OFFICE OF THE STATE AUDITOR

CITY OF WAHPETON
Wahpeton, North Dakota

Audit for the Year Ended

December 31, 2012

CITY OF WAHPETON
Wahpeton, North Dakota

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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

City Commission
City of Wahpeton
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4 - 12 and 43 - 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013 on our consideration of the City of Wahpeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit per-formed in accordance with Government Auditing Standards in considering City of Wahpeton's internal control over financial reporting and compliance.

Robert R. Peterson
State Auditor

April 10, 2013

The Management's Discussion and Analysis (MD&A) of the City of Wahpeton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. The intent of the MD&A is to look at the City's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- Change in Net Position: Governmental assets exceeded liabilities (net position) by $38,841,311 at the close of the most recent fiscal year. Of this amount, $824,571 (unrestricted net position) may be used to meet the government's ongoing obligations. The total net position of governmental activities of the City of Wahpeton increased by $892,889 as a result of the most recently completed fiscal year's operations. Business-type assets exceeded liabilities by $6,710,359 at the close of the most recent fiscal year. Net position of the business-type activities increased by $44,066 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were $7,221,337 for governmental activities and $7,563,457 on the modified accrual basis. Revenues from property taxes were $1,640,866 in the current fiscal year compared to $1,561,186 in the prior year. Governmental expenditures exceeded revenues by $4,245,788 in the governmental fund-based statements and governmental funds reported combined ending fund balances of $9,841,140. Approximately 20% ($2,029,154) of this is available for spending at the government's discretion (committed and unassigned fund balances). The large difference between revenue and expenditures is attributed primarily to the timing of a bond refinancing of $3,290,000 that was fully funded in December 2011 with the bond calls occurring in March of 2012.
- General fund revenues were $2,821,652 and general fund expenditures were $2,951,170. General fund expenditures exceeded revenues by $129,518 and there were net transfers into the general fund general fund totaling $201,540. Unassigned fund balance for the general fund was $821,963 or 28% of the total 2012 general fund expenditures.
- Total revenues from all sources were $2,478,706 for business-type activities for the year ended December 31, 2012.
- Total expenses were $6,278,557 for governmental activities on the government-wide basis and total expenditures were $11,809,245 on the modified accrual basis. The total expenses of business-type activities were $2,484,531.
- Refunding improvement special assessment bonded debt of $1,815,000 was issued to re-finance bond series 2005 at $1,215,000 and bond series 2006 at $600,000. The estimated net present value savings of the refinanced issues are $115,259 and $58,985 respectively.
- A prior period adjustment totaling $6,019,074 for governmental activities was done on the statement of activities for previously missed infrastructure and construction in progress capital assets, and misclassified land. Prior period adjustment to beginning enterprise activities and the sewer fund for capital assets totaled $7,040 increase to beginning net position.

USING THIS ANNUAL REPORT

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Wahpeton's finances, in a manner similar to a private-sector business and to answer the question "How did the City do financially during the year ended December 31, 2012?"

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

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

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

The government-wide financial statements include 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 13-22 of this report.

Fund Financial Statements

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

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

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

Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following other major funds: capital improvements fund, sales tax economic development fund, revolving loan fund, debt service fund and the capital projects fund. Data from the other 46 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 economic development fund, revolving loan fund, and the debt service "fund".

The governmental fund statements may be found on pages 15-18 of this report.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-42 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following two tables' present condensed information on the City's Net Position and Changes in Net Position for the fiscal year ended December 31, 2012 and 2011. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Wahpeton, assets exceeded liabilities by $38,841,311 at the close of the most recent fiscal year for governmental activities and $6,710,359 for enterprise business-type activities. The City of Wahpeton's net position includes its net 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 $23,497,993 for governmental activities and $5,661,823 for business type activities, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1
NET POSITION – GOVERNMENTAL ACTIVITIES
December 31, 2012 and 2011 (as restated)

	2012 Government	2011 Governmental
Assets:		
Current Assets	$10,391,879	$12,318,046
LT Uncertified Spec. Assmts. Rec.	5,446,966	6,476,408
Capital Assets (net of accum. depreciation)	37,644,924	36,541,425
Total Assets	$53,483,769	$55,335,879
Liabilities:		
Current Liabilities	$ 380,717	$ 2,031,691
Long-Term Liabilities	14,261,741	15,355,766
Total Liabilities	$14,642,458	$17,387,457
NET POSITION:		
Net Investment in Capital Assets	$23,497,993	$19,554,401
Restricted	14,518,747	17,629,015
Unrestricted	824,571	765,006
Total Net Position	$38,841,311	$37,948,422

TABLE 1
NET POSITION – BUSINESS-TYPE ACTIVITIES
December 31, 2012 and 2011 (as restated)

	2012 Government	2011 Governmental
Assets:		
Current Assets	$1,157,657	$1,135,393
Capital Assets (net of accum. depreciation)	7,365,189	7,517,820
Total Assets	$8,522,846	$8,653,213
Liabilities:		
Current Liabilities	$ 76,551	$ 254,045
Long-Term Liabilities	1,735,936	1,732,875
Total Liabilities	$1,812,487	$1,986,920
NET POSITION:		
Invested in Capital Assets, net of Related Debt	$5,661,823	$5,618,454
Unrestricted	1,048,536	1,047,839
Total Net Position	$6,710,359	$6,666,293

A large portion of the City of Wahpeton's net position totaling $14,518,747 (37%) represents resources that are subject to external restrictions on how they may be used (debt service and other special purposes financed by restricted tax levies). At the end of the 2012, the City of Wahpeton is able to report an increase in net position of $892,889 in addition to a prior period adjustment in capital assets of $6,019,074. Current assets decreased ($1,926,167) (16%) for governmental activities, noncurrent assets of uncertified special assessments receivable decreased ($1,029,442) (16%), and capital assets net of accumulated depreciation increased $1,103,499 with the capitalization of stage 3 of the flood mitigation project and the prior period adjustment stated above. Total net position for business-type activities increased nominally at $44,066 with additional revenues being applied to meet maintenance needs in the enterprise funds.

TABLE II
CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES
As of December 31, 2012 and 2011 (as restated)

Revenues	FY2012	FY2011
Program Revenues:		
Charges for Services	$ 580,904	$ 650,578
Operating Grants & Contributions	757,398	1,065,125
Capital Grants & Contributions	1,132,682	7,939,809
General Revenues:		
Property Taxes	1,640,866	1,561,186
Sales Taxes	2,018,238	1,922,142
Non restricted grants and contributions	815,974	648,299
Unrestricted Investment Earnings	35,434	125,595
Miscellaneous Revenue	239,841	794,395
Transfers	(49,891)	41,000
Total Revenues & Transfers	$ 7,171,446	$14,748,129
Expenses		
General Government	$ 1,086,085	$ 627,974
Public Safety	1,655,341	1,540,912
Public Works	2,494,777	1,913,897
Culture and Recreation	345,324	238,857
Economic Development	289,714	392,018
Capital outlay	-	947,374
Other	13,030	269,148
Interest and Service Charges	394,286	522,000
Total Expenses	$ 6,278,557	$ 6,452,180
Net Change in Assets	$ 892,889	$ 8,295,949
Net Position - January 1	$31,929,348	$22,907,829
Prior period adjustment	6,019,074	725,570
Net position - December 31	$38,841,311	$31,929,348

General Government Revenues: Charges for Services constituted 8%, operating grants and contributions were 11%, capital grants & contributions constituted 16%, property taxes constituted 23%, sales taxes constituted 28%, non restricted operating grants and contributions 11%, unrestricted investment earnings .5%, miscellaneous revenue 3% and transfers constituted -.7% of total revenues and transfers of governmental activities of the City for year ended December 31, 2012. General government revenues were ($7,576,683) 51% less than the preceding year.

General Government Expenses: General government constituted 17%, public safety 26%, public works 40%, culture and recreation 6%, economic development 5%, miscellaneous expenses .20%, and interest and service charges at 6% of total expenses for governmental activities for the year ended December 31, 2012. General government expenses were ($173,623) 3% less than the preceding year.

The City of Wahpeton's total net position for governmental activities increased by $892,889 (3%) for the year ended December 31, 2012. The net increase is primarily due to growth in capital assets. Capital grants and contributions were significantly lower than the preceding period indicative of lower activity levels in projects coordinated with outside entities including the Army Corps of Engineers and the North Dakota Department of Transportation. Revenues from property taxes and sales taxes both increased 5% over the preceding year. Expenses for general government increased $458,111 predominately in the special revenue funds with a pass through of $240,000 in easement proceeds for the Breckenridge, MN flood control project, the disbursement of $108,000 for equipment replacement needs, and a $56,000 jobs development grant for the addition of up to 30 jobs at a local manufacturer in a $5,000,000 expansion project.

TABLE II
CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES
As of December 31, 2012 and 2011 (as restated)

Revenues	FY2012	FY2011
Program Revenues:		
Charges for Services - Water	$1,415,398	$1,237,784
Charges for Services - Sewer	637,495	575,302
Charges for Services - Other	404,602	396,348
Capital contributions	-	108,778
General Revenues:		
Non restricted grants and contributions		
Unrestricted Investment Earnings	1,139	1,357
Miscellaneous Revenue	20,072	13,491
Transfers	49,891	(41,000)
Total Revenues & Transfers	$2,528,597	$2,292,060
Expenses		
Water Operating Expenses	$1,184,072	$1,074,747
Sewer Operating Expenses	807,588	676,300
NM Fund Operating Expenses	436,380	442,409
Interest and Service Charges	56,491	60,824
Total Expenses	$2,484,531	$2,254,280
Net Change in Assets	$ 44,066	$ 37,780
Net Position - January 1	$6,659,253	$6,621,473
Prior Period Adjustment	$ 7,040	$ -
Net position - December 31	$6,710,359	$6,659,253

The business type activities increased total revenues $236,537 (10%) from the preceding year, attributed to a 3% rate increase in sewer and water commodity charges, a 14% increase in gallons sold and a reduction in unaccounted for gallons of 64%. Business type activities expenses increased $230,251 (10%) from the preceding year with a $133,542 increase in meters/hydrants/manholes, an $83,199 increase in equipment/technology and a $26,102 increase in the cost of utilities related to production and distribution. The increase in net position for the business activities was $44,066 and primarily attributed to revenues in excess of expenses.

TABLE III
TOTAL AND NET COST OF SERVICES - GOVT. ACTIVITIES
As of December 31, 2012 and 2011 (as restated)

	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011
General Government	$1,086,085	$ 650,767	$ 627,974	$ 146,945
Public Safety	1,655,341	1,539,290	1,540,912	1,312,399
Public Works	2,494,777	585,306	1,913,897	(6,998,537)
Culture and Recreation	345,324	335,180	238,857	205,321
Economic Development	289,714	289,714	392,018	392,018
Other	13,030	13,030	269,148	269,148
Capital Outlay	-	-	947,374	947,374
Interest and Service Charges	394,286	394,286	522,000	522,000
Total Expenses	$6,278,557	$3,807,573	$6,452,180	$(3,203,332)

The net cost of services increased $7,010,905 with the largest area of increase in the Public Works category as capital grants/contributions were a smaller proportion of revenues than reported in the 2011 financial statements. Net costs of services increased $8,444,415 for General Government, Public Safety, Public Works and Culture & Recreation. Net cost of services decreased $1,433,510 for Economic Development, Other, Capital Outlay and Interest & Service Charges. Net expenses related to capital outlays increased significantly with a decrease in revenue from capital grants & contributions.

Financial Analysis of the Government's Funds

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

Governmental Funds – Balance Sheet

The focus of the City of Wahpeton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Wahpeton's financing requirements. In particular, unassigned and committed *fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Wahpeton's governmental funds reported combined ending fund balances of $9,841,140. The total unassigned and committed *fund balances* are $2,029,154. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending because it has already been committed to pay debt service $2,765,986 related to capital improvements, and is reserved for inventories $10,788 and loans $902,144. Total fund balances of governmental funds decreased by $2,081,556 (18%) primarily due to a decrease in loans receivable with several loans outstanding being paid in full in 2012 reducing the loans receivable by $1,359,040 and the disbursement on bond refinancing proceeds collected in December of 2011 and proceeds paid to the series 2007 bondholders in January 2012 totaling $1,470,378.

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

It is noted that total revenues for governmental funds decreased $294,891 (4%) for the year ended December 31, 2012 going from $7,858,348 to $7,563,457. The revenue decrease was attributed to the Sales Tax for Economic Development Fund termination of the spec home program and fewer dollars from the State of North Dakota for cost participation on capital improvement projects. Property tax collections and sales tax revenues remained strong with an increase of $176,043 (5%). Expenditures increased overall by $2,707,724 (30%) going from $9,101,521 to $11,809,245 with increased expenditures in debt service funds of $2,553,641 related to bond refinancing and an increase in general government with the pass thru of easement proceeds related to the Breckenridge, MN permanent flood control project.

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 $821,963. The fund balance of the City of Wahpeton's general fund increased by $72,022 (10%) during the current fiscal year with an increase in transfers in of $40,186, and a decrease of transfers out of $84,815. Unassigned fund balance represents 28% of total general fund expenditures. Revenues of the general fund totaled $2,821,652 and expenditures totaled $2,951,170 for the year ended December 31, 2012. Revenues of the general fund increased by $176,488 (7%) and expenditures increased $281,884 (11%). Of the increase in revenue $202,179 was attributed to increased revenues from the State of North Dakota State Aid and Highway Tax Distributions. Revenue from municipal court fines and charges for service decreased $38,074 and $17,957 respectively with an increase in uncollected fines and a decrease in services to contractors in the general funds.

The capital improvements fund balance increased $49,032 with surplus funds from the general fund transferred to the capital improvements fund at fiscal year end. The sales tax for economic development fund balance increased $34,180 due to increased sales tax collections and low project demand. The revolving loan fund balance increased $133,490 due to the sale of a Northpark spec home. The debt service funds balance decreased by $1,130,639 attributed in part to the refinancing of the series 2007 bonds funded in December 2011 and disbursed to the bondholders in January of 2012. The capital projects funds balance changed $784,425 with $744,034 in additional flood protection project relocations and permanent levee construction adjacent to the Briarwood development in Wahpeton. The other government funds balance decreased $455,216 with a disbursement of pass thru funds of $240,000 to the Bois de Sioux Golf Club for a permanent land easement and allocations of special transportation funds to public works street maintenance projects.

Proprietary Funds

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

The total net position for the enterprise funds for the year ended December 31, 2013 was $6,710,359, an increase of $51,106 (1%). Unrestricted net position of the Water Operating Fund totaled $526,180. Total increase in net position for this fund was $232,570 (9%). Total Sanitary Sewer Operating Fund net position decreased $173,369 (6%) due to expense increases in meters/manholes of $90,260 and additional operating expenses. Total other enterprise funds net position totaled $192,115 a decrease of $8,095 (4%). There was an increase of approximately $248,061 in charges for services in the business-type funds resulting in an increase in operating income of $45,403. The increase in total net position for the proprietary funds of $51,106 is attributed to the diminishing noncurrent liability for revenue bonds payable.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget for the City's general operating fund were relatively minor with expenditures equal to the amended appropriations. Realized revenues before transfers were $299,356 greater than projected creating a surplus in revenue over expense of $140,547. Transfers in were decreased $9,822 and transfers out were increased $68,523 resulting in a net increase in the general fund balance of $72,022 (10%). The general fund expenditures were amended to actual general ledger amounts for the year ended December 31, 2012, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 43-44 of this report and in Note 2 on page 30 of this report.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2012 amounted to $37,644,924 (net of accumulated depreciation), representing an increase of $1,103,499 (3%) due to a prior period adjustment for 2011 of to account for construction in progress related to the permanent flood control project. The decrease in business-type activities capital assets was $152,630 (2%) due to depreciation expense of $366,342 exceeding the capitalization of new assets.

TABLE IV
CAPITAL ASSETS - GOVT. ACTIVITIES
(Net of Accumulated Depreciation)
December 31, 2012 and 2011 (as restated)

	2012	2011
Land	$ 2,573,718	$ 2,573,718
Buildings	2,951,116	3,024,688
Equipment	2,138,948	2,044,793
Vehicles	119,915	84,700
Infrastructure	24,106,544	24,929,108
Construction in Progress	5,754,683	3,884,418
Total Capital Assets (net of accumulated depreciation)	$37,644,924	$36,541,425

TABLE IV
CAPITAL ASSETS - BUSINESS-TYPE ACTIVITIES
(Net of Accumulated Depreciation)
December 31, 2012 and 2011 (as restated)

	2012	2011
Buildings	$1,518,307	$1,488,190
Equipment	819,159	835,967
Vehicles	7,179	10,768
Infrastructure	5,020,544	5,182,894
Total Capital Assets (net of accumulated depreciation)	$7,365,189	$7,517,819

Additional information on the City of Wahpeton's capital assets can be found in note 11 of this report found on pages 32-34.

DEBT ADMINISTRATION

At year-end the City had total long-term debt and compensated absences for governmental activities totaling $14,261,741, a net overall decrease of $2,834,877 (17%) over the prior year. The decrease was a result of normally scheduled debt payments on existing debt combined with the prepayment of the series 2007 bonds refinanced in December of 2011.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
GOVERNMENTAL ACTIVITIES
December 31, 2012 and 2011

	Total Outstanding Dec. 31, 2012	Due Within One Year	Total Outstanding Dec. 31, 2011	Due Within One Year
Leases Payable	$ 216,931	$ 69,566	$ 127,024	$ 104,893
Spec. Assmts. Bonds Payable	13,930,000	1,620,000	16,860,000	1,625,000
Compensated Absences Payable	114,810	11,481	109,594	10,959
Total Debt	$14,261,741	$1,701,047	$17,096,618	$1,740,852

Business-type activities long-term debt decreased by approximately $196,000 (10%) going from $1,932,153 to $1,735,936. The decrease was due solely to scheduled debt payments.

TABLE V
OUTSTANDING DEBT & COMPENSATED ABSENCES
BUSINESS-TYPE ACTIVITIES
December 31, 2012 and 2011

	Total Outstanding Dec. 31, 2012	Due Within One Year	Total Outstanding Dec. 31, 2011	Due Within One Year
Revenue Bonds Payable	$1,703,366	$199,000	$1,899,366	$196,000
Compensated Absences Payable	32,570	3,257	32,787	3,278
Total Debt	$1,735,936	$202,257	$1,932,153	$199,278

Note 17 to the financial statements describes the City's long-term debt in greater detail and are found on pages 35-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2013 budget included a decrease in the mill levy with a City levy rate of 124.14 mills compared to 126.22 levied for City services in 2011. The value of a mill for the City for the 2013 budget increased from $13,751 to $13,977 per mill.

Total appropriations for operations for 2013 increased by approximately $1,584,808 from 2012 levels. The increase is attributed to sales tax for economic development projects and capital improvement projects scheduled for construction in 2013. Additional debt service requirements related to refunding improvement bonds issued in March 2012. Total budgeted appropriations for the General Fund increased $152,314 (5%) with the increases primarily in the Culture & Recreation and Police department budgets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
ASSETS				
Cash, cash equivalents, and investments	$ 8,791,303	$ 977,486	$ 9,768,789	$ 95,343
Utility billings receivable	-	180,171	180,171	-
Intergovernmental receivable	465,094	-	465,094	-
Taxes receivable	61,278	-	61,278	8,691
Special assessments receivable	161,272	-	161,272	-
Loans receivable	902,144	-	902,144	-
Inventories	10,788	-	10,788	-
Long-term receivable:				
Uncertified special assessments receivable	5,446,966	-	5,446,966	-
Capital Assets (not being depreciated):				
Land	2,573,718	-	2,573,718	228,856
Construction in progress	5,754,683	-	5,754,683	-
Capital Assets (being depreciated):				
Buildings	2,951,116	1,518,307	4,469,423	53,857
Equipment	2,138,948	819,159	2,958,107	27,008
Vehicles	119,915	7,179	127,094	-
Infrastructure	24,106,544	5,020,544	29,127,088	-
Total Capital Assets	$ 37,644,924	$ 7,365,189	$ 45,010,113	$ 309,721
Total Assets	$ 53,483,769	$ 8,522,846	$ 62,006,615	$ 413,755
LIABILITIES				
Current Liabilities:				
Accounts payable & accrued expenses	$ 99,904	$ 62,611	$ 162,515	$ 707
Grant match payable	17,044	-	17,044	6,000
RLF payable	45,700	-	45,700	-
Contracts payable	165,541	-	165,541	-
Accrued interest payable	52,528	13,940	66,468	-
Total Current Liabilities	$ 380,717	$ 76,551	$ 457,268	$ 6,707
Non-Current Liabilities:				
Portion Due or Payable Within One Year:				
Leases payable	$ 69,566	$ -	$ 69,566	$ -
Special assessment bonds payable	1,620,000	-	1,620,000	-
Revenue drawdowns payable		-	-	
Revenue bonds payable	-	199,000	199,000	-
Compensated absences payable	11,481	3,257	14,738	239
Portion Due or Payable After One Year:				
Leases payable	147,365	-	147,365	-
Special assessment bonds payable	12,310,000	-	12,310,000	-
Revenue bonds payable	-	1,504,366	1,504,366	-
Compensated absences payable	103,329	29,313	132,642	2,153
Total Noncurrent Liabilities	$ 14,261,741	$ 1,735,936	$ 15,997,677	$ 2,392
Total Liabilities	$ 14,642,458	$ 1,812,487	$ 16,454,945	$ 9,099
NET POSITION				
Net investment in capital assets	$ 23,497,993	$ 5,661,823	$ 29,159,816	$ 309,721
Restricted for:				
Debt service	8,330,064	-	8,330,064	-
Public safety	163,897	-	163,897	-
Public works	345,150	-	345,150	-
Economic/Job development	3,649,106	-	3,649,106	-
Loans	902,144	-	902,144	-
Culture and recreation	372,315	-	372,315	94,935
Capital improvements	504,938	-	504,938	-
Other special purposes	251,133	-	251,133	-
Unrestricted	824,571	1,048,536	1,873,107	-
Total Net Position	$ 38,841,311	$ 6,710,359	$ 45,551,670	$ 404,656

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, 2012

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	$ 1,086,085	$ 393,906	$ 41,412	$ -	$ (650,767)		$ (650,767)	
Public safety	1,655,341	96,036	20,015	-	(1,539,290)		(1,539,290)	
Public works	2,494,777	90,542	686,247	1,132,682	(585,306)		(585,306)	
Culture and recreation	345,324	420	9,724	-	(335,180)		(335,180)	
Economic development	289,714	-	-	-	(289,714)		(289,714)	
Other	13,030	-	-	-	(13,030)		(13,030)	
Interest & fees on long-term debt	394,286	-	-	-	(394,286)		(394,286)	
Total Governmental Activities	$ 6,278,557	$ 580,904	$ 757,398	$ 1,132,682	$ (3,807,573)		$ (3,807,573)	
Business-Type Activities:								
Water operations	$ 1,233,113	$ 1,415,398	$ -	$ -	$ -	$ 182,285	$ 182,285	
Sanitary sewer operations	815,038	637,495	-	-	-	(177,543)	(177,543)	
Garbage & other enterprise	436,380	404,602	-	-	-	(31,778)	(31,778)	
Total Business-Type Activities	$ 2,484,531	$ 2,457,495	$ -	$ -	$ -	$ (27,036)	$ (27,036)	
Total Primary Government	$ 8,763,088	$ 3,038,399	$ 757,398	$ 1,132,682	$ (3,807,573)	$ (27,036)	$ (3,834,609)	
Component Unit:								
Library	$ 209,933	$ 4,011	$ 183,522	$ -				$ (22,400)
General Revenues:								
Taxes:								
Property taxes, levied for general purposes					$ 859,110	$ -	$ 859,110	$ 247,268
Property taxes, levied for special purposes					781,756	-	781,756	-
Sales taxes					2,018,238	-	2,018,238	-
State aid distribution, other unrestricted grants & contributions					815,974	-	815,974	19,023
Unrestricted investment earnings					35,434	1,139	36,573	32
Miscellaneous					239,841	20,072	259,913	12,403
Transfers					(49,891)	49,891	-	-
Total General Revenues and Transfers					$ 4,700,462	$ 71,102	$ 4,771,564	$ 278,726
Change in Net Position					$ 892,889	$ 44,066	$ 936,955	$ 256,326
Net Position - January 1					$ 31,929,348	$ 6,659,253	$ 38,588,601	$ 148,330
Prior Period Adjustments					6,019,074	7,040	6,026,114	-
Net Position - January 1, as restated					$ 37,948,422	$ 6,666,293	$ 44,614,715	$ 148,330
Net Position - December 31					$ 38,841,311	$ 6,710,359	$ 45,551,670	$ 404,656

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

CITY OF WAHPETON
Wahpeton, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	Major Funds							
	General Fund	Capital Improve-ments	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash, cash equivalents, & investments	$ 626,141	$ 680,103	$ 2,264,133	$ 630,278	$ 2,623,984	$ -	$ 1,966,664	$ 8,791,303
Intergovernmental receivable	267,766	-	54,926	-	-	142,402	-	465,094
Due from other funds	-	-	-	-	142,002	-	-	142,002
Loans receivable	-	-	23,319	878,825	-	-	-	902,144
Taxes receivable	26,827	-	-	-	8,368	-	26,083	61,278
Special assessments receivable	-	-	-	-	161,272	-	-	161,272
Long-term uncertified special assmts. rec.	-	-	-	-	5,446,966	-	-	5,446,966
Inventory	-	-	-	-	-	-	10,788	10,788
Total Assets	$ 920,734	$ 680,103	$ 2,342,378	$ 1,509,103	$ 8,382,592	$ 142,402	$ 2,003,535	$ 15,980,847
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES								
Liabilities:								
Accounts payable & accrued expenses	$ 71,944	$ -	$ -	$ -	$ -	$ 10,025	$ 17,935	$ 99,904
Grant match payable	-	-	-	-	-	-	17,044	17,044
Contracts payable	-	-	-	-	-	165,541	-	165,541
RLF payable	-	-	-	45,700	-	-	-	45,700
Due to other funds	-	-	-	-	-	142,002	-	142,002
Total Liabilities	$ 71,944	$ -	$ -	$ 45,700	$ -	$ 317,568	$ 34,979	$ 470,191
Deferred Inflows of Resources:								
Deferred property taxes	$ 26,827	$ -	$ -	$ -	$ 8,368	$ -	$ 26,083	$ 61,278
Deferred special assessments	-	-	-	-	161,272	-	-	161,272
Deferred long-term uncertified special assmts.	-	-	-	-	5,446,966	-	-	5,446,966
Total Deferred Inflows	$ 26,827	$ -	$ -	$ -	$ 5,616,606	$ -	$ 26,083	$ 5,669,516
Total Liabilites & Deferred Inflows of Resources	$ 98,771	$ -	$ -	$ 45,700	$ 5,616,606	$ 317,568	$ 61,062	$ 6,139,707
Fund Balances:								
Non-Spendable:								
Loans Receivable	$ -	$ -	$ 23,319	$ 878,825	$ -	$ -	$ -	$ 902,144
Inventory	-	-	-	-	-	-	10,788	10,788
Restricted:								
Debt service	-	-	-	-	2,765,986	-	-	2,765,986
Sales tax funds/economic develop.	-	-	2,319,059	-	-	-	742,184	3,061,243
Public works	-	-	-	-	-	-	337,708	337,708
Culture & recreation	-	-	-	-	-	-	372,196	372,196
Public safety	-	-	-	-	-	-	200,079	200,079
Other/general government	-	-	-	-	-	-	161,842	161,842
Committed:								
Sales tax funds/economic develop.	-	-	-	584,578	-	-	-	584,578
Equipment replacement	-	680,103	-	-	-	-	-	680,103
Public safety	-	-	-	-	-	-	39,820	39,820
Public works	-	-	-	-	-	-	6,747	6,747
Other	-	-	-	-	-	-	80,258	80,258
Unassigned:								
General fund	821,963	-	-	-	-	-	-	821,963
Negative fund balances	-	-	-	-	-	(175,166)	(9,149)	(184,315)
Total Fund Balances	$ 821,963	$ 680,103	$ 2,342,378	$ 1,463,403	$ 2,765,986	$ (175,166)	$ 1,942,473	$ 9,841,140
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 920,734	$ 680,103	$ 2,342,378	$ 1,509,103	$ 8,382,592	$ 142,402	$ 2,003,535	$ 15,980,847

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* of Governmental Funds		$ 9,841,140
Total *net position* reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	$ 45,372,803	
Less Accumulated Depreciation	(7,727,879)	
Net Capital Assets		37,644,924
Property taxes & special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows in the funds.		
Taxes Receivable	$ 61,278	
Special Assessments Receivable	161,272	222,550
Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		5,446,966
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net assets. Balances at December 31st are made up of the following liabilities:		
Special Assessment Bonds Payable	$ (13,930,000)	
Leases Payable	(216,931)	
Interest Payable	(52,528)	
Compensated Absences Payable	(114,810)	
Total Long-Term Liabilities		(14,314,269)
Total Net Position - Governmental Activities		$ 38,841,311

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Major Funds							
	General Fund	Capital Improve-ments	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	$ 858,261	$ -	$ -	$ -	$ -	$ -	$ 787,586	$ 1,645,847
Sales taxes	-	-	561,777	-	-	1,456,461	-	2,018,238
Special assessment taxes	-	-	-	-	1,469,821	-	-	1,469,821
Licenses, permits and fees	490,478	-	-	-	-	-	-	490,478
Fines and forfeits	88,310	-	-	-	-	-	-	88,310
Intergovernmental	1,336,710	10,015	-	-	151	51,097	175,399	1,573,372
Charges for services	2,039	-	-	-	-	-	77	2,116
Loan receivable receipts	-	-	-	10,807	-	-	-	10,807
Interest income	21,036	11,775	2,002	621	-	-	-	35,434
Miscellaneous	24,818	-	24,202	130,788	-	3,600	45,626	229,034
Total Revenues	$ 2,821,652	$ 21,790	$ 587,981	$ 142,216	$ 1,469,972	$ 1,511,158	$ 1,008,688	$ 7,563,457
Expenditures:								
Current:								
General government	$ 562,898	$ 24,697	$ -	$ -	$ -	$ -	$ 461,145	$ 1,048,740
Public safety	1,535,747	34,149	-	-	-	-	40,643	1,610,539
Public works/highways & streets	575,769	-	-	-	-	-	365,154	940,923
Culture and recreation	263,726	-	-	-	-	-	81,598	345,324
Economic development	-	-	-	3,726	-	-	287,567	291,293
Other	13,030	-	-	-	-	-	-	13,030
Capital Outlay	-	194,800	270,090	-	-	1,821,124	-	2,286,014
Debt Service:								
Principal	-	53,109	-	-	4,745,000	-	51,784	4,849,893
Interest	-	1,449	-	-	406,410	-	1,808	409,667
Fees	-	-	-	-	13,822	-	-	13,822
Total Expenditures	$ 2,951,170	$ 308,204	$ 270,090	$ 3,726	$ 5,165,232	$ 1,821,124	$ 1,289,699	$ 11,809,245
Excess (Deficiency) of Revenues Over Expenditures	$ (129,518)	$ (286,414)	$ 317,891	$ 138,490	$ (3,695,260)	$ (309,966)	$ (281,011)	$ (4,245,788)
Other Financing Sources (Uses):								
Transfers in	$ 300,282	$ 161,725	$ 16,176	$ -	$ 1,252,438	$ 504,090	$ 460,725	$ 2,695,436
Bond proceeds	-	-	-	-	1,815,000	-	-	1,815,000
Lease issuance	-	194,800	-	-	-	-	-	194,800
Transfers out	(98,742)	(21,079)	(299,887)	(5,000)	(502,817)	(978,549)	(634,930)	(2,541,004)
Total Other Financing Sources and Uses	$ 201,540	$ 335,446	$ (283,711)	$ (5,000)	$ 2,564,621	$ (474,459)	$ (174,205)	$ 2,164,232
Net Change in Fund Balances	$ 72,022	$ 49,032	$ 34,180	$ 133,490	$ (1,130,639)	$ (784,425)	$ (455,216)	$ (2,081,556)
Fund Balance - Jan. 1, as restated	$ 749,941	$ 631,071	$ 2,308,198	$ 1,329,913	$ 3,896,625	$ 609,259	$ 2,397,689	$ 11,922,696
Fund Balances - December 31	$ 821,963	$ 680,103	$ 2,342,378	$ 1,463,403	$ 2,765,986	$ (175,166)	$ 1,942,473	$ 9,841,140

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Change in *Fund Balances* - Total Governmental Funds		$ (2,081,556)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and capital contributions in the current year.		
Capital Asset Additions (Outlays)	$ 1,818,614	
Capital Asset Capital Contributions to Enterprise Funds	(204,323)	
Current Year Depreciation Expense	(1,157,416)	456,875
Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues.		651,014
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		(4,390)
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 repayments exceeded debt issuance.		
Repayment of Bonds	$ 4,745,000	
Repayment of Leases	104,893	
Lease Issuance	(194,800)	
Issuance of Bonds	(1,815,000)	2,840,093
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Change in Compensated Absences	$ (5,216)	
Net Change in Interest Payable	29,203	23,987
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes and special assessments receivable.		
Net Change in Taxes Receivable	$ (594)	
Net Change in Special Assessments Receivable	36,902	
Net Change in LT Uncertified Special Assessments Receivable	(1,029,442)	(993,134)
Change in Net Position of Governmental Activities		$ 892,889

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
December 31, 2012

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	$ 483,290	$ 292,912	$ 201,284	$ 977,486
Utility billings receivable	91,985	50,756	37,430	180,171
Total current assets	$ 575,275	$ 343,668	$ 238,714	$ 1,157,657
Noncurrent Assets:				
Capital Assets (being depreciated):				
Buildings	$ 1,465,436	$ 52,871	$ -	$ 1,518,307
Equipment	450,496	368,663	-	819,159
Vehicles	7,179	-	-	7,179
Infrastructure	1,939,507	3,081,037	-	5,020,544
Total noncurrent assets	$ 3,862,618	$ 3,502,571	$ -	$ 7,365,189
Total Assets	$ 4,437,893	$ 3,846,239	$ 238,714	$ 8,522,846
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 15,658	$ 803	$ 46,150	$ 62,611
Accrued interest payable	12,023	1,917	-	13,940
Revenue bonds payable	179,000	20,000	-	199,000
Compensated absences	2,141	1,071	45	3,257
Total current liabilties	$ 208,822	$ 23,791	$ 46,195	$ 278,808
Noncurrent Liabilities:				
Revenue bond payable	$ 1,294,366	$ 210,000	$ -	$ 1,504,366
Compensated absences	19,273	9,636	404	29,313
Total noncurrent liabilities	$ 1,313,639	$ 219,636	$ 404	$ 1,533,679
Total Liabilities	$ 1,522,461	$ 243,427	$ 46,599	$ 1,812,487
NET POSITTION				
Net investment in capital assets	$ 2,389,252	$ 3,272,571	$ -	$ 5,661,823
Unrestricted	526,180	330,241	192,115	1,048,536
Total Net Position	$ 2,915,432	$ 3,602,812	$ 192,115	$ 6,710,359

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
Operating Revenues:				
Charges for sales and services	$ 1,415,398	$ 637,495	$ 404,602	$ 2,457,495
Operating Expenses:				
Salaries and wages	$ 275,264	$ 173,846	$ 18,786	$ 467,896
Benefits	97,387	59,307	5,769	162,463
Heating fuel, gas and oil	12,714	-	-	12,714
Utilities - electricity and telephone	74,681	51,922	105,168	231,771
Service contracts	20,857	15,587	37,200	73,644
Waste removal contract	-	-	232,114	232,114
Hazardous waste disposal fees	-	-	8,775	8,775
Supplies and postage	13,089	10,962	3,983	28,034
Repairs and maintenance	11,342	2,929	-	14,271
Equipment/technology	86,307	-	-	86,307
Equipment / lift station maintenance	-	55,846	-	55,846
Equipment & maintenance/repairs	43,276	11,102	11,844	66,222
Insurance and safety	2,632	1,521	-	4,153
Chemicals	152,063	14,752	4,248	171,063
Mosquito control/spraying	-	-	6,899	6,899
Equipment tech	-	6,608	-	6,608
Professional fees and other service charges	7,052	1,200	-	8,252
Meters/hydrants/wells/lagoons/manholes	106,517	114,416	-	220,933
Utility Main/Water Main Valve Repairs	48,999	32,930	-	81,929
Wells/testing fees	23,894	-	-	23,894
Audit fees	3,849	3,705	-	7,554
Schools/training	2,923	698	110	3,731
Lagoons & water storage	1,244	10,348	-	11,592
Memberships	395	-	-	395
Miscellaneous operating	1,275	288	1,484	3,047
Processing fees	4,038	4,038	-	8,076
Worker's compensation	602	103	-	705
Uncollectible accounts	262	62	-	324
Expense rrefunds	-	30,559	-	30,559
Depreciation	161,318	205,025	-	366,343
Total Operating Expenses	$ 1,151,980	$ 807,754	$ 436,380	$ 2,396,114
Operating Income	$ 263,418	$ (170,259)	$ (31,778)	$ 61,381
Nonoperating Revenues (Expenses):				
Interest income	$ 892	$ 247	$ -	$ 1,139
Miscellaneous income	12,402	3,987	3,683	20,072
Interest expense	(39,892)	(6,084)	-	(45,976)
Miscellaneous expense	(33,434)	-	-	(33,434)
Service charges and administration fees	(7,807)	(1,200)	-	(9,007)
Total Nonoperating Revenue (Expenses)	$ (67,839)	$ (3,050)	$ 3,683	$ (67,206)
Income Before Contributions and Transfers	$ 195,579	$ (173,309)	$ (28,095)	$ (5,825)
Transfers in	$ 155,991	$ 48,332	$ 20,000	$ 224,323
Transfers out	(119,000)	(55,432)	-	(174,432)
Change in Net Position	$ 232,570	$ (180,409)	$ (8,095)	$ 44,066
Total Net Position - January 1	$ 2,682,862	$ 3,776,181	$ 200,210	$ 6,659,253
Prior Period Adjustments	-	7,040	-	7,040
Total Net Position - January 1, as restated	$ 2,682,862	$ 3,783,221	$ 200,210	$ 6,666,293
Total Net Position - December 31	$ 2,915,432	$ 3,602,812	$ 192,115	$ 6,710,359

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, 2012

	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	$ 1,321,892	$ 657,488	$ 442,662	$ 2,422,042
Payments to suppliers	(613,309)	(385,191)	(389,456)	(1,387,956)
Payments to employees	(372,873)	(233,313)	(12,552)	(618,738)
Net Cash Provided by Operating Activities	$ 335,710	$ 38,984	$ 40,654	$ 415,348
Cash Flows from Noncapital Financing Activities:				
Transfers in	$ -	$ -	$ 20,000	$ 20,000
Transfers to other funds	(119,000)	(55,432)	-	(174,432)
Net Cash Provided (Used) by Noncapital Financing Activities	$ (119,000)	$ (55,432)	$ 20,000	$ (154,432)
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	$ -	$ (9,390)	$ -	$ (9,390)
Miscellaneous expense	(33,434)	-	-	(33,434)
Miscellaneous income	12,402	3,987	3,683	20,072
Principal paid on capital debt	(176,000)	(20,000)	-	(196,000)
Interest paid on capital debt	(41,234)	(6,250)	-	(47,484)
Fees paid on capital debt	(7,807)	(1,200)	-	(9,007)
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (246,073)	$ (32,853)	$ 3,683	$ (275,243)
Cash Flows from Investing Activities:				
Interest received	$ 892	$ 247	$ -	$ 1,139
Net Increase (decrease) in Cash and Cash Equivalents	$ (28,471)	$ (49,054)	$ 64,337	$ (13,188)
Cash and Cash Equivalents, January 1	$ 511,761	$ 341,966	$ 136,947	$ 990,674
Cash and Cash Equivalents, December 31	$ 483,290	$ 292,912	$ 201,284	$ 977,486
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	$ 263,418	$ (170,259)	$ (31,778)	$ 61,381
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	161,319	205,025	-	366,344
Change in Assets and Liabilities:				
Utility billings receivable	(93,505)	19,993	38,060	(35,452)
Accounts payable	4,701	(15,615)	34,206	23,292
Compensated absences	(223)	(160)	166	(217)
Net Cash Provided (Used) by Operating Activities	$ 335,710	$ 38,984	$ 40,654	$ 415,348

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2012

	Agency Funds
Assets:	
Cash and cash equivalents	$ 22,979
Liabilities:	
Accounts payable	$ 4,742
Due to other entities	18,237
Total Liabilities	$ 22,979

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

COMPONENT UNITS

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

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

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

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

City of Wahpeton 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	$56,217

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

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

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

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

The city reports the following major governmental funds:

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

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

C. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

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

D. Cash, Cash Equivalents and Investments

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

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

E. Inventories

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

F. Capital Assets

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

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

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

G. Compensated Absences

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

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

Police Officers and Sergeants:

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

Water Plant Personnel:

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

Other Full-Time City Employees:

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

Permanent Part-Time City Employees:

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

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

H. Fund Balances / Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

The City of Wahpeton finance committee established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the city's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the city. Unassigned general fund balance of $821,963 at December 31, 2012 represented 28% of annual 2012 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (capital improvements funds, sales tax economic development fund, and revolving loan fund) are disclosed in more detail in Note 1B in the discussion of major funds.

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

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

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

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

City of Wahpeton had non-spendable, restricted, committed, and unassigned fund balances reported in the balance sheet at December 31, 2012.

Nonspendable Fund Balances (additional detail):

Non-spendable fund balances are reported for inventory in total non-major funds and long term loans receivable in two major funds (sales tax economic development fund and revolving loan fund).

Restricted Fund Balances – consist of the following items at December 31, 2012:

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

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
   - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
   - Restricted grants/reimbursements – primarily includes disaster type grants in various special revenue funds, and other grant funds.

(b) Committed fund balances (special revenue funds) – committed by governing board city council action;
   - Committed in special revenue funds for various sales tax reserve funds, other reserve funds, and police department funds;

Net Position:

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

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments – Expenditures/Transfers Out – Major Funds:

The city's governing board approved budget amendments for various governmental funds expenditures and transfers out that are overspent from original budget amounts. Each individual fund amendment is not shown, instead included below are the expenditure and transfer out budget amendments for the major governmental funds (general, debt service funds and total capital projects funds), and "total" special revenue funds are shown:

Fund	Original Budget	Amendment	Amended Budget
General Fund (expenditures)	$2,802,181	$149,475	$2,951,656
General Fund (transfers out)	30,219	68,525	98,744
Capital Improvements (expenditures)	126,704	7,800	134,504
Sales Tax Econ. Development (expenditures)	64,774	205,335	270,109
Sales Tax Econ. Development (transfers out)	194,625	105,265	299,890
Revolving Loan Fund (expenditures)	-	3,730	3,730
Special Revenue Funds (total expenditures)	859,277	518,332	1,378,109
Special Revenue Funds (total transfers out)	309,762	325,260	635,022
Debt Service Funds (total expenditures)	1,875,775	3,290,440	5,166,215
Debt Service Funds (total transfers out)	245,927	257,215	503,142
Capital Projects Funds (total expenditures)	-	1,571,335	1,571,335
Capital Projects Funds (total transfers out)	717,928	318,100	1,036,028

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2012, the city's carrying amount of deposits was $9,886,611 and the bank balances were $10,154,976. Of the bank balances, $5,104,517 was covered by Federal Depository Insurance and the temporary liquidity program. The remaining bank balances of $5,050,459 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, 2012, the city held certificates of deposit totaling $250,000.

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

NOTE 4: UTILITY BILLINGS RECEIVABLE

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

NOTE 5: INTERGOVERMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due from the state government for sales tax and state aid collected and not yet distributed but owed to the city at year-end.

NOTE 6: TAXES RECEIVABLE

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

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

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

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 8: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 9: LOANS RECEIVABLE

Loans receivable consist of loans for the promotion of economic development within the city through various Wahpeton sales tax and loan funds. The loans receivable activity for the year ended December 31, 2012 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Econ. Dev. Fund	$1,320,775	$166,320	$1,463,776	$ 23,319
Revolving Loan Fund	940,409	51,812	113,396	878,825
Total Loans Receivable	$2,261,184	$218,132	$1,576,172	$902,144

NOTE 10: INVENTORY

Inventory at year-end consists of amounts reported in fund 361 totaling $10,788 for bulk fuel gasoline at December 31, 2012.

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital assets not being depreciated:				
Land	$ 2,573,718	$ -	$ -	$ 2,753,718
Construction in Progress	3,884,418	2,278,913	-	5,754,683
Total Capital Assets, Not Being Depreciated	$ 6,458,136	$2,278,913	$ -	$ 8,328,401
Capital assets being depreciated:				
Buildings	$ 4,296,733	$ -	$ -	$ 4,296,733
Equipment	3,988,513	326,850	-	4,315,363
Vehicles	412,490	68,190	32,949	447,731
Infrastructure	27,984,576	-	-	27,984,576
Total Capital Assets, Being Depreciated	$36,682,311	$ 395,040	$32,949	$37,044,403
Less Accumulated Depreciation for:				
Buildings	$ 1,272,045	$ 73,572	$ -	$ 1,345,617
Equipment	1,943,720	232,695	-	2,176,415
Vehicles	327,790	28,585	28,559	327,816
Infrastructure	3,055,467	822,565	-	3,878,032
Total Accumulated Depreciation	$ 6,599,022	$1,157,416	$28,559	$ 7,727,880
Total Capital Assets Being Depreciated, Net	$30,083,289	($762,377)	$ 4,390	$29,316,523
Governmental Activities Capital Assets, Net	$36,541,425	$1,312,212	$ 4,290	$37,644,924

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

Governmental Activities:	Amounts
General Government	$ 59,203
Public Safety	106,212
Public Works	169,436
Infrastructure	822,565
Total Depreciation Expense - Governmental Activities	$1,157,416

Business-Type Funds & Activities:

Business-Type Activities (Water Fund):	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital assets being depreciated:				
Buildings	$2,254,004	$ 76,456	$ -	$2,330,460
Equipment	1,685,278	79,535	-	1,764,813
Vehicles	26,447	-	-	26,447
Infrastructure	2,531,880	-	-	2,531,880
Total Capital Assets, Being Depreciated	$6,497,609	$155,991	$ -	$6,653,600
Less Accumulated Depreciation for:				
Buildings	$ 819,945	$ 45,080	$ -	$ 865,025
Equipment	1,268,018	46,298	-	1,314,316
Vehicles	15,679	3,589	-	19,268
Infrastructure	526,023	66,350	-	592,673
Total Accumulated Depreciation	$2,629,665	$161,317	$ -	$2,790,982
Total Capital Assets Being Depreciated, Net	$3,867,944	$ (5,326)	$ -	$3,862,618

Business-Type Activities (Sewer Fund):	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital assets being depreciated:				
Buildings	$ 62,942	$ -	$ -	$ 62,942
Equipment	2,461,799	48,332	-	2,510,131
Vehicles	17,969	-	-	17,969
Infrastructure	3,979,683	9,389	-	3,979,683
Total Capital Assets, Being Depreciated	$6,570,725	$ 57,721	$ -	$6,570,725
Less Accumulated Depreciation for:				
Buildings	$ 8,812	$ 1,259	$ -	$ 10,071
Equipment	2,043,090	98,377	-	2,141,467
Vehicles	17,969	-	-	17,969
Infrastructure	793,258	105,389	-	898,647
Total Accumulated Depreciation	$2,863,129	$ 205,025	$ -	$3,068,154
Total Capital Assets Being Depreciated, Net	$3,649,875	$(147,304)	$ -	$3,502,571

Business-Type Activities (Total):	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital assets being depreciated:				
Buildings	$ 2,316,946	$ 76,456	$ -	$ 2,393,402
Equipment	4,147,076	127,867	-	4,274,944
Vehicles	44,416	-	-	44,416
Infrastructure	6,502,175	9,389	-	6,511,563
Total Capital Assets, Being Depreciated	$13,010,613	$ 213,711	$ -	$13,224,325
Less Accumulated Depreciation for:				
Buildings	$ 828,756	$ 46,339	$ -	$ 875,095
Equipment	3,311,109	144,676	-	3,455,785
Vehicles	33,648	3,589	-	37,237
Infrastructure	1,319,281	171,738	-	1,491,019
Total Accumulated Depreciation	$ 5,492,794	$ 366,342	$ -	$ 5,859,136
Total Capital Assets Being Depreciated, Net	$ 7,510,780	$(152,630)	$ -	$ 7,365,189

Component Unit - Library:

Governmental Activities (Library):	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
Capital assets not being depreciated:				
Land	$ -	$228,856	$ -	$228,856
Capital assets being depreciated:				
Buildings	$25,000	$ 53,857	$ -	$ 78,857
Equipment	36,013	-	-	36,013
Total Capital Assets, Being Depreciated	$61,013	$ 53,857	$ -	$114,870
Less Accumulated Depreciation for:				
Buildings	$25,000	$ -	$ -	$ 25,000
Equipment	6,604	2,401	-	9,005
Total Accumulated Depreciation	$31,604	$ 2,401	$ -	34,005
Total Capital Assets Being Depreciated, Net	$29,409	$ 51,456	$ -	$ 80,865
Total Capital Assets, Net	$29,409	$280,312	$ -	$309,721

NOTE 12: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

Fund	Transfers In	Transfers Out
General Fund	$ 300,282	$ 98,742
Sales Tax Econ. Dev. Fund	16,175	299,887
Capital Improvements	161,725	21,079
Revolving Loan Fund	-	5,000
Debt Service Funds	1,252,438	502,817
Capital Projects Funds	504,090	978,548
Water Enterprise Funds	-	119,000
Sewer Enterprise Funds	-	55,432
Non-Major Enterprise Funds	20,000	-
Special Revenue Funds	460,725	634,930
Total Transfers	$2,715,435	$2,715,435

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

NOTE 13: DEFERRED INFLOWS

Deferred inflows of resources in the governmental fund modified accrual basis balance sheet as of December 31, 2012 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	$ 26,827
Delinquent property taxes receivable (debt service fund- major)	8,368
Delinquent property taxes receivable (non-major funds)	26,083
Delinquent special assessments receivable (debt service funds)	161,272
Long-Term Uncertified Special Assessments Receivable (debt service)	5,446,966
Total Deferred Inflows of Resources	$5,669,516

NOTE 14: ACCOUNTS PAYABLE

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

NOTE 15: CDBG/RLF PAYABLE

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

As of December 31, 2012, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of $45,700. The City receives reimbursement for payments made on this loan payable.

NOTE 16: GRANT MATCH PAYABLE

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

NOTE 17: LONG-TERM LIABILITIES

During the year ended December 31, 2012, the following changes occurred in long-term liabilities of the city (including compensated absences):

Governmental Activities:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Special Assessment Bonds	$16,860,000	$1,815,000	$4,745,000	$13,930,000	$1,620,000
Leases Payable	127,024	194,800	104,893	216,931	69,566
Compensated Absences *	109,594	5,216	-	114,810	11,481
Total Governmental Activities	$17,096,618	$2,015,016	$4,849,893	$14,261,741	$1,701,047

Business-Type Activities (Proprietary Funds):

Business-Type Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Revenue Bonds	$1,899,366	$ -	$196,000	$1,703,366	$199,000
Compensated Absences *	32,787	-	217	32,570	3,257
Total Business-Type Activities	$1,932,153	$ -	$196,217	$1,735,936	$202,257

* - 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, 2012, is comprised of the following individual issues:

Special Assessment Bonds (governmental activities):

$1,815,000 Series A 2012 Refunding Improvement Bonds #11212, due in annual installments of $60,000 to $225,000 through 2021, with interest at .35 to 1.8%.	$ 1,815,000
$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of $150,000 to $195,000 through 2020, with interest at 4.0% to 4.5%.	1,360,000
$3,130,000 2009 Refunding Improvement Bonds #10809, due in annual installments of $240,000 to $450,000 through 2017, with interest at 2.2% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002.	1,665,000
$5,405,000 2010 Refunding Improvement Bonds #10910, due in annual installments of $335,000 to $420,000 through 2025, with interest at 2.0% to 3.5%. This issue refunded series 2007 to be called in February 2012.	4,985,000
$1,120,000 2012 Refunding Improvement Bonds #11011, due in annual installments of $130,000 to $145,000 through 2019, with interest at .65% to 2.5%. This issue refunded series 2003D.	965,000
$3,290,000 2012 Refunding Improvement Bonds #11111, due in annual installments of $135,000 to $285,000 through 2026, with interest at 1.0% to 2.8%. This issue refunded series 2007 to be called in February 2012.	3,140,000
Total Special Assessment Bonds	$13,930,000

Governmental activities debt service requirements to maturity (excluding compensated absences and leases payable) at December 31, 2012 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending	Special Assessment Bonds	
December 31	Principal	Interest
2013	$ 1,620,000	$ 304,659
2014	1,630,000	274,707
2015	1,465,000	244,082
2016	1,430,000	214,063
2017	1,425,000	183,121
2018-2022	4,765,000	511,518
2023-2025	1,595,000	82,863
Totals	$13,930,000	$1,815,013

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:

$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%.	$ 120,000
$1,062,366 of 1993 Revenue Bonds, due in annual installments of $60,000 to $62,366 through 2014, with interest at 2.5%.	122,366
$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of $99,000 to $126,000 through 2023, with interest at 2.5%.	1,231,000
$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of $20,000 to $25,000 through 2023, with interest at 2.5%.	230,000
Total Enterprise Revenue Bonds	$1,703,366

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

BUSINESS-TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2013	$ 199,000	$ 42,584
2014	203,366	37,609
2015	144,000	32,525
2016	146,000	28,925
2017	148,000	25,275
2018-2022	712,000	72,250
2023-2024	151,000	3,775
Totals	$ 1,703,366	$ 242,943

Debt Defeasance – Refunding Improvement Bonds of 2012, Series A:

At the March 13, 2012 City Council meeting, by unanimous vote of the Council in resolution #3470, it was agreed to advance refund the remaining 2005 (RI #10405) and 2006 (RI #10506) bonds of $1,185,000 and $585,000, respectively. $1,815,000 of Refunding Improvement Bonds of 2012, Series A with interest rates ranging from .35% to 1.80% and an effective rate of 1.24% were issued to reduce its total debt service payments over the next 10 years by $187,514, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $174,252.

Debt Defeasance – Refunding Bonds of 2011, Series B:

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

NOTE 18: DUE TO/FROM OTHER FUNDS

At year-end December 31, 2012, negative overall cash fund balance existed in the capital projects fund totaling $142,002. The cash deficit for reporting purposes in the balance sheet was covered by the debt service fund and a corresponding due from other funds in the debt service funds and a due to other funds was reported in the capital projects fund.

NOTE 19: CONDUIT DEBT

Industrial Development Revenue Bonds:

From time to time, the city has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount outstanding of these types of bonds is not known. $6,500,000 of MIDA bonds were issued during the year ended December 31, 2011 for St. Catherine's assisted living community project.

Economic Development Loans / Governor's Revolving Fund Loans:

From time to time, the City of Wahpeton has lent their name to private industries to help them secure community development block grant loans administered by the Lake Agassiz Regional Council and loans from the Governor's Revolving Fund. The loans are issued for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity. The City is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

The total principal balance of the CDBG loans issued to various industries totaled $1,375,370 at December 31, 2012. The outstanding principal balance on those loans was $817,989 at December 31, 2012.

NOTE 20: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to $2,241,018 for public assets (inland marine/mobile equipment and portable property) coverage.

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

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

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

NOTE 21: PENSION PLAN

Defined Contribution Plan

The City of Wahpeton participates in an IRS 457 deferred compensation plan. Each employee has the option to join and any participant may withdraw from the retirement 457 plan anytime upon 30 day 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, 2012, 2011 and 2010, were $3,784, $2,400, and $2,308, 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 6.26% which the city chose to increase to 8.26% to reduce the employee contribution from 5% to 3% of the employee's salary. The employer contribution consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the city are established and may be amended by the State legislature. The city's contributions to NDPERS for the year ending December 31, 2012, 2011 and 2010 were $147,044, $123,045, and $115,171, respectively, equal to the required contributions for the year.

NOTE 22: FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2012:

Fund Name	Balance
5-1-97 Flood Phase II (574)	$(789,547)
Southside Storm Sewer (608)	(227,312)
Southside Drainage Improvement (611)	(13,757)
Cul De Sac Improvements (615)	(11,986)
Alley Improvements Miscellaneous (617)	(143,003)
3rd Avenue North Reconstruction (622)	(51,352)
WTP Energy Efficiency Improvements (624)	(105,991)
Hydrant Replacements (626)	(93,256)
Safe Routes to Schools 2011 (628)	(20,061)
6th Street Shared Use Path (629)	(29,685)
Westside Drain Improvement Project (630)	(164,642)
11th St. N. Ave. B to 16th Ave. (631)	(176,980)
Commercial Street Rehabilitation (634)	(46)
Lift Station #5 Rehabilitation (635)	(8,450)

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

NOTE 23: WATER/SEWER

Water / Sewer Billings:

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

Investigation of water meter sizing and correlation billing information revealed several discrepancies among large commercial customers, primarily attributed to incompatibility in meter measuring units and utility billing units (i.e. a 10,000 gallon pulse meter was generating billing information based on a 1,000 gallon pule meter) resulting in customer under billing in water and sewer charges of 90%. Customer billing audits were performed dating back to January 2005 with an additional $245,624 in water utility revenue and $6,634 in sewer utility revenue under billed through December 31, 2010. The meter information and subsequent billing was corrected by the January 1, 2011 billing cycle. The under billed revenue has been acknowledged and repayment agreed upon by each of the identified customers. One large commercial customer with a total under billed amount of $235,125 currently receiving water only services has agreed to a three year repayment program of $78,375 each year to be repaid each August 2011 through August 2013.

On or Before August 15th	Amount
2013	$78,375

NOTE 24: PRIOR PERIOD ADJUSTMENT

Prior period adjustments were necessary for the following capital asset related items in governmental activities (net adjustment to beginning net position for capital asset related prior period adjustments of $6,019,074 overall increase to net position):

- Land – decrease cost by $1,537,327;
- Construction in progress – increase beginning CIP cost balance by $3,448,491;
- Vehicles – add $9,387 to accumulated depreciation;
- Buildings – subtract $570 from accumulated depreciation;
- Equipment – add $20,340 to accumulated depreciation;
- Infrastructure – increase beginning cost balance by $4,243,327, and increase beginning accumulated depreciation by $106,260;

Governmental Activities (City):	**Amounts**
Beginning Net Position, as previously reported	$31,929,348
Adjustments to restate the January 1, 2012 Net Position:	
Construction in progress – cost addition	3,448,491
Land – cost deduction	(1,537,327)
Buildings – accumulated depreciation deduction	570
Equipment – accumulated depreciation addition	(20,340)
Infrastructure – cost addition	4,243,327
Vehicles – accumulated depreciation addition	(9,387)
Infrastructure – accumulated depreciation addition	(106,260)
Net Position January 1, as restated	$37,948,422

Prior period adjustments were necessary for the following capital asset related items in business-type enterprise (net adjustment to beginning net position for capital asset related prior period adjustments of $7,040 overall increase to net position):

- Equipment – decrease accumulated depreciation of $7,040;

Enterprise Activities (City):	**Amounts**
Beginning Net Position, as previously reported	$6,659,253
Adjustments to restate the January 1, 2012 Net Position:	
Equipment – accumulated addition/deduction	7,040
Net Position January 1, as restated	$6,666,293

NOTE 25: BUDGET TO ACTUAL RECONCILIATION

The city entered into a lease for the purchase of a wheel loader. The lease proceeds and corresponding highway expenditures were reported on the statement of revenues, expenditures and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the capital improvements fund. The city didn't budget for these funds and these transactions were not recorded on the county's general ledger. The differences are as follows

Capital Improvements	**Combined Statement**	**Adjustment**	**Budget to Actual Statement**
Expenditures	$308,204	$(194,800)	$113,404
Lease Proceeds	194,800	(194,800)	-

NOTE 26: COMMITMENTS

Construction commitments as of the balance sheet date of December 31, 2012 are as follows:

Project	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance
Capital Improvements:					
W12-195 – Automated Reading Equipment	$ 227,285	$ -	$ 227,285	$138,845	$ 88,440
DR12-206 – North Side Ditch Mtce.	64,631	-	64,631	-	64,631
ST10-162 – Alley Improvements - various	15,736	-	15,736	-	15,736
ST12-187 – 11th St. N. Ave. B to 16th Ave.	178,804	-	178,804	174,182	4,622
W12-00-022 – S. Side Storm Sewer Part 3	18,700	-	18,700	-	18,700
SS12-192 – Lift Station No. 5 Rehab.	19,392	-	19,392	8,121	11,271
PW12-197 – Fairview Developments	11,878	-	11,878	6,997	4,881
W12-00-022 – S. Side Storm Sewer Part 3	23,371	-	23,371	-	23,371
ST10-162 – Alley Improvements – various	62,390	-	62,390	11,088	51,302
DR10-177 – Westside Natural Drain	10,819	-	10,819	1,513	9,306
DR12-203 – S. Side Storm Sewer Part B	45,302	-	45,302	6,554	38,748
3rd Ave. N. Reconstruction Engineering	59,361	-	59,361	51,352	8,009
16th Ave. 11th St. to Hwy 210 Engineering	178,568	-	178,568	-	178,568
PW12-208 – Town Centre Square Plaza	24,140	-	24,140	-	24,140
TEU-8-991 – 6th St. Shared Use Path	15,019	-	15,019	-	15,019
DR10-177 – Westside Natural Drain	3,630	-	3,630	3,055	575
Westside Major Street Plan	11,000	-	11,000	-	11,000
FL12-00-096 – Briarwood Flood Protection	322,058	-	322,058	-	322,058
FL-12-00-096 – Briarwood Flood Protect.	36,250	-	36,250	-	36,250
W12-00-022 – S. Side Storm Sewer Part 3	187,334	-	187,334	174,357	12,977
W12-00-022 – S. Side Storm Sewer Part 3	3,430	-	3,430	-	3,430
TEU-8-991 – 6th St. Shared Use Path	261,191	-	261,191	-	261,191
SS12-192 – Lift Station No. 5 Rehab.	88,102	-	88,102	-	88,102
Total Capital Improvements	$1,868,391	$ -	$1,868,391	$576,063	$1,292,328

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 846,935	$ 846,935	$ 858,261	$ 11,326
Licenses, permits and fees	526,275	526,275	490,478	(35,797)
Fines and forfeits	143,000	143,000	88,310	(54,690)
Intergovernmental	969,886	969,886	1,336,710	366,824
Charges for services	2,900	2,900	2,039	(861)
Interest income	11,000	11,000	21,036	10,036
Miscellaneous income	22,300	22,300	24,818	2,518
Total Revenues	$ 2,522,296	$ 2,522,296	$ 2,821,652	$ 299,356
Expenditures:				
Current:				
General government	$ 571,605	$ 576,416	$ 562,898	$ 13,518
Public safety	1,518,185	1,535,747	1,535,747	-
Public works	561,353	575,769	575,769	-
Culture and recreation	136,038	209,249	263,726	(54,477)
Other	15,000	15,000	13,030	1,970
Total Expenditures	$ 2,802,181	$ 2,912,181	$ 2,951,170	$ (38,989)
Excess (Deficiency) of Revenues Over Expenditures	$ (279,885)	$ (389,885)	$ (129,518)	$ 260,367
Other Financing Sources (Uses):				
Transfers in	$ 310,104	$ 310,104	$ 300,282	$ (9,822)
Transfers out	(30,219)	(138,219)	(98,742)	39,477
Total Other Financing Sources and Uses	$ 279,885	$ 171,885	$ 201,540	$ 29,655
Net Change in Fund Balances	$ -	$ (218,000)	$ 72,022	$ 290,022
Fund Balance - January 1	$ 749,941	$ 749,941	$ 749,941	$ -
Fund Balance - December 31	$ 749,941	$ 531,941	$ 821,963	$ 290,022

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ 27,100	$ 27,100	$ 10,015	$ (17,085)
Interest income	4,700	4,700	11,775	7,075
Total Revenues	$ 31,800	$ 31,800	$ 21,790	$ (10,010)
Expenditures:				
Current:				
General government	$ 24,700	$ 24,700	$ 24,697	$ 3
Public safety	34,150	34,150	34,149	1
Debt Service:				
Principal	53,109	53,600	53,109	491
Interest and fees	1,495	974	1,449	(475)
Total Expenditures	$ 113,454	$ 113,424	$ 113,404	$ 20
Excess (Deficiency) of Revenues Over Expenditures	$ (81,654)	$ (81,624)	$ (91,614)	$ (9,990)
Other Financing Sources (Uses):				
Transfers in	$ 73,725	$ 73,725	$ 161,725	$ 88,000
Transfers out	-	(21,080)	(21,079)	1
Total Other Financing Sources and Uses	$ 73,725	$ 52,645	$ 140,646	$ 88,001
Net Change in Fund Balances	$ (7,929)	$ (28,979)	$ 49,032	$ 78,011
Fund Balance - January 1	$ 631,071	$ 631,071	$ 631,071	$ -
Fund Balance - December 31	$ 623,142	$ 602,092	$ 680,103	$ 78,011

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX ECONOMIC DEVELOPMENT FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Sales taxes	$ 459,000	$ 459,000	$ 561,777	$ 102,777
Interest income	2,500	2,500	2,002	(498)
Miscellaneous income	-	-	24,202	24,202
Total Revenues	$ 461,500	$ 461,500	$ 587,981	$ 126,481
Expenditures:				
Current:				
Capital Outlay	$ 64,774	$ 270,109	$ 270,090	$ 19
Excess (Deficiency) of Revenues Over Expenditures	$ 396,726	$ 191,391	$ 317,891	$ 126,500
Other Financing Sources (Uses):				
Transfers in	$ -	$ -	$ 16,176	$ 16,176
Transfers out	(194,625)	(299,890)	(299,887)	3
Total Other Financing Sources and Uses	$ (194,625)	$ (299,890)	$ (283,711)	$ 16,179
Net Change in Fund Balances	$ 202,101	$ (108,499)	$ 34,180	$ 142,679
Fund Balance - January 1	$ 2,308,198	$ 2,308,198	$ 2,308,198	$ -
Fund Balance - December 31	$ 2,510,299	$ 2,199,699	$ 2,342,378	$ 142,679

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Loan receivable receipts	$ -	$ -	$ 10,807	$ 10,807
Interest income	-	-	621	621
Miscellaneous income	10,000	10,000	130,788	120,788
Total Revenues	$ 10,000	$ 10,000	$ 142,216	$ 132,216
Expenditures:				
Current:				
Economic Development	$ -	$ 3,730	$ 3,726	$ 4
Excess (Deficiency) of Revenues Over Expenditures	$ 10,000	$ 6,270	$ 138,490	$ 132,220
Other Financing Sources (Uses):				
Transfers out	$ (5,000)	$ (5,000)	$ (5,000)	$ -
Net Change in Fund Balances	$ 5,000	$ 1,270	$ 133,490	$ 132,220
Fund Balance - January 1	$ 1,329,913	$ 1,329,913	$ 1,329,913	$ -
Fund Balance - December 31	$ 1,334,913	$ 1,331,183	$ 1,463,403	$ 132,220

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

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, 2012

	Balance 1-1-12	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-12
Major Funds:							
General Fund	$ 520,631.74	$ 2,783,194.76	$ 300,282.30	$ -	$ 98,742.00	$ 2,951,169.91	$ 554,196.89
Capital Improvements	$ 631,070.54	$ 21,790.46	$ 161,724.90	$ -	$ 21,079.14	$ 113,403.39	$ 680,103.37
Sales Tax Economic Development Fund	2,262,081.02	579,171.93	16,175.45	-	299,886.62	270,089.79	2,287,451.99
Revolving Loan Fund	1,329,913.59	142,215.86	-	-	5,000.00	3,725.95	1,463,403.50
Total Major Funds	$ 4,743,696.89	$ 3,526,373.01	$ 478,182.65	$ -	$ 424,707.76	$ 3,338,389.04	$ 4,985,155.75
Non-Major Funds:							
Special Revenue Funds:							
Advertising	$ 29,580.72	$ 14,583.93	$ 5,000.00	$ -	$ -	$ 20,088.36	$ 29,076.29
Airport	3,121.65	56,567.69	-	-	-	56,217.37	3,471.97
Planning Commission	6,674.49	15,987.30	-	-	-	17,608.57	5,053.22
Band Levy	9,545.00	3,369.72	-	-	-	10,171.46	2,743.26
Social Security Levy	33,038.24	78,363.72	-	-	91,919.27	-	19,482.69
Retirement Levy	29,167.22	93,366.36	-	-	91,259.03	-	31,274.55
Employee Safety Committee	2,671.08	-	5,000.00	-	-	125.00	7,546.08
Fire Department Levy	141,096.24	157,437.33	-	-	10,981.67	116,305.95	171,245.95
Real Estate Levy	430,733.58	72,443.27	-	-	89,501.23	246,040.84	167,634.78
Special Street Maintenance	38,679.93	67,524.32	26,618.44	-	-	132,822.69	-
Snow/Flood Emergency	5,946.99	33,131.88	-	-	-	12,685.00	26,393.87
Levee Maintenance	-	-	161,301.67	-	-	161,301.67	-
City Share of Specials	65,021.20	46,479.25	-	-	-	42,633.08	68,867.37
Special Transportation Funding	190,762.85	165,399.21	-	-	321,989.41	-	34,172.65
Unemployment Reserve	39,957.38	20.00	-	-	-	1,231.60	38,745.78
Economic Development	-	-	169,624.92	-	16,175.45	153,449.47	-
Absolute Marketing Campaign	(35,679.66)	-	35,679.66	-	-	-	-
Miscellaneous Fund	283.41	946.59	-	-	-	630.30	599.70
Vector Control	6,016.85	761.87	-	-	-	969.83	5,808.89
1% Additional Lodging Tax 1-1-08	39,205.30	17,240.42	-	-	-	2,375.00	54,070.72
Job Development Levy	33,489.45	27,008.38	-	-	-	56,000.00	4,497.83
Weed Maintenance Levy	107,212.57	49,569.27	-	-	13,104.00	13,586.48	130,091.36
Lodging Tax	46,970.77	36,714.19	-	-	-	41,860.97	41,823.99
Sales Tax Recreation	364,410.38	62,145.96	-	-	-	72,480.90	354,075.44
Sales Tax Default Reserve	64,110.41	-	-	-	-	1,262.01	62,848.40
Sales Tax Development Reserve	211,000.00	-	-	-	-	70,694.10	140,305.90
Sales Tax Mini-Match Reserve	1,992.21	-	50,000.00	-	-	4,828.10	47,164.11
Sales Tax Help Fund	359,939.94	0.18	-	-	-	2,594.98	357,345.14
Employee Bonus/Retirement	38,572.18	-	-	-	-	-	38,572.18
Gasoline, Oil, Etc. (inventory)	29,232.86	-	-	-	-	27,593.83	1,639.03
Local Law Enforcement Block Grant	5.15	-	-	-	-	-	5.15
Police Dept. Radio Sinking Fund	20,099.62	-	2,500.00	-	-	-	22,599.62
Police Dept. Canine Unit Fund	2,801.80	3,990.32	5,000.00	-	-	3,053.00	8,739.12
Community Policing Fund	934.56	-	-	-	-	-	934.56
Clubhouse Maintenance	15,223.51	5,000.00	-	-	-	4,846.61	15,376.90
Sidewalk Maintenance	6,747.06	-	-	-	-	-	6,747.06
Restaurant Tax Enhancement	57,280.34	-	-	-	-	16,194.09	41,086.25
Comm. Emergency Response (CERT)	1,843.68	637.50	-	-	-	46.54	2,434.64
Total Special Revenue Funds	$ 2,397,688.96	$ 1,008,688.66	$ 460,724.69	$ -	$ 634,930.06	$ 1,289,697.80	$ 1,942,474.45
Debt Service Funds:							
Special Assessment Deficiency	$ 214,400.40	$ 399.30	$ -	$ -	$ -	$ -	$ 214,799.70
Tax Increment Fund	18,385.55	228,157.51	-	-	245,627.00	-	916.06
R/I 10405 Sinking Fund	183,562.50	-		1,158,498.00	-	1,342,060.50	-
R/I 10506 Sinking Fund	113,358.06	98,736.14	-	462,996.86	11,191.06	663,900.00	-
R/I 10607 Sinking Fund	1,642,730.43	-			172,352.79	1,470,377.64	-
R/I 10708 Sinking Fund	260,015.27	3,929.02	230,627.00	-	-	208,644.00	285,927.29
R/I 10809 Sinking Fund	764,287.58	301,619.14	175,000.00	-	-	506,077.00	734,829.72
R/I 10910 Sinking Fund	280,440.69	677,689.27	302,722.11	-	73,646.65	553,328.74	633,876.68
R/I 11011 Sinking Fund	375,112.71	153,359.41	-	-	-	171,868.75	356,603.37
R/I 11111 Sinking Fund	44,332.11	-	532,897.79	-	-	203,177.61	374,052.29
R/I 11212 Sinking Fund	-	6,082.57	11,191.06	193,505.14	-	45,797.50	164,981.27
Total Debt Service Funds	$ 3,896,625.30	$ 1,469,972.36	$ 1,252,437.96	$ 1,815,000.00	$ 502,817.50	$ 5,165,231.74	$ 2,765,986.38

CONTINUED ON NEXT PAGE....

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2012

CONTINUED:	Balance 1-1-12	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-12
Capital Projects Funds:							
Sales Tax for Flood & Infrstructure Fund	$ 542,855.92	$ 512,007.49	$ -	$ -	$ -	$ -	$ 1,054,863.41
Sales Tax for Flood Mitigation Fund	415,406.90	921,613.39	-	-	717,925.81	-	619,094.48
5-1-97 Flood Phase II	(49,112.80)	3,600.00	-		-	744,034.22	(789,547.02)
Dakota Ave. Reconstruction 2008	202,425.43	-	-	-	142,859.59	59,565.84	-
Dakota Ave. Side Streets	(73,646.65)	-	73,646.65	-	-	-	-
Southside Storm Sewer	1,341.08	-	-	-	-	228,652.70	(227,311.62)
Urban Roads Mtc. 2009	(259,477.43)		259,477.43	-	-	-	-
Safe Routes to School	17,453.08	1,097.32		-	-	8,468.49	10,081.91
Southside Drainage Improve. DR09-150	(7,202.00)	-	-	-	-	6,554.50	(13,756.50)
Dakota Ave. Alleys	1,075.65	-	-	-	1,075.65	-	-
Lift Stations Ctrls #6 & #8	(322.92)	-	48,331.88	-	-	48,008.96	-
NSP Grant Project	(12.96)		12.96	-	-	-	-
Cul de Sac Improvements	(92.00)	-	-	-	-	11,893.60	(11,985.60)
North Central Area Street Improvements	134,937.86	-	-	-	116,686.87	18,250.99	-
Alley Improvements Misc. Locations	(130,712.45)	-	-	-	-	12,290.50	(143,002.95)
NDDOT Hwy 127 from Jct. 11	(34,801.45)	-	35,893.54	-	-	1,092.09	-
Town Centre Square	(2,249.79)	-	2,410.79	-	-	161.00	-
3rd Ave. N. Reconstruction	(51,352.30)	-	-	-	-	-	(51,352.30)
WTP Energy Efficiency Imp.	(78,480.74)	50,000.00	-	-	-	77,510.10	(105,990.84)
Hydrant Replacements	(93,255.50)	-	-	-	-	-	(93,255.50)
Safe Rts. To School 2011	(18,886.48)	-	-	-	-	1,174.64	(20,061.12)
6th St. S. Shared Use Path	(5,936.42)	-	-	-	-	23,748.50	(29,684.92)
West Side Drain Imp. Proj.	(20,142.05)	-	-	-	-	144,499.64	(164,641.69)
11th St. N. Ave. B to 16th Ave.	(115.43)	-	-	-	-	176,864.98	(176,980.41)
Aerial Digital Topo Mapping	-	-	84,316.57	-	-	84,316.57	-
Commercial Street Rehab	-	-	-	-	-	46.00	(46.00)
Lift Station #5 Rehab	-	-	-	-	-	8,450.00	(8,450.00)
Total Capital Projects Funds	$ 489,696.55	$ 1,488,318.20	$ 504,089.82	$ -	$ 978,547.92	$ 1,655,583.32	$ (152,026.67)
Total Governmental Activities	$ 11,527,707.70	$ 7,493,352.23	$ 2,695,435.12	$ 1,815,000.00	$ 2,541,003.24	$ 11,448,901.90	$ 9,541,589.91
Major Enterprise Funds:							
Water Operating	$ 496,865.40	$ 1,426,154.67	$ -	$ -	$ 119,000.00	$ 1,248,393.20	$ 555,626.87
Meter Deposits	2,418.46	2,537.05	-	-	-	965.66	3,989.85
Total Water Operating - Major	$ 499,283.86	$ 1,428,691.72	$ -	$ -	$ 119,000.00	$ 1,249,358.86	$ 559,616.72
Sewer Operating							
Total Sewer Operating	$ 396,296.50	$ 641,729.60	$ -	$ -	$ 55,431.88	$ 639,729.19	342,865.03
Nonmajor Enterprise Funds:							
Waste Removal	$ 66,510.35	$ 246,933.43	$ -	$ -	$ -	$ 240,857.10	$ 72,586.68
Waste Reduction	66,862.19	19,210.79	-	-	-	49,617.66	36,455.32
Total Waste Fund	$ 133,372.54	$ 266,144.22	$ -	$ -	$ -	$ 290,474.76	$ 109,042.00
Vector Control	$ 64,546.19	$ 43,666.13	$ -	$ -	$ -	$ 29,088.01	$ 79,124.31
Street Lights	$ 2,574.72	$ 98,474.54	$ 20,000.00	$ -	$ -	$ 116,651.39	$ 4,397.87
Total Nonmajor Enterprise Funds	$ 200,493.45	$ 408,284.89	$ 20,000.00	$ -	$ -	$ 436,214.16	$ 192,564.18
Total Enterprise Funds	$ 1,096,073.81	$ 2,478,706.21	$ 20,000.00	$ -	$ 174,431.88	$ 2,325,302.21	$ 1,095,045.93
Agency Funds:							
CDC	$ 13,974.36	$ 1.00	$ -	$ -	$ -	$ -	$ 13,975.36
Handicapped Parking Fines	110.00	810.00	-	-	-	720.00	200.00
Safe Communities Coalition	2,281.58	1,520.00	-	-	-	841.85	2,959.73
Golf Club Donations	386.71	715.00	-	-	-	-	1,101.71
Total Agency Funds	$ 16,752.65	$ 3,046.00	$ -	$ -	$ -	$ 1,561.85	$ 18,236.80
Component Unit:							
Library	$ 113,764.99	$ 465,891.04	$ -	$ -	$ -	$ 491,020.34	$ 88,635.69
Total Reporting Entity	$ 12,754,299.15	$ 10,440,995.48	$ 2,715,435.12	$ 1,815,000.00	$ 2,715,435.12	$ 14,266,786.30	$ 10,743,508.33

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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*

Independent Auditor's Report

City Commission
City of Wahpeton
Wahpeton, North Dakota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Wahpeton's basic financial statements, and have issued our report thereon dated April 10, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency identified in the accompanying *schedule of findings and questioned costs* to be a material weakness [*2012-01*].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Wahpeton's Response to Findings

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

Purpose of this Report

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

Robert R. Peterson
State Auditor

April 10, 2013

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

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

Section II - Financial Statement Findings

2012-01 – CAPITAL ASSET PRIOR PERIOD ERRORS – ADJUSTMENTS TO NET POSITION

Condition:

Capital asset errors in governmental activities were noted, requiring prior period adjustments to beginning net position of $6,019,074 to capital asset balances (cost adjustments and adjustments to accumulated depreciation in several asset classes) of governmental activities. Accumulated depreciation errors totaled $135,417 (increase to accumulated depreciation), while cost errors totaled $6,154,491 (increase to capital asset balances).. Amounts were primarily missing in infrastructure and construction in progress related to flood projects for capital contribution from outside entities. Additionally, land purchased in a prior year was not reported in the prior year ($1,537,327) due to the fact that supporting documentation was not presented until this audit period for the 2012 audit.

Minor errors were noted in the business-type funds/activities related to capital assets totaling $7,040 for equipment accumulated depreciation in the sewer fund and business type activities. The client did 'correct' the errors to the capital assets prior to report issuance, so capital assets were reported properly in the financial statements and related note disclosures. Prior period errors disclosed in Note 25 to the financial statements.

The above errors were corrected for proper reporting of capital asset balances in the financial statements at the beginning of the year and at the end of the year.

Effect:

Prior period 'net' adjustments totaling $6,019,074 (increase to capital asset balances and net position) were necessary to report and accrue into the statement of activities for governmental activities beginning net position, and $7,040 to the sewer fund and enterprise activities beginning net position (increase).

The governmental activities adjustments were material to beginning net position. The sewer fund/enterprise activities adjustment was immaterial to beginning net position.

Cause:

Client didn't initially report capital contribution amounts related to a flood project for infrastructure ($4,243,327), and construction in progress ($3,448,491). Also, land purchased totaling $1,537,327 in a prior year was missed due to the absence of applicable supporting documentation until this audit period.

Criteria:

Accounting principles generally accepted in the United States of America require that amounts reported in various asset classes are properly reported at historical cost/estimated historical cost in appropriate categories, and depreciated where applicable. Additionally, total 'cost' of an asset should include applicable amounts of capital contributions for capital assets provided by outside entities, such as grantors.

Recommendation:

We recommend that all capital assets are properly reported at historical cost or estimated historical cost, and depreciation is properly reported on applicable capital asset categories. We further recommend applicable portions of capital contributions, where/when applicable, are reported in the proper balances of capital assets. Particular close attention should be paid to infrastructure and construction in progress projects that sometimes have a portion, at times substantial, of a project cost contributed by an outside state and/or federal governmental agency. Cost of a project should include the portion of capital contribution. The on-going flood project should include all applicable outside contributed costs as the project progresses.

Views of Responsible Officials / Planned Corrective Actions:

We agree with the recommendation. We concur with the audit findings as stated; the reporting of work in progress and capitalization of assets contributed from outside agencies will be reported in the period incurred.