of the general fund decreased by $44,294 (2%) and expenditures decreased only $1,097. Of the decrease in revenues, $134,905 is represented by a decrease in interest income due to falling interest rates.

The fund balance of the City of Wahpeton's general fund increased by $90,214 (19%) during the current fiscal year due to transfers in exceeding transfers out by $142,262.

The sales tax reserve fund balance decreased by $1,089,763 (89%) due to payments for renovating the armory building. The capital improvements fund balance decreased $46,200 due to street department equipment purchases. The capital projects fund balances increased by $545,034 due to the issuance of bonds of $1,850,000 for various capital projects. The sales tax operating fund balance decreased by $48,730 (4%) due to transfers out. The revolving loan fund balance decreased $82,733 (6%) due to continuation of an affordable housing program to build spec homes on city owned lots. The debt service fund balance increased by $3,023 due to an increase in transfers in for debt payments. The other government funds balance decreased $81,246 (4%).

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 $1,783,718. Total increase in net assets for this fund was $62,234 (4%). Total other enterprise funds net assets equity totaled $3,352,092, an increase of $196,121 (6%). Total Sanitary Sewer Operating Fund net assets increased $190,098 (6%). There was an increase of approximately $78,000 in charges for services revenue in the sanitary sewer operating fund and an increase of $25,000 in other enterprise funds charges for services revenue.

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, the variance with final budget is $20,024 (1%) decrease in expenditures and an increase in revenue of $77,384 (3%). Transfers in were increased by $2,703, and transfers out were increased by $57,011 in the variance with Final Budget. The general fund budget was amended to actual general ledger amounts for the year ended December 31, 2008, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 38-43 of this report and in Note 2 on page 27 of this report.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2008 amounted to $15,337,370 (net of accumulated depreciation), representing an increase of $2,765,825 (22%) due to the addition of net infrastructure totaling $1,548,868 (various projects) and buildings (Wahpeton Community Center Renovation) totaling $1,367,810. The increase in business-type activities capital assets was $93,647 (1.5%) due to an increase in infrastructure of $291,895 and increased depreciation expense. This investment in capital assets includes land, infrastructure, buildings, equipment and vehicles.

TABLE III
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2008 and 2007

	2008 Governmental Activities	2008 Business-Type Activities	2007 Governmental Activities	2007 Business-Type Activities
Land	$ 435,678	$ -	$ 435,678	$ -
Buildings	3,192,002	1,627,206	1,869,388	1,673,545
Equipment	2,276,968	1,092,362	2,186,875	1,152,509
Vehicles	119,734	10,781	125,604	14,375
Infrastructure	9,312,988	3,764,485	7,954,000	3,560,938
Total Capital Assets	$15,337,370	$6,494,834	$12,571,545	$6,401,367

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 $11,380,469, a net overall increase of $852,205 (8%) over the prior year. The increase was caused by normal scheduled debt payments on existing debt combined with the issuance of $1,850,000 in special assessment bonds for four projects (Phase I Interceptor Sewer, 16th Avenue Phase II & 210B Intersection, Phase III 19th St. & 16th Ave., and Phase IV 17th Ave. Westside Development). Business-type activities long-term debt decreased by $191,371 (7%) going from $2,651,737 to $2,460,366. The decrease was due solely to scheduled debt payments.

TABLE IV
OUTSTANDING LONG-TERM DEBT
As of December 31, 2008 and 2007

	Total Outstanding Dec. 31, 2008	Due Within One Year	Total Outstanding Dec. 31, 2007	Due Within One Year
Governmental Activities:				
Special Assessment Bonds Payable	$11,165,000	$1,000,000	$10,271,629	$ 961,348
Loans Payable	-	-	113,853	113,853
Leases Payable	215,469	51,977	142,782	27,145
Total Governmental Activities	$11,380,469	$1,051,977	$10,528,264	$1,102,346
Business-Type Activities:				
Revenue Bonds Payable	$ 2,460,366	$ 180,000	$ 2,651,737	$ 188,225
Total Long-Term Debt	$13,840,835	$1,231,977	$13,180,001	$1,290,571

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 2009 budget included a mill levy increase of 6.3 mills going from 116.47 to 122.77. The value of a mill for the City for the 2009 budget increased from $12,890 to $13,000 per mill.

Total appropriations for operations for 2008 decreased by approximately $3,467,799 from 2007 levels. The decrease is caused primarily by the 2007 one-time cash advance funding of $3,007,583 to the Army Corps of Engineers for the Flood Mitigation project and the completion of several open infrastructure projects in late 2007. Total appropriations for operations increased by approximately $862,601 from 2008 levels. The 8.7% increase is attributed to the 2009 capital project budget for construction of the Dakota Avenue corridor.

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, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
ASSETS				
Cash, cash equivalents, and investments	$ 7,053,527	$ 997,668	$ 8,051,195	$ 73,247
Utility billings receivable	-	147,154	147,154	-
Accounts receivable	23,738	-	23,738	-
Intergovernmental receivable	306,184	-	306,184	-
Taxes receivable	187,687	-	187,687	22,810
Special assessments receivable	205,035	-	205,035	-
Loans receivable	966,125	-	966,125	-
Inventories	10,814	-	10,814	-
Long-term receivable:				
Uncertified special assessments receivable	3,841,899	-	3,841,899	-
Capital Assets:				
Land	435,678	-	435,678	-
Buildings	3,192,002	1,627,206	4,819,208	-
Equipment	2,276,968	1,092,362	3,369,330	20,648
Vehicles	119,734	10,781	130,515	-
Infrastructure	9,312,988	3,764,485	13,077,473	-
Total Capital Assets	$ 15,337,370	$ 6,494,834	$ 21,832,204	$ 20,648
Total Assets	$ 27,932,379	$ 7,639,656	$ 35,572,035	$ 116,705
LIABILITIES				
Accounts payable	$ 196,344	$ -	$ 196,344	$ -
Accrued payroll benefits	40,214	-	40,214	-
Grant match payable	310,000	-	310,000	-
CDBG payable	69,200	-	69,200	-
Accrued interest payable	76,756	19,758	96,514	-
Long-term liabilities:				
Portion due or payable within one year:				
Leases payable	51,977	-	51,977	-
Special assessment bonds payable	1,000,000	-	1,000,000	-
Revenue bonds payable	-	180,000	180,000	-
Portion due or payable after one year:				
Leases payable	163,492	-	163,492	-
Special assessment bonds payable	10,165,000	-	10,165,000	-
Revenue bonds payable	-	2,280,366	2,280,366	-
Compensated absences payable	114,622	23,722	138,344	2,116
Total Liabilities	$ 12,187,605	$ 2,503,846	$ 14,691,451	$ 2,116
NET ASSETS				
Invested in Capital Assets, net of related debt	$ 3,956,901	$ 4,034,468	$ 7,991,369	$ 20,648
Restricted for:				
Debt service	5,948,158	-	5,948,158	-
Public safety	184,333	-	184,333	-
Public works	148,720	-	148,720	-
Economic/job development	3,945,407	-	3,945,407	-
Culture and recreation	6,621	-	6,621	93,941
Conservation of natural resources	54,310	-	54,310	-
Capital improvements	615,054	-	615,054	-
Other special purposes	96,634	-	96,634	-
Unrestricted	788,636	1,101,342	1,889,978	-
Total Net Assets	$ 15,744,774	$ 5,135,810	$ 20,880,584	$ 114,589

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total	Component Unit Library
Primary Government:								
Governmental Activities:								
General government	$ 683,621	$ 499,495	$ 3,002	$ -	$ (181,124)		$ (181,124)	
Public safety	1,639,235	132,746	216,944	-	(1,289,545)		(1,289,545)	
Public works	1,127,495	29,751	537,622	53,547	(506,575)		(506,575)	
Culture and recreation	184,151	-	2,827	-	(181,324)		(181,324)	
Conservation of natural resources	11,336	-	-	-	(11,336)		(11,336)	
Economic development	780,521	-	-	-	(780,521)		(780,521)	
Other	13,160	-	-	-	(13,160)		(13,160)	
Interest & fees on long-term debt	436,346	-	-	-	(436,346)		(436,346)	
Total Governmental Activities	$ 4,875,865	$ 661,992	$ 760,395	$ 53,547	$ (3,399,931)		$ (3,399,931)	
Business-Type Activities:								
Water operations	$ 848,300	$ 941,863	$ -	$ 64,349	$ -	$ 157,912	$ 157,912	
Sanitary sewer operations	560,787	443,888	-	305,236	-	188,337	188,337	
Garbage & other enterprise	373,682	379,700	-	-	-	6,018	6,018	
Total Business-Type Activities	$ 1,782,769	$ 1,765,451	$ -	$ 369,585	$ -	$ 352,267	$ 352,267	
Total Primary Government	$ 6,658,634	$ 2,427,443	$ 760,395	$ 423,132	$ (3,399,931)	$ 352,267	$ (3,047,664)	
Component Unit:								
Library	$ 192,579	$ 3,091	$ 28,597	$ -				$ (160,891)
General Revenues:								
Taxes:								
Property taxes, levied for general purposes					$ 766,656	$ -	$ 766,656	$ 192,814
Property taxes, levied for special purposes					738,263	-	738,263	-
Special assmt. and property taxes, levied for debt service					801,474	-	801,474	-
Sales taxes					1,331,625	-	1,331,625	-
State aid distribution, other unrestricted grants & contributions					501,139	-	501,139	11,335
Unrestricted investment earnings					189,283	17,657	206,940	-
Miscellaneous					126,856	2,431	129,287	3,735
Bond discount/issuance costs					(21,319)	-	(21,319)	-
Transfers					112,000	(112,000)	-	-
Total General Revenues and Transfers					$ 4,545,977	$ (91,912)	$ 4,454,065	$ 207,884
Changes in Net Assets					$ 1,146,046	$ 260,355	$ 1,406,401	$ 46,993
Net Assets - January 1					$ 14,843,299	$ 4,862,084	$ 19,705,383	$ 67,596
Prior Period Adjustments					(244,571)	13,371	(231,200)	-
Net Assets - January 1, as restated					$ 14,598,728	$ 4,875,455	$ 19,474,183	$ 67,596
Net Assets - December 31					$ 15,744,774	$ 5,135,810	$ 20,880,584	$ 114,589

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 1,966,668	$ 7,053,527
-	-	23,738
56,026	-	306,184
-	-	44,568
-	6,155	966,125
-	97,875	187,687
-	-	205,035
-	10,814	10,814
$ 56,026	$ 2,081,512	$ 8,797,678
$ 120,201	$ -	$ 196,344
-	4,863	40,214
-	-	310,000
-	-	69,200
44,568	-	44,568
-	97,875	392,722
$ 164,769	$ 102,738	$ 1,053,048
$ -	$ -	$ 1,966,235
-	10,814	10,814
-	6,155	966,125
-	-	560,471
-	1,961,805	3,625,932
(108,743)	-	615,053
$ (108,743)	$ 1,978,774	$ 7,744,630
$ 56,026	$ 2,081,512	$ 8,797,678

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2008

Total *Fund Balances* of Governmental Funds		$ 7,744,630
Total *net assets* reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	$ 19,887,674	
Less Accumulated Depreciation	(4,550,304)	
Net Capital Assets		15,337,370
Property taxes & special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Taxes Receivable	$ 187,687	
Special Assessments Receivable	205,035	392,722
Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		3,841,899
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:		
Special Assessment Bonds Payable	$ (11,165,000)	
Leases Payable	(215,469)	
Interest Payable	(76,756)	
Compensated Absences Payable	(114,622)	
Total Long-Term Liabilities		(11,571,847)
Total Net Assets - Governmental Activities		$ 15,744,774

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

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
$ -	$ 688,687	$ 1,408,527
532,650	-	1,331,625
-	-	854,040
-	-	476,658
-	-	144,568
141,123	207,993	1,261,534
-	29,751	40,766
-	-	9,245
-	15,472	189,283
5,800	68,414	117,611
$ 679,573	$ 1,010,317	$ 5,833,857
$ -	$ 160,025	$ 649,373
-	287,485	1,603,272
-	281,744	1,044,878
-	51,966	184,151
-	11,336	11,336
-	213,967	780,234
4,944	-	13,160
1,365,489	-	2,769,493
-	-	1,138,275
-	-	411,623
-	-	6,253
$ 1,370,433	$ 1,006,523	$ 8,612,048
$ (690,860)	$ 3,794	$ (2,778,191)
$ -	$ 252,209	$ 1,352,927
1,850,000	-	1,850,000
-	-	127,109
(21,319)	-	(21,319)
(592,787)	(337,249)	(1,240,927)
$ 1,235,894	$ (85,040)	$ 2,067,790
$ 545,034	$ (81,246)	$ (710,401)
$ (653,777)	$ 2,060,020	$ 8,686,231
-	-	(231,200)
$ (653,777)	$ 2,060,020	$ 8,455,031
$ (108,743)	$ 1,978,774	$ 7,744,630

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Net Change in *Fund Balances* - Total Governmental Funds		$ (710,401)
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 & Capital Contributions	$ 3,297,034	
Current Year Depreciation Expense	(482,682)	2,814,352
In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.		
Loss on Disposals of Capital Assets		(48,527)
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 Bonds	$ 970,000	
Repayment of Leases	54,422	
Repayment of Loans	113,853	
Issuance of Bonds	(1,850,000)	
Issuance of Capital Leases	(127,109)	(838,834)
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.		
Collection on Long-Term Receivable		(87,576)
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	$ (8,324)	
Net Increase in Interest Payable	(18,470)	(26,794)
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 Increase in Taxes Receivable	$ 24,719	
Net Increase in Special Assessments Receivable	19,107	43,826
Change in Net Assets of Governmental Activities		$ 1,146,046

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	$ 622,840	$ 217,268	$ 157,560	$ 997,668
Utility billings receivable	49,458	49,985	47,711	147,154
Noncurrent Assets:				
Capital assets:				
Buildings	1,569,300	57,906	-	1,627,206
Equipment	393,742	698,620	-	1,092,362
Vehicles	-	10,781	-	10,781
Infrastructure	1,341,712	2,422,773	-	3,764,485
Total capital assets	$ 3,304,754	$ 3,190,080	$ -	$ 6,494,834
Total Assets	$ 3,977,052	$ 3,457,333	$ 205,271	$ 7,639,656
LIABILITIES				
Current Liabilities:				
Accrued interest payable	$ 17,258	$ 2,500	$ -	$ 19,758
Revenue bonds payable	165,000	15,000	-	180,000
Noncurrent Liabilities:				
Revenue bond payable	1,995,366	285,000	-	2,280,366
Compensated absences	15,710	7,793	219	23,722
Total Liabilities	$ 2,193,334	$ 310,293	$ 219	$ 2,503,846
NET ASSETS				
Invested in capital assets, net of related debt	$ 1,144,388	$ 2,890,080	$ -	$ 4,034,468
Unrestricted	639,330	256,960	205,052	1,101,342
Total Net Assets	$ 1,783,718	$ 3,147,040	$ 205,052	$ 5,135,810

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Operatng Fund	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
Operating Revenues:				
Charges for sales and services	$ 941,863	$ 443,888	$ 379,700	$ 1,765,451
Operating Expenses:				
Salaries and wages	$ 230,176	$ 125,191	$ 12,914	$ 368,281
Benefits	68,490	35,624	3,691	107,805
Heating fuel, gas and oil	19,430	3,042	-	22,472
Utilities - electricity and telephone	61,954	48,517	84,936	195,407
Service contracts	6,542	-	1,350	7,892
Waste removal	-	-	209,829	209,829
Supplies and postage	9,110	6,194	8,608	23,912
Repairs and maintenance	26,664	48,076	-	74,740
Equipment/Lift Station Maintenance	-	29,117	-	29,117
Equipment & Maintenance	36,051	6,268	15,750	58,069
Insurance & Safety	24,067	12,038	-	36,105
Chemicals	128,348	6,999	8,904	144,251
Professional fees and other service charges	2,400	5,445	-	7,845
Meters/hydrants/wells/lagoons/manholes	30,149	60,594	5,609	96,352
Wells	4,116	-	-	4,116
Audit fees	3,135	2,736	-	5,871
Mosquito control/spraying	-	-	6,470	6,470
Miscellaneous Operating	7,446	2,063	15,621	25,130
Processing fees	2,520	-	-	2,520
Worker's compensation	2,928	324	-	3,252
Depreciation	116,725	159,394	-	276,119
Total Operating Expenses	$ 780,251	$ 551,622	$ 373,682	$ 1,705,555
Operating Income	$ 161,612	$ (107,734)	$ 6,018	$ 59,896
Nonoperating Revenues (Expenses):				
Interest Income	$ 17,657	$ -	$ -	$ 17,657
Capital contributions from governmental funds	64,349	305,236	-	369,585
Interest expense	(56,840)	(7,627)	-	(64,467)
Service charges and administration fees	(11,209)	(1,538)	-	(12,747)
Miscellaneous	665	1,761	5	2,431
Total Nonoperating Revenue (Expenses)	$ 14,622	$ 297,832	$ 5	$ 312,459
Income Before Contributions and Transfers	$ 176,234	$ 190,098	$ 6,023	$ 372,355
Transfers out	$ (112,000)	$ -	$ -	$ (112,000)
Change in Net Assets	$ 64,234	$ 190,098	$ 6,023	$ 260,355
Total Net Assets - January 1	$ 1,719,484	$ 2,943,571	$ 199,029	$ 4,862,084
Prior Period Adjustments	-	13,371	-	13,371
Total Net Assets - January 1, as restated	$ 1,719,484	$ 2,956,942	$ 199,029	$ 4,875,455
Total Net Assets - December 31	$ 1,783,718	$ 3,147,040	$ 205,052	$ 5,135,810

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:				
Receipts from customers and users	$ 958,666	$ 426,392	$ 372,387	$ 1,757,445
Payments to suppliers	(370,575)	(232,144)	(357,077)	(959,796)
Payments to employees	(297,806)	(159,704)	(16,647)	(474,157)
Net Cash Provided by Operating Activities	$ 290,285	$ 34,544	$ (1,337)	$ 323,492
Cash Flows from Noncapital Financing Activities:				
Transfer to other funds	$ (112,000)	$ -	$ -	$ (112,000)
Cash Flows from Capital and Related Financing Activities:				
Miscellaneous income	$ 665	$ 1,760	$ 5	$ 2,430
Principal paid on capital debt	(163,000)	(15,000)	-	(178,000)
Interest paid on capital debt	(58,084)	(7,875)	-	(65,959)
Fees paid on capital debt	(11,209)	(1,537)	-	(12,746)
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (231,628)	$ (22,652)	$ 5	$ (254,275)
Cash Flows from Investing Activities:				
Interest received	$ 17,656	$ -	$ -	$ 17,656
Net Increase in Cash and Cash Equivalents	$ (35,687)	$ 11,892	$ (1,332)	$ (25,127)
Cash and Cash Equivalents, January 1	$ 658,527	$ 205,376	$ 158,892	$ 1,022,795
Cash and Cash Equivalents, December 31	$ 622,840	$ 217,268	$ 157,560	$ 997,668
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	$ 161,612	$ (107,734)	$ 6,018	$ 59,896
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	116,725	159,394	-	276,119
Change in assets and liabilities:				
Utility billings receivable	16,803	(17,496)	(7,313)	(8,006)
Accounts payable	(5,716)	(731)	-	(6,447)
Compensated absences	861	1,111	(42)	1,930
Net Cash Provided (Used) by Operating Activities	$ 290,285	$ 34,544	$ (1,337)	$ 323,492

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

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	$54,616

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.

Capital Improvements Fund. This fund accounts for the accumulation of funds for various capital improvements to city properties.

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 "fund":

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

C. Measurement Focus, Basis of Accounting

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the city's policy to use 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 - 50

G. Compensated Absences

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

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

Police Officers and Sergeants:

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

Water Plant Personnel:

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

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 - BUDGETS

Budget Amendments - Expenditures:

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

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund - Expenditures	$2,478,037	$ (20,024)	$2,458,013
General Fund - Transfers Out	88,864	57,011	145,875
Capital Improvements	149,400	91,135	240,535
Sales Tax Operating - Expenditures	409,393	33,763	443,156
Sales Tax Operating - Transfers Out	170,000	(9,984)	160,016
Sales Tax Reserve - Expenditures	1,253,221	74,640	1,327,861
Sales Tax Reserve - Transfers Out	40,000	(40,000)	-
Revolving Loan Fund	-	210,503	210,503
Debt Service Funds - Expenditures	1,485,517	53,608	1,539,125
Debt Service Funds - Transfers Out	-	5,000	5,000
Capital Projects Funds - Expenditures	-	1,250,232	1,250,232
Capital Projects Funds - Transfers Out	525,097	7,182	532,279

	REVENUES/TRANSFERS IN		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund - Revenues	$2,281,467	$ 77,384	$2,358,851
General Fund - Transfers In	285,434	2,703	288,137
Capital Improvements - Revenues	30,000	960	30,960
Capital Improvements - Transfers In	111,316	52,059	163,375
Sales Tax Operating	551,893	(2,283)	549,610
Sales Tax Reserve	270,947	40,879	311,826
Revolving Loan Fund	30,000	10,378	40,378
Debt Service Funds - Revenues	839,087	133,667	972,754
Debt Service Funds - Transfers In	642,009	62,297	704,306
Capital Projects Funds - Revenues	501,893	146,923	648,816
Capital Projects Funds - Fin. Source	-	1,828,681	1,828,681

Overspent Funds:

It is noted that the major sales tax reserve fund was overspent by $76,144 due to an accounts payable audit adjustment of $76,144. The fund budgeted expenditures were amended to general ledger actual amounts. Additionally, several non-major special revenue funds were overspent by varying minimal amounts because the expenditure budgets were not amended.

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by an other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2008, the city's carrying amount of deposits was $8,123,942 and the bank balances were $8,259,464. Of the bank balances, $850,000 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, 2008, the city held certificates of deposit totaling $1,540,000.

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, 2008 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Operating Fund	$ 699,500	$ -	$306,328	$393,172
Sales Tax H.E.L.P. Housing	10,206	-	4,051	6,155
Revolving Loan Fund	595,483	93,205	121,890	566,798
Total Loans Receivable	$1,305,189	$93,205	$432,269	$966,125

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2008:

Governmental Activities:

Governmental Activities:	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Capital assets not being depreciated:				
Land	$ 435,678	$ -	$ -	$ 435,678
Capital assets being depreciated:				
Buildings	$ 2,877,987	$1,367,811	$ -	$ 4,245,798
Equipment	3,529,320	342,657	99,620	3,772,357
Vehicles	374,942	37,699	21,698	390,943
Infrastructure	9,494,031	1,548,868	-	11,042,899
Total Capital Assets, Being Depreciated	$16,276,280	$3,297,035	$121,318	$19,451,997
Less Accumulated Depreciation for:				
Buildings	$ 1,008,599	$ 45,197	$ -	$ 1,053,796
Equipment	1,342,445	212,715	59,771	1,495,389
Vehicles	249,338	34,889	13,018	271,209
Infrastructure	1,540,030	189,881	-	1,729,911
Total Accumulated Depreciation	$ 4,140,412	$ 482,682	$ 72,789	$ 4,550,305
Total Capital Assets Being Depreciated, Net	$12,135,868	$2,814,353	$ 48,529	$14,901,692
Governmental Activities-Capital Assets, Net	$12,571,546	$2,814,353	$ 48,529	$15,337,370

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

Governmental Activities:	Amounts
General Government	$ 34,196
Public Safety	78,038
Public Works	180,567
Infrastructure	189,881
Total Depreciation Expense - Governmental Activities	$482,682

Business-Type Activities:

Business-Type Activities:	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Capital assets being depreciated:				
Buildings	$ 2,316,946	$ -	$ -	$ 2,316,946
Equipment	3,909,814	77,691	-	3,987,505
Vehicles	36,319	-	-	36,319
Infrastructure	4,417,436	291,895	-	4,709,331
Total Capital Assets, Being Depreciated	$10,680,515	$369,586	$ -	$11,050,101
Less Accumulated Depreciation for:				
Buildings	$ 643,401	$ 46,339	$ -	$ 689,740
Equipment	2,757,305	137,837	-	2,895,142
Vehicles	21,944	3,594	-	25,538
Infrastructure	856,498	88,349	-	944,847
Total Accumulated Depreciation	$ 4,279,148	$276,119	$ -	$ 4,555,267
Total Capital Assets Being Depreciated, Net	$ 6,401,367	$ 93,467	$ -	$ 6,494,834

Component Unit - Library:

Governmental Activities (Library):	Balance 1-1-08	Increases	Decreases	Balance 12-31-08
Capital assets being depreciated:				
Buildings	$25,000	$ -	$ -	$25,000
Equipment	5,982	15,464	-	21,446
Total Capital Assets, Being Depreciated	$30,982	$15,464	$ -	$46,446
Less Accumulated Depreciation for:				
Buildings	$25,000	$ -	$ -	$25,000
Equipment	399	399	-	798
Total Accumulated Depreciation	$25,399	$ 399	$ -	$25,798
Total Capital Assets Being Depreciated, Net	$ 5,583	$15,065	$ -	$20,648

NOTE 10: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2008:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	$ 288,137	$ 145,875
Sales Tax Operating Fund	-	160,016
Capital Improvements	163,375	-
Debt Service Funds	649,206	5,000
Capital Projects Funds	-	592,786
Water Enterprise Funds	-	112,000
Non-Major Fund:		
Special Revenue Funds	252,208	337,249
Total Transfers	$1,352,926	$1,352,926

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, 2008 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	$ 89,812
Delinquent special assessments receivable (debt service funds)	205,035
Delinquent property taxes receivable (non-major funds)	97,875
Total Deferred Revenue	$392,722

NOTE 12: LONG-TERM LIABILITIES

During the year ended December 31, 2008, the following changes occurred in long-term liabilities of the city:

PRIMARY GOVERNMENT

Governmental Activities:

Governmental Activities:	Balance 1-1-08	Increases	Decreases	Balance 12-31-08	Due Within One Year
Special Assessment Bonds	$10,285,000	$1,850,000	$ 970,000	$11,165,000	$1,000,000
Loans Payable	113,853	-	113,853	-	-
Leases Payable	142,782	127,109	54,422	215,469	51,977
Compensated Absences *	106,298	8,324	-	114,622	-
Total Governmental Activities	$10,647,933	$1,985,433	$1,138,275	$11,495,091	$1,051,977

Business-Type Activities (Proprietary Funds):

Business-Type Activities:	Balance 1-1-08	Increases	Decreases	Balance 12-31-08	Due Within One Year
Revenue Bonds	$2,638,366	$ -	$178,000	$2,460,366	$180,000
Compensated Absences *	21,793	1,930	-	23,723	-
Total Business-Type Activities	$2,660,159	$1,930	$178,000	$2,484,089	$180,000

* - 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, 2008, is comprised of the following individual issues:

Special Assessment Bonds:

$550,000 2003B Refunding Improvement Bonds #10003, due in one annual installment of $30,000 in 2009; interest at 2.4%.	$ 30,000
$2,375,000 1999B Refunding Improvement Serial Bonds #9698, due in annual installments of $155,000 to $160,000 through 2014, interest at 4.45% to 4.95%.	935,000
$810,000 Refunding Improvement Bonds #9800, due in an annual installment of $10,000 to $55,000 through 2016, with interest at 4.95% to 5.35%.	375,000
$2,050,000 2003D Refunding Improvement Bonds #10303, due in annual installments of $135,000 to $140,000 through 2019, with interest at 3.0% to 4.0%.	1,500,000
$1,760,000 2003 Refunding Improvement Bonds #9902, due in annual installments of $120,000 through 2017, with interest at 3.25% to 4.25%.	1,080,000
$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%.	1,665,000
$1,180,000 1995 Refunding Improvement Bonds #9395, due in annual installments of $70,000 through 2011, with interest at 5.3% to 5.5%.	210,000
$1,600,000 Refunding Improvement Bonds of 1997, due in annual installments of $80,000 to $125,000 through 2017, with interest at 5.0% to 5.125%.	910,000
$970,000 2006 Refunding Improvement Bonds #10506, due in annual installments of $65,000 to $70,000 through 2021, with interest at 4.0%.	855,000
$1,850,000 2007 Refunding Improvement Bonds #10607, due in annual installments of $95,000 to $165,000 through 2022, with interest at 3.5% to 4.375%.	1,755,000
$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of $70,000 to $195,000 through 2020, with interest at 4.0% to 4.5%.	1,850,000
Total Special Assessment Bonds	$11,165,000

Governmental activities debt service requirements to maturity (excluding compensated absences and leases payable) at December 31, 2008 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending	Special Assessment Bonds	
December 31	Principal	Interest
2009	$ 1,000,000	$ 445,894
2010	1,045,000	404,865
2011	1,065,000	361,524
2012	1,000,000	318,915
2013	1,015,000	277,009
2014-2018	4,380,000	782,394
2019-2021	1,660,000	100,369
Totals	$11,165,000	$2,690,970

Proprietary Funds – Revenue Bonds:

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

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

Enterprise Revenue Bonds – Set Payment Schedules:

$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; due in annual installments of $20,000 through 2018, with interest at 2.5%.	$ 200,000
$1,062,366 of 1993 Revenue Bonds, due in annual installments of $55,000 to $62,366 through 2014, with interest at 2.5%.	357,366
$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of $90,000 to $126,000 through 2023, with interest at 2.5%.	1,603,000
$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%.	300,000
Total Enterprise Revenue Bonds	$2,460,366

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

BUSINESS-TYPE ACTIVITIES		
Year Ending	Revenue Bonds Payable	
December 31	Principal	Interest
2009	$ 180,000	$ 61,509
2010	187,000	57,009
2011	194,000	52,334
2012	196,000	47,485
2013	199,000	42,584
2014-2018	792,366	145,909
2029-2023	712,000	54,450
Totals	$2,460,366	$461,280

NOTE 13: CDBG LOAN PAYABLE

The City has obtained Community Development Block Grant (CBDG) 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, 2008, there was a CDBG loan outstanding, with an aggregate principal amount payable of $69,200. The City receives reimbursement for payments made on this loan payable.

NOTE 14: GRANT MATCH PAYABLE

The City has contingent grant match payables reported in the sales tax operating (320) and sales tax contingency (321) funds. The $150,000 match in fund 320 is recorded as an accrued liability per Council action 8/6/7 as requested by the ND Dept. of Commerce in reference to bonus payments for consulting contracts for the marketing of the former Imation buildings. The $159,500 grant reserves in fund 321 are related to ND DOT Traffic Enhancement grant matches and Safe Routes to Schools sidewalk improvement grant matches.

NOTE 15: 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.

NOTE 16: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to $2,261,931 for public assets (mobile equipment and portable property) coverage.

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

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

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

NOTE 17: 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, 2008, 2007 and 2006, were $1,989, $1,563, and $1,487, 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 7.12% to reduce the employee contribution from 4% to 2% 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, 2008, 2007 and 2006 were $69,136, $88,124, and $69,522, respectively, equal to the required contributions for the year.

NOTE 18: FUND DEFICITS

The following funds were in a deficit position at December 31, 2008:

	Balance
Vector Control	$ (85)
5-1-97 Flood Phase II	(300,966)
1-1-04 Rosewood II	(43,573)
Dakota Avenue Reconstruction 2008	(13,068)
11th Street Shared Use Path	(66,529)
Dakota Avenue Side Streets	(16,345)
Southside Storm Sewer	(14,488)
Total	$(455,054)

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

NOTE 19: PRIOR PERIOD ADJUSTMENTS

The beginning net assets and fund balances at January 1, 2008 were missing grant match payable that existed at December 31, 2007. Additionally, a small portion of special assessment bonds payable that were reported in the enterprise funds were entirely paid by governmental funds and reclassified to governmental activities. The adjustments are as follows:

	Governmental Activities
Net Assets Equity as previously reported	$14,843,299
Adjustments to restate the January 1, 2008 net assets equity for missed capital assets:	
Grant Match Payable	(150,000)
CDBG Loan Payable	(81,200)
Special Assessment Bonds Payable	(13,371)
Net Assets Equity January 1, 2008 as restated	$14,598,728

	Governmental Activities
Fund Balances as previously reported	$8,686,231
Adjustments to restate the January 1, 2008 fund balances as noted below:	
Grant Match Payable	(150,000)
CDBG Loan Payable	(81,200)
Fund Balances January 1, 2008 as restated	$8,455,031

	Enterprise
Net Assets Equity as previously reported	$4,862,084
Adjustments to restate the January 1, 2008 net assets equity for missed capital assets:	
Special Assessment Bonds Payable	13,371
Net Assets Equity January 1, 2008 as restated	$4,875,455

NOTE 20: CONSTRUCTION COMMITMENTS

The City of Wahpeton had the following open construction contracts on various projects with balances owing at December 31, 2008:

Project	Contractor	Contract Amount	Total Completed	Remaining Balance
Phase I Interceptor Sewer	GEO E. Haggert	$161,801	$ -	$161,801
Phase II 16th Ave. & 210B	Interstate Engineering	15,990	13,479	2,511
Phase III 17th Ave. & Commerce	Interstate Engineering	71,199	51,681	19,518
Total		$248,990	$65,160	$183,830

2008 Project	Contractor	Contract Amount	Total Completed	Remaining Balance
Armory Renovations	Comstock Construction	$ 839,462	$ 755,516	$ 83,946
Armory Renovations (CDBG)	Comstock Construction	13,690	12,321	1,369
Armory Parking Lot	Mark Sand & Gravel	127,831	51,687	76,144
Airport Drainage Project	Comstock Construction	558,455	212,865	345,590
11th St. Shared Use Path	Mark Sand & Gravel	294,577	174,376	120,201
South Side Drainage Basin	Interstate Engineering	39,234	14,373	24,862
Dakota Ave. Side Streets	Interstate Engineering	98,096	16,345	81,751
Total		$1,971,345	$1,237,483	$733,863

NOTE 21: BUDGET TO ACTUAL RECONCILIATION

A lease issued in 2008 paid by fund 229 (Capital Improvements) is not included in the budgetary comparison schedule but is included in the combined statement of revenues, expenditures and changes in fund balances. The reconciliation is provided below:

Capital Improvements	Combined Statement	Adjustment	Budget to Actual Statement
Expenditures	$367,644	$(127,109)	$240,535
Lease Proceeds	127,109	(127,109)	-

NOTE 22: SUBSEQUENT EVENT - FLOODING

The city and surrounding communities were impacted by spring flooding. As a result the city incurred costs to fight the flood and will continue to incur costs for home buy outs and for protection. The financial impact to the county should be minimal as the county expects to be reimbursed primarily by federal and state funds.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 656,121	$ 719,840	$ 719,840	$ -
Licenses, permits and fees	447,327	485,126	476,658	(8,468)
Fines and forfeits	169,000	160,330	144,568	(15,762)
Intergovernmental	790,546	875,684	891,279	15,595
Charges for services	2,300	11,015	11,015	-
Interest income	190,000	79,168	79,168	-
Miscellaneous income	26,173	27,688	27,378	(310)
Total Revenues	$ 2,281,467	$ 2,358,851	$ 2,349,906	$ (8,945)
Expenditures:				
Current:				
General government	$ 542,994	495,944	$ 484,233	$ 11,711
Public safety	1,338,038	1,323,600	1,279,252	44,348
Public works	489,521	498,068	498,068	-
Culture and recreation	92,484	132,185	132,185	-
Other	15,000	8,216	8,216	-
Total Expenditures	$ 2,478,037	$ 2,458,013	$ 2,401,954	$ 56,059
Excess (Deficiency) of Revenues Over Expenditures	$ (196,570)	$ (99,162)	$ (52,048)	$ 47,114
Other Financing Sources (Uses):				
Transfers in	$ 285,434	$ 288,137	$ 288,137	$ -
Transfers out	(88,864)	(145,875)	(145,875)	-
Total Other Financing Sources and Uses	$ 196,570	$ 142,262	$ 142,262	$ -
Net Change in Fund Balances	$ -	$ 43,100	$ 90,214	$ 47,114
Fund Balance - January 1	$ 470,257	$ 470,257	$ 470,257	$ -
Fund Balance - December 31	$ 470,257	$ 513,357	$ 560,471	$ 47,114

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ -	$ 9,789	$ 9,789	$ -
Interest income	30,000	19,168	19,168	-
Miscellaneous income	-	2,003	2,003	-
Total Revenues	$ 30,000	$ 30,960	$ 30,960	$ -
Expenditures:				
Current:				
General Government	$ 30,000	$ 5,115	$ 5,115	$ -
Public Safety	28,000	36,535	36,535	-
Public Works	24,000	137,957	137,957	-
Debt Service:				
Principal	67,400	54,422	54,422	-
Interest and Fees	-	6,506	6,506	-
Total Expenditures	$ 149,400	$ 240,535	$ 240,535	$ -
Excess (Deficiency) of Revenues Over Expenditures	$ (119,400)	$ (209,575)	$ (209,575)	$ -
Other Financing Sources (Uses):				
Transfers in	$ 111,316	$ 163,375	$ 163,375	$ -
Net Change in Fund Balances	$ (8,084)	$ (46,200)	$ (46,200)	$ -
Fund Balance - January 1	$ 769,996	$ 769,996	$ 769,996	$ -
Fund Balance - December 31	$ 761,912	$ 723,796	$ 723,796	$ -

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX OPERATING FUND
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Sales taxes	$ 501,893	$ 527,818	$ 532,650	$ 4,832
Interest income	50,000	13,822	13,822	-
Miscellaneous income	-	7,970	7,970	-
Total Revenues	$ 551,893	$ 549,610	$ 554,442	$ 4,832
Expenditures:				
Current:				
Economic Development	$ 409,393	$ 443,156	$ 443,156	$ -
Excess (Deficiency) of Revenues Over Expenditures	$ 142,500	$ 106,454	$ 111,286	$ 4,832
Other Financing Sources (Uses):				
Transfers out	$ (170,000)	$ (160,016)	$ (160,016)	$ -
Net Change in Fund Balances	$ (27,500)	$ (53,562)	$ (48,730)	$ 4,832
Fund Balance - January 1	$ 1,493,556	$ 1,493,556	$ 1,493,556	$ -
Prior Period Adjustment	(150,000)	(150,000)	(150,000)	-
Fund Balance - January 1, as restated	$ 1,343,556	$ 1,343,556	$ 1,343,556	$ -
Fund Balance - December 31	$ 1,316,056	$ 1,289,994	$ 1,294,826	$ 4,832

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX RESERVE FUND
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Sales taxes	$ 250,947	$ 263,909	$ 266,325	$ 2,416
Intergovernmental	-	11,350	11,350	-
Interest income	20,000	31,789	31,789	-
Miscellaneous income	-	4,777	4,777	-
Total Revenues	$ 270,947	$ 311,825	$ 314,241	$ 2,416
Expenditures:				
Current:				
Capital Outlay	$ 1,253,221	$ 1,327,861	$ 1,404,004	$ (76,143)
Excess (Deficiency) of Revenues Over Expenditures	$ (982,274)	$ (1,016,036)	$ (1,089,763)	$ (73,727)
Other Financing Sources (Uses):				
Transfers out	$ (40,000)	$ -	$ -	$ -
Net Change in Fund Balances	$ (1,022,274)	$ (1,016,036)	$ (1,089,763)	$ (73,727)
Fund Balance - January 1	$ 1,217,857	$ 1,217,857	$ 1,217,857	$ -
Fund Balance - December 31	$ 195,583	$ 201,821	$ 128,094	$ (73,727)

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Loan receivable receipts	$ -	$ 9,245	$ 9,245	$ -
Interest income	30,000	29,864	29,864	-
Miscellaneous income	-	1,269	1,269	-
Total Revenues	$ 30,000	$ 40,378	$ 40,378	$ -
Expenditures:				
Current:				
Economic Development	$ -	$ 210,503	$ 123,111	$ 87,392
Excess (Deficiency) of Revenues Over Expenditures	$ 30,000	$ (170,125)	$ (82,733)	$ 87,392
Other Financing Sources (Uses):				
Transfers in	$ -	$ -	$ -	$ -
Net Change in Fund Balances	$ 30,000	$ (170,125)	$ (82,733)	$ 87,392
Fund Balance - January 1	$ 1,365,110	$ 1,365,110	$ 1,365,110	$ -
Prior Period Adjustment	(81,200)	(81,200)	(81,200)	-
Fund Balance - January 1, as restated	$ 1,283,910	$ 1,283,910	$ 1,283,910	$ -
Fund Balance - December 31	$ 1,313,910	$ 1,113,785	$ 1,201,177	$ 87,392

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

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

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, 2008

	Balance 1-1-08	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-08
Major Funds:							
General Fund	$ 327,513.70	$ 2,358,850.67	$ 288,136.80	$ -	$ 145,875.04	$ 2,458,012.43	$ 370,613.70
Capital Improvements	$ 769,996.06	$ 30,960.13	$ 163,375.04	$ -	$ -	$ 240,534.66	$ 723,796.57
Sales Tax Operating Fund	1,292,361.58	549,609.96	-	-	160,016.13	443,155.55	1,238,799.86
Sales Tax Reserve	1,192,259.55	311,825.29	-	-	-	1,327,860.95	176,223.89
Revolving Loan Fund	1,371,302.57	40,377.95	-	-	-	210,502.63	1,201,177.89
Total Major Funds	$ 4,953,433.46	$ 3,291,624.00	$ 451,511.84	$ -	$ 305,891.17	$ 4,680,066.22	$ 3,710,611.91
Nonmajor Funds:							
Special Revenue Funds:							
Armory Operating	$ 45,912.31	$ -	$ -	$ -	$ -	$ 8,636.56	$ 37,275.75
Advertising	20,971.39	29,408.83	-	-	-	21,059.88	29,320.34
Airport	3,067.92	55,338.12	-	-	-	54,615.56	3,790.48
Planning Commission	33,512.73	35,167.70	-	-	-	30,939.35	37,741.08
Band Levy	267.67	3,654.21	-	-	-	-	3,921.88
Social Security Levy	19,315.82	86,832.43	-	-	87,208.27	86.00	18,853.98
Retirement Levy	48,667.82	38,241.44	14,200.00	-	71,654.16	-	29,455.10
Employee Safety Committee	7,759.59	479.90	-	-	-	1,188.00	7,051.49
Fire Department Levy	118,889.12	153,698.01	-	-	24,600.00	70,705.82	177,281.31
Assistance to Firefighters Grant	-	195,546.36	-	-	-	187,117.62	8,428.74
Real Estate Levy	184,213.01	51,607.19	14,984.57	-	141,512.15	2,483.06	106,809.56
Special Street Maintenance	129,648.15	88,157.45	-	-	-	176,010.83	41,794.77
Snow/Flood Emergency	38,847.71	13,574.88	-	-	-	37,766.17	14,656.42
Levee Maintenance	-	-	60,507.79	-	-	60,507.79	-
City Share of Specials	31,222.90	76,761.92	-	-	-	59,517.05	48,467.77
Ambulance Levy	5,318.87	27,624.15	-		-	24,999.96	7,943.06
Unemployment Reserve	42,690.18	156.25	-	-	-	1,243.01	41,603.42
Economic Development	-	353.20	160,016.13	-	-	160,369.33	-
Professional Development Fund	807.68	-	-	-	-	-	807.68
Miscellaneous Fund	113.55	3,470.80	-	-	-	3,471.06	113.29
Vector Control	306.23	1,040.49	-	-	-	1,431.46	(84.74)
1% Additional Lodging Tax 1-1-08	-	12,478.07	-	-	-	3,633.00	8,845.07
Job Development Levy	127,221.56	27,074.25	-	-	-	2,083.34	152,212.47
Weed Maintenance Levy	33,409.31	36,082.11	-	-	12,105.37	9,904.43	47,481.62
Lodging Tax	21,035.91	33,596.94	-	-	-	16,239.40	38,393.45
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	25,993.28	-	-	-	-	6,735.45	19,257.83
Sales Tax Help Fund	347,144.54	15,242.25	-	-	-	1,363.40	361,023.39
CDC	13,760.47	213.89	-	-	-	-	13,974.36
Handicapped Parking Fines	-	510.00	-	-	-	510.00	-
Employee Bonus/Retirement	38,601.47	-	-	-	-	328.14	38,273.33
Gasoline, Oil, Etc.	6,989.08	-	-	-	-	3,776.12	3,212.96
Local Law Enforcement Block Grant	5.15	-	-	-	-	-	5.15
Police Dept. Radio Sinking Fund	10,000.00	-	2,500.00	-	-	-	12,500.00
Police Dept. Canine Unit Fund	8,706.50	142.27	-	-	-	1,318.06	7,530.71
Community Policing Fund	1,410.35	16.04	-	-	-	85.62	1,340.77
Golf Club Donations	-	1,750.00	-	-	-	1,750.00	-
Clubhouse Maintenance	23,598.43	28,840.39	-	-	-	50,216.50	2,222.32
Sidewalk Maintenance	30,429.71	-	-	-	-	3,682.65	26,747.06
Downtown Cleanup Fund	11,962.15	-	-	-	-	-	11,962.15
Downtown Development Process	13,483.08	-	-	-	-	-	13,483.08
Comm. Emergency Response (CERT)	1,454.28	2,615.75	-	-	-	2,748.06	1,321.97
Christmas Decorating Fund	169.00	-	-	-	169.00	-	-
Total Special Revenue Funds	$ 2,050,662.40	$ 1,019,675.29	$ 252,208.49	$ -	$ 337,248.95	$ 1,006,522.68	$ 1,978,774.55
Debt Service Funds:							
Special Assessment Deficiency	$ 159,782.99	$ 1,004.08	$ -	$ -	$ -	$ -	$ 160,787.07
Tax Increment Fund	-	88,534.40	-	-	5,000.00	-	83,534.40
City Hall Building Sinking Fund	2,606.16	-	116,927.58	-	-	119,533.74	-
R/I 9395 Sinking Fund	143,332.90	71,252.70	-	-	-	88,665.00	125,920.60
R/I 9596 Sinking Fund	294,645.96	117,298.56	-	-	-	128,418.76	283,525.76
R/I 9698 Sinking Fund	14,338.57	24,852.65	182,834.01	-	-	207,702.50	14,322.73
R/I 9800 Sinking Fund	53,383.91	67,431.91	-	-	-	75,860.00	44,955.82
R/I 9902 Sinking Fund	298,882.44	159,894.05	-	-	-	164,228.00	294,548.49

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CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2008

	Balance 1-1-08	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-08
CONTINUED:							
Debt Service Funds (Continued):							
R/I 10003 Sinking Fund	$ 132,500.87	$ 1,681.18	$ -	$ -	$ -	$ 56,969.50	$ 77,192.55
R/I 10303 Sinking Fund	444,289.14	210,387.91	-	-	-	206,296.00	448,381.05
R/I 10405 Sinking Fund	184,198.00	-	178,262.50	-	-	178,262.50	184,198.00
R/I 10506 Sinking Fund	71,250.72	109,799.52	-	-	-	106,729.00	74,321.24
R/I 10607 Sinking Fund	164,000.00	-	164,000.00	-	-	162,557.90	165,442.10
R/I 10708 Sinking Fund	-	1,923.39	7,182.08	-	-	-	9,105.47
Total Debt Service Funds	$ 1,963,211.66	$ 854,040.35	$ 649,206.17	$ -	$ 5,000.00	$ 1,495,222.90	$ 1,966,235.28
Capital Projects Funds:							
1/2 Sales Tax Fund	$ 468,186.80	$ 527,818.11	$ -	$ -	$ 585,604.30	$ -	$ 410,400.61
5-1-97 Flood Phase II	133,672.68	5,800.00	-	-	-	440,438.75	(300,966.07)
1-1-04 Rosewood II	(43,573.05)	-	-	-	-	-	(43,573.05)
Phase I Interceptor Sewer	(187,420.15)	-	-	191,425.68	-	4,005.53	-
Ph II 15th Ave. & 210B Intersection	(212,640.78)	-	-	217,974.73	-	5,333.95	-
Ph III 19th St. & 16th Ave.	(14,191.00)	-	-	558,539.41	7,182.08	537,166.33	-
Ph III 17th Ave. Westside Dev.	(836,317.05)	-	-	860,741.01	-	24,423.96	-
Dakota Ave. Reconstruction 2008	(12,688.70)	-	-	-	-	379.50	(13,068.20)
11th Street Shared Use Path	-	141,122.89	-	-	-	207,651.55	(66,528.66)
Dakota Avenue Side Streets	-	-	-	-	-	16,345.15	(16,345.15)
Soutside Storm Sewer	-	-	-	-	-	14,487.50	(14,487.50)
Total Capital Projects Funds	$ (704,971.25)	$ 674,741.00	$ -	$ 1,828,680.83	$ 592,786.38	$ 1,250,232.22	$ (44,568.02)
Total Nonmajor Funds	$ 3,308,902.81	$ 2,548,456.64	$ 901,414.66	$ 1,828,680.83	$ 935,035.33	$ 3,751,977.80	$ 3,900,441.81
Total Governmental Activities	$ 8,262,336.27	$ 5,840,080.64	$ 1,352,926.50	$ 1,828,680.83	$ 1,240,926.50	$ 8,432,044.02	$ 7,611,053.72
Major Enterprise Funds:							
Water Operating	$ 713,812.33	$ 960,184.71	$ -	$ -	$ 112,000.00	$ 894,012.30	$ 667,984.74
Meter Deposits	5,259.75	-	-	-	-	946.98	4,312.77
Total Water Operating - Major	$ 719,072.08	$ 960,184.71	$ -	$ -	$ 112,000.00	$ 894,959.28	$ 672,297.51
Sewer Operating	$ 237,133.53	$ 445,647.92	$ -	$ -	$ -	$ 415,528.41	$ 267,253.04
Nonmajor Enterprise Funds:							
Waste Removal	$ 51,447.63	$ 225,606.92	$ -	$ -	$ -	$ 224,368.78	$ 52,685.77
Waste Reduction	75,004.51	15,198.88	-	-	-	14,826.79	75,376.60
Total Waste Fund	$ 126,452.14	$ 240,805.80	$ -	$ -	$ -	$ 239,195.57	$ 128,062.37
Vector Control	$ 63,908.52	$ 43,412.19	$ -	$ -	$ -	$ 41,362.83	$ 65,957.88
Street Lights	$ 8,929.78	$ 95,487.34	$ -	$ -	$ -	$ 93,166.45	$ 11,250.67
Total Nonmajor Enterprise Funds	$ 199,290.44	$ 379,705.33	$ -	$ -	$ -	$ 373,724.85	$ 205,270.92
Total Enterprise Funds	$ 1,155,496.05	$ 1,785,537.96	$ -	$ -	$ 112,000.00	$ 1,684,212.54	$ 1,144,821.47
Total Primary Government	$ 9,417,832.32	$ 7,625,618.60	$ 1,352,926.50	$ 1,828,680.83	$ 1,352,926.50	$ 10,116,256.56	$ 8,755,875.19
Component Unit:							
Library	$ 55,262.27	$ 225,188.33	$ -	$ -	$ -	$ 207,203.19	$ 73,247.41
Total Reporting Entity	$ 9,473,094.59	$ 7,850,806.93	$ 1,352,926.50	$ 1,828,680.83	$ 1,352,926.50	$ 10,323,459.75	$ 8,829,122.60

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the State Department of Transportation:			
Highway Planning and Construction	20.205	None	$ 141,123
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	None	5,000
Total U.S. Department of Transportation			$ 146,123
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Passed through the State Division of Community Services:			
Community Development Block Grants / Entitlement Grants	14.228	2326-CD07-SL08-ED	$ 223,138
Community Development Block Grants / Entitlement Grants	14.228	2216-CD07-PF	11,135
Community Development Block Grants / Entitlement Grants	14.228	2343-CD08SL-ED	3,000
Total U.S. Department of Housing and Urban Development			$ 237,273
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Passed through the State Division of Emergency Management:			
Assistance to Firefighter's Grant	97.044	None	$ 186,020
Law Enforcement Terrorism Prevention Program	97.074	None	8,294
Total Department of Homeland Security			$ 194,314
Total Expenditures of Federal Awards			$ 577,710

NOTES: BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the year ended December 31, 2008 as determined based on the modified accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the accounting records from which the financial statements have been reported.

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LOCAL GOVERNMENT DIVISION:
FARGO OFFICE
MANAGER - DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, ND 58505

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

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 14, 2009. 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 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council, 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

September 14, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council
City of Wahpeton
Wahpeton, North Dakota

Compliance

We have audited the compliance of the City of Wahpeton, North Dakota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the City of Wahpeton, North Dakota's management. Our responsibility is to express an opinion on the City of Wahpeton, North Dakota's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wahpeton, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wahpeton, North Dakota's compliance with those requirements.

In our opinion, City of Wahpeton, North Dakota, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of Wahpeton, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Wahpeton, North Dakota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in the City of Wahpeton's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Wahpeton's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Wahpeton's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Wahpeton's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council and others within the City of Wahpeton, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robert R. Peterson
State Auditor

September 14, 2009

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

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 Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control over financial reporting: Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X No
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal Control over major programs: Material Weakness Identified?	____ Yes	X No
Reportable conditions identified not considered to be material weaknesses?	____ Yes	X 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)?	____ Yes	X No

Identification of major programs:

CFDA Number	Name of Federal Program Or Cluster
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

COMMUNICATION WITH BOARD

CITY OF WAHPETON
WAHPETON, NORTH DAKOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

OFFICE OF THE STATE AUDITOR
LOCAL GOVERNMENT DIVISION
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MANAGEMENT LETTER

City Council
City of Wahpeton
Wahpeton, North Dakota

Our audit of the financial records, including 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, for the year ended December 31, 2008 has disclosed an opportunity for improvement in the operations of the City. The following item which we believe should be brought to your attention is set forth below:

* * * * * * * * * *

OVERSPENT FUNDS

During 2008, several non-major special revenue funds were overspent and the sales tax reserve fund was overspent due to an audit adjustment for accounts payable. Additionally, it was noted that each major fund budgeted expenditures and revenues were amended to "actual" client general ledger amounts at the February 2, 2009 meeting. Additionally, the City received a firefighter's grant that was not budgeted, nor amended. There is no state law regarding overspent city funds.

We recommend that the City Council amend any special revenue expenditure fund budgets which are overspent, including non-budgeted and overspent grant funds. We further recommend that budget amendments are done for fund expenditures that are overspent at year-end, but not to simply actual general ledger amounts to account for potential accounts payable.

* * * * * * * * * *

This report is intended for the information of the City Council and management. However, this report is a matter of public record and its distribution is not limited.

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

Robert R. Peterson
State Auditor

September 14, 2009

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City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wahpeton, North Dakota for the year ended December 31, 2008 which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 14, 2009. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

As stated in our engagement letter dated December 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Wahpeton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Wahpeton's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Wahpeton's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Wahpeton's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Wahpeton are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2008. We noted no transactions entered into by the City of Wahpeton during the year ended December 31, 2008 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Wahpeton that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Wahpeton's financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles".

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

There were no major issues regarding the application of accounting principles and auditing standards discussed with management. Any discussions that occurred were in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

This letter is intended for the information and of the City Council and management. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

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

Robert R. Peterson
State Auditor

September 14, 2009