



AUDIT REPORT

CITY OF WAHPETON
Wahpeton, North Dakota

Audit for the Year Ended

December 31, 2010

OFFICE OF STATE AUDITOR



STATE OF NORTH DAKOTA
State Capitol
600 East Boulevard Avenue
Bismarck, North Dakota 58505

CITY OF WAHPETON
Wahpeton, North Dakota

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CITY OF WAHPETON
Wahpeton, North Dakota

CITY OFFICIALS

December 31, 2010

James Sturdevant	Mayor
Alisa Mitskog	President
Meryl T. Hansey	Vice-President
Steve Dale	Board Member
Renelle Bertsch	Board Member
Tiana Bohn	Board Member
Don Bajumpaa	Board Member
Jim Hartman	Board Member
Chris DeVries	Board Member
Darcie Huwe	City Finance Director
Carla J. Broadland	City Assessor
Randy Nelson	Public Works Director
Steven J. Lies	City Attorney
Jane Priebe	Economic Development Director
Scott Thorsteinson	Police Chief

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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BISMARCK, ND 58505

INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wahpeton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2011 on our consideration of the City of Wahpeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 36 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CITY OF WAHPETON
Independent Auditor's Report - Continued

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



Robert R. Peterson
State Auditor

July 29, 2011

CITY OF WAHPETON
Wahpeton, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

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, 2010. The intent of the MD&A is to look at the City's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- Governmental assets exceeded its liabilities (net assets) by \$22,907,829 at the close of the most recent fiscal year. Of this amount, \$852,966 (unrestricted net assets) may be used to meet the government's ongoing obligations.
- Business-type assets exceeded its liabilities by \$6,621,473 at the close of the most recent fiscal year.
- The total net assets of governmental activities of the City of Wahpeton increased by \$7,218,618 as a result of the most recently completed fiscal year's operations.
- Net assets of the business-type activities increased by \$1,554,502 as a result of the most recently completed fiscal year's operations.
- Total revenues from all sources were \$13,905,481 for governmental activities and \$6,838,444 on the modified accrual basis.
- Governmental expenditures exceeded revenues by \$3,167,977 in the governmental fund-based statements and governmental funds reported combined ending fund balances of \$8,730,544. Approximately 55% (\$4,776,430) of this is available for spending at the government's discretion (unreserved fund balances).
- General fund revenues were \$2,481,941 and general fund expenditures were \$2,572,250. General fund expenditures exceeded revenues by \$90,309 and there were net transfers into the general fund general fund totaling \$238,990. Unreserved fund balance for the general fund was \$697,524 or 28% of the total 2010 general fund expenditures.
- Total revenues from all sources were \$3,672,815 for business-type activities for the year ended December 31, 2010.
- Total expenses were \$6,753,473 for governmental activities on the government-wide basis and total expenditures were \$10,006,421 on the modified accrual basis. The total expenses of business-type activities were \$2,039,313.
- Refunding improvement special assessment bonded debt of \$5,405,000 was issued to finance the costs of the Dakota Ave. Reconstruction, North Central Area Streets Project, and Southside Drainage Improvements.

USING THIS ANNUAL REPORT

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Wahpeton's finances, in a manner similar to a private-sector business and to answer the question "How did the City do financially during the year ended December 31, 2010?"

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

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

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

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

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

Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following other major funds: capital improvements fund, sales tax economic development fund, revolving loan fund, debt service fund and capital projects fund. Data from the other 45 special revenue governmental funds are combined into a single, aggregated presentation titled "Other Governmental Funds".

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The City of Wahpeton adopts an annual budget for the general fund, capital improvements fund, sales tax economic development fund, revolving loan fund, and the debt service "fund".

The governmental fund statements may be found on pages 13-16 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 17-19 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 20-35 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following two tables' present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2010 and 2009. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Wahpeton, assets exceeded liabilities by \$22,907,829 at the close of the most recent fiscal year for governmental activities and \$6,621,473 for enterprise business-type activities. The City of Wahpeton's net assets includes its investment in capital assets (e.g. land, buildings, infrastructure, equipment, and vehicles); less any related debt used to acquire those assets that are still outstanding. The City of Wahpeton uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Wahpeton's investment in its capital assets is reported net of related debt (\$11,476,431), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1
NET ASSETS
December 31, 2010 and 2009

	2010	2010	2009	2009
	Governmental	Business-Type	Governmental	Business-Type
Assets:				
Current Assets	\$ 9,114,217	\$1,006,649	\$ 7,038,599	\$1,112,770
Noncurrent Assets	2,785,147	-	3,285,760	-
Capital Assets (net of accum. depreciation)	26,349,707	7,752,672	16,452,022	6,297,679
Total Assets	\$38,249,071	\$8,759,321	\$26,776,381	\$7,410,449
Liabilities:				
Current Liabilities	\$ 357,243	\$ 17,433	\$ 1,525,964	\$ 231,892
Long-Term Liabilities	14,983,999	2,120,415	9,561,206	2,111,586
Total Liabilities	\$15,341,242	\$2,137,848	\$11,087,170	\$2,343,478
NET ASSETS:				
Invested in Capital Assets, net of Related Debt	\$ 11,476,431	\$5,659,306	\$ 5,846,455	\$4,017,313
Restricted	10,578,432	-	9,942,611	-
Unrestricted	852,966	962,167	(99,855)	1,049,658
Total Net Assets	\$22,907,829	\$6,621,473	\$15,689,211	\$5,066,971

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

A large portion of the City of Wahpeton's net assets totaling \$10,578,432 (46%) 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 2010, the City of Wahpeton is able to report positive balances in all three categories of net assets for governmental activities, and both categories for the business-type activities. Current assets increased by \$2,075,618 (30%) for governmental activities as the current construction in progress/Capital assets were permanently financed with refunding improvement bond proceeds in November 2010. The reconstruction of Dakota Avenue was a cooperative project between the City of Wahpeton and the ND Department of Transportation totaling \$10,360,406. The project included replacement of 100 year old sewer infrastructure, replacement of an asphalt road bed with concrete and new water and sewer service to over 110 structures on Dakota Ave. in the primary business corridor.

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2010 and 2009

	2010 Governmental Activities	2010 Business-Type Activities	2009 Governmental Activities	2009 Business-Type Activities
Revenues				
<u>Program Revenues:</u>				
Charges for Services	\$ 681,783	\$1,974,967	\$ 773,995	\$ 773,995
Operating Grants & Contributions	703,150	-	905,678	905,678
Capital Grants & Contributions	8,148,169	1,693,142	401,689	401,689
<u>General Revenues:</u>				
Taxes	3,269,568	-	2,511,826	-
State Aid	523,623	-	358,013	-
Interest Earnings	23,092	1,050	65,055	2,941
Miscellaneous Revenue	556,096	3,656	287,442	15,222
Bond Discount			(39,125)	-
Total Revenues	\$13,905,481	\$3,672,815	\$ 5,264,573	\$1,831,336
Expenses				
General Government	\$ 1,027,891	\$ -	\$ 722,826	\$ -
Public Safety	1,592,844	-	1,604,218	-
Public Works	2,688,408	-	1,364,685	-
Economic Development	251,820	-	382,515	-
Culture and Recreation	172,863	-	466,199	-
Other	22,911	-	13,991	-
Capital Outlay	648,686	-	351,420	-
Interest and Fees	348,050	-	506,282	-
Water Operations	-	951,521	-	921,744
Sewer Operations	-	694,167	-	522,660
Garbage/Other Operations	-	393,625	-	363,771
Total Expenses	\$ 6,753,473	\$2,039,313	\$ 5,412,136	\$1,808,175
Excess before transfers/special items	\$ 7,152,008	\$1,633,502	\$ (147,563)	\$ 23,161
Transfers	66,610	(79,000)	92,000	(92,000)
Change in Net Assets	\$ 7,218,618	\$1,554,502	\$ (55,563)	\$ (68,839)
Net Assets – January 1	\$15,689,211	\$5,066,971	\$15,744,774	\$5,135,810
Net Assets – December 31	\$22,907,829	\$6,621,473	\$15,689,211	\$5,066,971

Capital grants & contributions constituted 59%, taxes and special assessment taxes constituted 24%, operating grants and contributions 5%, charges for services 5%, state aid 4%, and miscellaneous revenue made up 3% of total revenues of governmental activities of the City for year ended December 31, 2010.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

General government constituted 15%, public safety 24%, public works 40%, economic development 4%, interest and fees 5%, culture and recreation 3% and 9% for capital outlays of total expenses for governmental activities for the year ended December 31, 2010.

The City of Wahpeton's total net governmental activities assets equity increased by \$7,218,618 (46%) for the year ended December 31, 2010. The net increase is primarily due to capital asset infrastructure additions reflected in capital grants and contributions. Business-type activities net assets increased overall by \$1,554,502 (31%) due to the same capital asset infrastructure addition projects, primarily the reconstruction of Dakota Ave.

It is noted that governmental activities revenues increased \$8,640,908 (164%) and business-type revenues increased overall by \$1,841,479 (101%). The primary cause of the increase in governmental revenues was the participation of the ND State Department of Transportation participation in the Dakota Ave. Project reflected in the capital grants and contributions. The business-type activities had an increase in capital grants and contributions of \$1,693,142. Charges for services decreased by \$92,212 (12%) from 2009 to 2010 for the governmental activities and increased \$161,794 in the business-type activities indicative of a 9% increase attributed to improved metering practices and a 3.6% rate increase for water and sewer services.

It is noted that governmental activities expenses increased \$1,341,337 (25%) and business-type expenses increased by \$231,138 (13%). The increase in governmental expenses was attributed to increased activity in public works and general government. The increase in business-type expenses is largely due to an increase in repairs and maintenance.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City of Wahpeton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Wahpeton's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Wahpeton's governmental funds reported combined ending fund balances of \$8,730,544. The total *unreserved fund balances* are \$4,776,430. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service \$2,314,293 related to capital improvements, and is reserved for inventories \$26,677 and loans \$1,613,144. Total fund balances of governmental funds increased by \$2,303,633 (36%) primarily due to a debt issuance reimbursing previously incurred capital project fund expenditures.

It is noted that total revenues for governmental funds increased \$898,037 (15%) for the year ended December 31, 2010 going from \$5,940,407 to \$6,838,444. The primary cause of the revenue increase was attributed to the .50% increase in sales tax collections following an August, 2009 special election to add and additional .50% sales tax for flood mitigation and infrastructure; the additional sales tax became effective on January 1, 2010. Miscellaneous revenues also increased markedly with the sale of a permanent easement for flood mitigation on the City owned golf course lands adjacent to Breckenridge, MN totaling \$305,272. Expenditures decreased overall by \$634,581 (6%) going from \$10,641,002 to \$10,006,421. The debt service fund principal payment expenditures decreased overall by \$2,964,470 (72%) with the issuance of new debt in November and no refinancing activity of existing debt issues in 2010.

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 \$697,524. Unreserved fund balance represents 28% of total general fund expenditures. Revenues of the general fund totaled \$2,481,941 and expenditures totaled \$2,572,250 for the year ended December 31, 2010. Revenues of the general fund increased by \$166,174 (7%) and expenditures decreased \$954. Of the increase in revenue \$126,266 was attributed to increased revenues from the State of North Dakota primarily in State Aid and Highway Tax Distributions. Additional revenue gains were seen in licenses permits, and fees as well as franchise fee collections for natural gas, electricity and cable television. The fund balance of the City of Wahpeton's general fund increased by \$148,681 (27%) during the current fiscal year due to an increase of transfers in from other funds related to the completion of several large capital projects.

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

The capital improvements fund balance increased \$51,702 due to a general fund surplus at fiscal year end being transferred into the capital improvements fund. The capital projects fund balances increased (carrying a negative fund balance) by \$1,194,654 due to the refunding improvement bond issue reimbursement of the four major project funds. The sales tax for economic development fund balance increased \$310,567 (20%) due to limited project activity demands. The revolving loan fund balance decreased \$150,352 (12%) due to the pending sale of a Northpark spec home. The debt service funds balance increased by \$378,793 with the capitalized interest on the 2010 special assessment bond issue transferred from the capital project funds into the debt service fund. The other government funds balance increased \$369,588 (19%) with the sale of a permanent easement for flood mitigation on the City owned golf course lands adjacent to Breckenridge, MN totaling \$305,272 reflected in the real estate levy fund.

Proprietary Funds

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

Unrestricted net assets of the Water Operating Fund totaled \$416,129. Total increase in net assets for this fund was \$794,790 (45%). Total Sanitary Sewer Operating Fund net assets increased \$758,368 (25%). Total other enterprise funds net assets equity totaled \$231,271, an increase of \$1,344 (.58%). There was an increase of approximately \$161,794 in charges for services in the business-type funds resulting in an increase in operating income of \$2,164. The increase in total net assets for the proprietary funds of \$1,554,502 is attributed to the capitalization of proprietary fund assets in the reconstruction of Dakota Ave.

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 \$12,751 less than projected creating a deficiency in revenue over expense of \$12,751. Transfers in were increased \$88,067 and transfers out were increased \$1,722 resulting in a net increase in the general fund balance of \$73,594 (14%). The general fund expenditures were amended to actual general ledger amounts for the year ended December 31, 2010, as were the other major funds. More information regarding budgetary comparison information may be found in the budgetary comparison schedules on pages 36-39 of this report and in Note 2 on page 25 of this report.

CAPITAL ASSET ADMINISTRATION

The City of Wahpeton's investment in capital assets for its governmental activities as of December 31, 2010 amounted to \$26,349,707 (net of accumulated depreciation), representing an increase of \$9,897,685 (60%) due to completion of major infrastructure improvement projects and equipment acquisitions totaling \$9,897,685. The increase in business-type activities capital assets was \$1,454,993 (23%) due to replacement of proprietary fund infrastructure assets. This investment in capital assets includes land, infrastructure, buildings, equipment and vehicles.

TABLE III
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 December 31, 2010 and 2009

	2010	2010	2009	2009
	Governmental	Business-Type	Governmental	Business-Type
	Activities	Activities	Activities	Activities
Land	\$ 435,678	\$ -	\$ 435,678	\$ -
Buildings	3,111,790	1,534,529	3,171,462	1,580,867
Equipment	2,296,787	845,560	2,530,907	961,038
Vehicles	101,349	17,951	99,996	25,134
Infrastructure	20,404,103	5,354,632	9,061,153	3,730,640
Construction in Progress	-	-	1,152,826	-
Total Capital Assets	\$26,349,707	\$7,752,672	\$16,452,022	\$6,297,679

CITY OF WAHPETON

Management's Discussion & Analysis - Continued

Additional information on the City of Wahpeton's capital assets can be found in note 11 of this report found on pages 28-29.

DEBT ADMINISTRATION

At year-end the City had total long-term debt for governmental activities totaling \$14,873,276, a net overall increase of \$4,267,709 (40%) over the prior year. The increase was caused by normal scheduled debt payments on existing debt combined with the issuance of \$5,405,000 in special assessment bonds to refund capital projects at completion. Business-type activities long-term debt decreased by \$187,000 (8%) going from \$2,280,366 to \$2,093,366. The decrease was due solely to scheduled debt payments.

TABLE IV
OUTSTANDING LONG-TERM DEBT
As of December 31, 2010 and 2009

	Total Outstanding Dec. 31, 2010	Due Within One Year	Total Outstanding Dec. 31, 2009	Due Within One Year
Governmental Activities:				
Special Assessment Bonds Payable	\$14,640,000	\$1,110,000	\$10,270,000	\$1,035,000
Loans Payable	-	-	-	-
Leases Payable	233,276	106,252	335,567	102,291
Total Governmental Activities	\$14,873,276	\$1,216,252	\$10,605,567	\$1,137,291
Business-Type Activities:				
Revenue Bonds Payable	\$ 2,093,366	\$ 194,000	\$ 2,280,366	\$ 187,000
Total Long-Term Debt	\$16,966,642	\$1,410,252	\$12,885,933	\$1,324,291

Note 14 to the financial statements describes the City's long-term debt in greater detail and are found on pages 30-32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2011 budget included a slight increase in the mill levy with a City levy rate of 126.22 mills for 2011 compared to 121.33 levied for City services in 2010. The value of a mill for the City for the 2011 budget increased from \$13,283 to \$13,328 per mill.

Total appropriations for operations for 2011 increased by approximately \$2,071,513 from 2010 levels. The increase is attributed to additional debt service requirements related to refunding improvement bonds issued in Nov. 2010 and the final phase of construction for the permanent flood protection system in Sept. of 2011 budgeted at \$1,735,000. Total budgeted appropriations for the General Fund decreased \$27,105 with a reduction in the appropriation for monies transferred to other funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
ASSETS				
Cash, cash equivalents, and investments	\$ 7,102,416	\$ 873,204	\$ 7,975,620	\$ 79,117
Utility billings receivable	-	133,445	133,445	-
Intergovernmental receivable	270,194	-	270,194	-
Taxes receivable	63,786	-	63,786	8,203
Special assessments receivable	38,000	-	38,000	-
Loans receivable	1,613,144	-	1,613,144	-
Inventories	26,677	-	26,677	-
Long-term receivable:				
Uncertified special assessments receivable	2,785,147	-	2,785,147	-
Capital Assets:				
Land	435,678	-	435,678	-
Buildings	3,111,790	1,534,529	4,646,319	-
Equipment	2,296,787	845,560	3,142,347	31,810
Vehicles	101,349	17,951	119,300	-
Infrastructure	20,404,103	5,354,632	25,758,735	-
Total Capital Assets	\$ 26,349,707	\$ 7,752,672	\$ 34,102,379	\$ 31,810
Total Assets	\$ 38,249,071	\$ 8,759,321	\$ 47,008,392	\$ 119,130
LIABILITIES				
Accounts payable	\$ 2,973	\$ 493	\$ 3,466	\$ -
Accrued payroll benefits	66,170	-	66,170	-
Grant match payable	167,044	-	167,044	-
RLF Payable	45,700	-	45,700	-
Accrued interest payable	75,356	16,940	92,296	-
Long-term liabilities:				
Portion due or payable within one year:				
Leases payable	106,252	-	106,252	-
Special assessment bonds payable	1,110,000	-	1,110,000	-
Revenue bonds payable	-	194,000	194,000	-
Compensated absences payable	11,072	2,705	13,777	311
Portion due or payable after one year:				
Leases payable	127,024	-	127,024	-
Special assessment bonds payable	13,530,000	-	13,530,000	-
Revenue bonds payable	-	1,899,366	1,899,366	-
Compensated absences payable	99,651	24,344	123,995	2,800
Total Liabilities	\$ 15,341,242	\$ 2,137,848	\$ 17,479,090	\$ 3,111
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 11,476,431	\$ 5,659,306	\$ 17,135,737	\$ 31,810
Restricted for:				
Debt service	5,064,899	-	5,064,899	-
Public safety	69,606	-	69,606	-
Public works	702,527	-	702,527	-
Economic/job development	2,636,998	-	2,636,998	-
Loans	1,613,144	-	1,613,144	-
Culture and recreation	7,959	-	7,959	84,209
Capital improvements	419,804	-	419,804	-
Other special purposes	63,495	-	63,495	-
Unrestricted	852,966	962,167	1,815,133	-
Total Net Assets	\$ 22,907,829	\$ 6,621,473	\$ 29,529,302	\$ 116,019

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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Library
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government:								
<u>Governmental Activities:</u>								
General government	\$ 1,027,891	\$ 395,456	\$ 55,084	\$ -	\$ (577,351)		\$ (577,351)	
Public safety	1,592,844	198,174	50,591	-	(1,344,079)		(1,344,079)	
Public works	2,688,408	83,833	590,796	8,148,169	6,134,390		6,134,390	
Culture and recreation	172,863	2,410	6,679	-	(163,774)		(163,774)	
Economic development	251,820	-	-	-	(251,820)		(251,820)	
Other	22,911	1,910	-	-	(21,001)		(21,001)	
Capital outlay	648,686	-	-	-	(648,686)		(648,686)	
Interest & fees on long-term debt	348,050	-	-	-	(348,050)		(348,050)	
Total Governmental Activities	\$ 6,753,473	\$ 681,783	\$ 703,150	\$ 8,148,169	\$ 2,779,629		\$ 2,779,629	
<u>Business-Type Activities:</u>								
Water operations	\$ 951,521	\$ 1,067,136	\$ -	\$ 717,785	\$ -	\$ 833,400	\$ 833,400	
Sanitary sewer operations	694,167	517,862	-	975,357	-	799,052	799,052	
Garbage & other enterprise	393,625	389,969	-	-	-	(3,656)	(3,656)	
Total Business-Type Activities	\$ 2,039,313	\$ 1,974,967	\$ -	\$ 1,693,142	\$ -	\$ 1,628,796	\$ 1,628,796	
Total Primary Government	\$ 8,792,786	\$ 2,656,750	\$ 703,150	\$ 9,841,311	\$ 2,779,629	\$ 1,628,796	\$ 4,408,425	
<u>Component Unit:</u>								
Library	\$ 276,188	\$ 3,442	\$ 45,726	\$ -				\$(227,020)
<u>General Revenues:</u>								
Taxes:								
Property taxes, levied for general purposes					\$ 793,432	\$ -	\$ 793,432	\$ 229,887
Property taxes, levied for special purposes					714,862	-	714,862	-
Sales taxes					1,761,274	-	1,761,274	-
State aid distribution, other unrestricted grants & contributions					523,623	-	523,623	-
Unrestricted investment earnings					23,092	1,050	24,142	-
Miscellaneous					556,096	3,656	559,752	5,873
Transfers					66,610	(79,000)	(12,390)	12,390
Total General Revenues and Transfers					\$ 4,438,989	\$ (74,294)	\$ 4,364,695	\$ 248,150
Changes in Net Assets					\$ 7,218,618	\$ 1,554,502	\$ 8,773,120	\$ 21,130
Net Assets - January 1					\$15,689,211	\$ 5,066,971	\$20,756,182	\$ 94,889
Net Assets - December 31					\$22,907,829	\$ 6,621,473	\$29,529,302	\$ 116,019

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, 2010

	Major Funds							Total Governmental Funds
	General Fund	Capital Improve- ments	Sales Tax Operating	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	
ASSETS								
Cash, cash equivalents, & investments	\$ 572,067	\$ 699,219	\$ 1,244,126	\$ 344,701	\$ 1,953,882	\$ -	\$ 2,288,421	\$ 7,102,416
Intergovernmental receivable	189,198	-	-	-	-	80,996	-	270,194
Due from other funds	-	-	-	-	360,411	-	-	360,411
Loans receivable	-	-	739,392	873,752	-	-	-	1,613,144
Taxes receivable	27,667	-	-	-	1,182	-	34,937	63,786
Special assessments receivable	-	-	-	-	38,000	-	-	38,000
Long-term uncertified spl. assmts. rec.	-	-	-	-	2,785,147	-	-	2,785,147
Inventory	-	-	-	-	-	-	26,677	26,677
Total Assets	\$ 788,932	\$ 699,219	\$ 1,983,518	\$ 1,218,453	\$ 5,138,622	\$ 80,996	\$ 2,350,035	\$12,259,775
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,769	\$ 2,973
Accrued payroll benefits	62,537	-	-	-	-	-	3,633	66,170
Grant match payable	-	-	150,000	-	-	-	17,044	167,044
RLF payable	-	-	-	45,700	-	-	-	45,700
Due to other funds	-	-	-	-	-	360,411	-	360,411
Deferred revenue	27,667	-	-	-	2,824,329	-	34,937	2,886,933
Total Liabilities	\$ 91,408	\$ -	\$ 150,000	\$ 45,700	\$ 2,824,329	\$ 360,411	\$ 57,383	\$ 3,529,231
Fund Balances:								
Reserved for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 2,314,293	\$ -	\$ -	\$ 2,314,293
Reserved for Inventories	-	-	-	-	-	-	26,677	26,677
Reserved for Loans	-	-	739,392	873,752	-	-	-	1,613,144
Unreserved, reported in:								
General fund	697,524	-	-	-	-	-	-	697,524
Special revenue funds	-	-	1,094,126	299,001	-	-	2,265,975	3,659,102
Capital projects funds	-	699,219	-	-	-	(279,415)	-	419,804
Total Fund Balances	\$ 697,524	\$ 699,219	\$ 1,833,518	\$ 1,172,753	\$ 2,314,293	\$ (279,415)	\$ 2,292,652	\$ 8,730,544
Total Liabilities and Fund Balances	\$ 788,932	\$ 699,219	\$ 1,983,518	\$ 1,218,453	\$ 5,138,622	\$ 80,996	\$ 2,350,035	\$12,259,775

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 ASSETS
December 31, 2010

Total *Fund Balances* of Governmental Funds \$ 8,730,544

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

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

Cost of Capital Assets	\$ 32,048,010	
Less Accumulated Depreciation	<u>(5,698,303)</u>	
Net Capital Assets		26,349,707

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

Taxes Receivable	\$ 63,786	
Special Assessments Receivable	<u>38,000</u>	101,786

Long-term uncertified special assessments receivable are not reported in the funds
because they are unavailable to pay the current period's expenditures. 2,785,147

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	\$ (14,640,000)	
Leases Payable	(233,276)	
Interest Payable	(75,356)	
Compensated Absences Payable	<u>(110,723)</u>	
Total Long-Term Liabilities		<u>(15,059,355)</u>

Total Net Assets - Governmental Activities \$ 22,907,829

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, 2010

	Major Funds							Total Governmental Funds
	General Fund	Capital Improve- ments	Sales Tax Operating	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	
Revenues:								
Taxes	\$ 814,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 725,640	\$ 1,540,497
Sales taxes	-	-	535,193	-	-	958,485	267,596	1,761,274
Special assessment taxes	-	-	-	-	1,048,929	-	-	1,048,929
Licenses, permits and fees	466,916	-	-	-	-	-	-	466,916
Fines and forfeits	188,572	-	-	-	-	-	-	188,572
Intergovernmental	964,638	50,591	-	-	-	211,544	-	1,226,773
Charges for services	2,758	-	-	-	-	-	23,537	26,295
Loan receivable receipts	-	-	-	9,507	-	-	2,700	12,207
Interest income	8,253	8,960	3,116	1,720	-	-	1,043	23,092
Miscellaneous	35,947	-	428	118,233	-	33,556	355,725	543,889
Total Revenues	\$ 2,481,941	\$ 59,551	\$ 538,737	\$ 129,460	\$ 1,048,929	\$ 1,203,585	\$ 1,376,241	\$ 6,838,444
Expenditures:								
Current:								
General government	\$ 501,791	\$ 17,163	\$ 10,405	\$ -	\$ -	\$ -	\$ 451,393	\$ 980,752
Public safety	1,405,937	56,290	-	-	-	-	55,061	1,517,288
Public works/highways & streets	518,469	-	-	-	-	1,446,262	297,096	2,261,827
Culture and recreation	123,903	-	-	-	-	-	48,960	172,863
Economic development	-	-	44,525	-	-	-	204,829	249,354
Other	22,150	-	-	761	-	-	-	22,911
Capital Outlay	-	-	13,157	274,051	-	3,025,422	-	3,312,630
Debt Service:								
Principal	-	57,232	-	-	1,035,000	-	48,200	1,140,432
Interest	-	2,781	-	-	334,206	-	5,392	342,379
Fees	-	-	-	-	5,985	-	-	5,985
Total Expenditures	\$ 2,572,250	\$ 133,466	\$ 68,087	\$ 274,812	\$ 1,375,191	\$ 4,471,684	\$ 1,110,931	\$ 10,006,421
Excess (Deficiency) of Revenues Over Expenditures	\$ (90,309)	\$ (73,915)	\$ 470,650	\$ (145,352)	\$ (326,262)	\$ (3,268,099)	\$ 265,310	\$ (3,167,977)
Other Financing Sources (Uses):								
Transfers in	\$ 404,497	\$ 125,617	\$ -	\$ -	\$ 901,121	\$ 261,342	\$ 313,016	\$ 2,005,593
Bond proceeds	-	-	-	-	-	5,405,000	-	5,405,000
Transfers out	(165,507)	-	(160,083)	(5,000)	(196,066)	(1,203,589)	(208,738)	(1,938,983)
Total Other Financing Sources and Uses	\$ 238,990	\$ 125,617	\$ (160,083)	\$ (5,000)	\$ 705,055	\$ 4,462,753	\$ 104,278	\$ 5,471,610
Net Change in Fund Balances	\$ 148,681	\$ 51,702	\$ 310,567	\$ (150,352)	\$ 378,793	\$ 1,194,654	\$ 369,588	\$ 2,303,633
Fund Balances - January 1	\$ 548,843	\$ 647,517	\$ 1,522,951	\$ 1,323,105	\$ 1,935,500	\$ (1,474,069)	\$ 1,923,064	\$ 6,426,911
Fund Balances - December 31	\$ 697,524	\$ 699,219	\$ 1,833,518	\$ 1,172,753	\$ 2,314,293	\$ (279,415)	\$ 2,292,652	\$ 8,730,544

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, 2010

Net Change in *Fund Balances* - Total Governmental Funds \$ 2,303,633

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

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

Capital Asset Additions	\$ 2,725,183	
Current Year Depreciation Expense	<u>(605,513)</u>	2,119,670

Capital contributions from state and federal sources for infrastructure projects are added to the statement of activities but are not fund revenues. 7,778,015

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 issuance repayment exceeded debt repayment.

Repayment of Bonds	\$ 1,035,000	
Repayment of Leases	102,291	
Issuance of Bonds	<u>(5,405,000)</u>	(4,267,709)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	\$ (7,468)	
Net Decrease in Interest Payable	<u>3,455</u>	(4,013)

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 Decrease in Taxes Receivable	\$ (32,203)	
Net Decrease in Special Assessments Receivable	(178,162)	
Net Decrease in LT Uncertified Special Assessments Receivable	<u>(500,613)</u>	<u>(710,978)</u>

Change in Net Assets of Governmental Activities \$ 7,218,618

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 439,206	\$ 267,158	\$ 166,840	\$ 873,204
Utility billings receivable	10,453	58,199	64,793	133,445
Noncurrent Assets:				
Capital Assets:				
Buildings	1,479,140	55,389	-	1,534,529
Equipment	350,428	495,132	-	845,560
Vehicles	14,357	3,594	-	17,951
Infrastructure	2,072,207	3,282,425	-	5,354,632
Total Capital Assets	<u>\$ 3,916,132</u>	<u>\$ 3,836,540</u>	<u>\$ -</u>	<u>\$ 7,752,672</u>
Total Assets	<u>\$ 4,365,791</u>	<u>\$ 4,161,897</u>	<u>\$ 231,633</u>	<u>\$ 8,759,321</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 388	\$ 53	\$ 52	\$ 493
Accrued interest payable	14,690	2,250	-	16,940
Revenue bonds payable	174,000	20,000	-	194,000
Compensated absences	1,845	829	31	2,705
Noncurrent Liabilities:				
Revenue bond payable	1,649,366	250,000	-	1,899,366
Compensated absences	16,607	7,458	279	24,344
Total Liabilities	<u>\$ 1,856,896</u>	<u>\$ 280,590</u>	<u>\$ 362</u>	<u>\$ 2,137,848</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,092,766	\$ 3,566,540	\$ -	\$ 5,659,306
Unrestricted	416,129	314,767	231,271	962,167
Total Net Assets	<u>\$ 2,508,895</u>	<u>\$ 3,881,307</u>	<u>\$ 231,271</u>	<u>\$ 6,621,473</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds			
	Water	Sanitary	Other	Enterprise Total
	Operatng Fund	Sewer Operating	Enterprise Funds	
<u>Operating Revenues:</u>				
Charges for sales and services	\$ 1,067,136	\$ 517,862	\$ 389,969	\$ 1,974,967
<u>Operating Expenses:</u>				
Salaries and wages	\$ 226,304	\$ 135,329	\$ 19,708	\$ 381,341
Benefits	79,611	45,290	6,869	131,770
Heating fuel, gas and oil	9,281	-	-	9,281
Utilities - electricity and telephone	66,627	83,389	87,910	237,926
Service contracts	15,008	9,258	725	24,991
Waste removal contract	-	-	228,335	228,335
Supplies and postage	8,349	7,671	6,824	22,844
Repairs and maintenance	51,441	70,845	35	122,321
Equipment / lift station maintenance	34,151	28,012	7,290	69,453
Equipment and maintenance	780	81,566	-	82,346
Insurance and safety	14,330	4,441	-	18,771
Chemicals	156,167	11,365	10,207	177,739
Professional fees and other service charges	3,328	2,386	-	5,714
Meters/hydrants/wells/lagoons/manholes	27,381	26,706	20,696	74,783
Wells/testing fees	12,207	-	-	12,207
Audit fees	3,502	3,065	-	6,567
Schools/training	2,831	764	4,971	8,566
Lagoons	41,354	-	-	41,354
Miscellaneous Operating	1,785	738	55	2,578
Processing fees	2,721	2,721	-	5,442
Worker's compensation	11,022	350	-	11,372
Depreciation	125,218	171,884	-	297,102
Total Operating Expenses	\$ 893,398	\$ 685,780	\$ 393,625	\$ 1,972,803
Operating Income	\$ 173,738	\$ (167,918)	\$ (3,656)	\$ 2,164
<u>Nonoperating Revenues (Expenses):</u>				
Interest income	\$ 1,050	\$ -	\$ -	\$ 1,050
Miscellaneous income	2,342	1,314	-	3,656
Capital contributions from governmental funds	717,785	975,357	-	1,693,142
Interest expense	(48,576)	(7,000)	-	(55,576)
Service charges and administration fees	(9,547)	(1,387)	-	(10,934)
Total Nonoperating Revenue (Expenses)	\$ 663,054	\$ 968,284	\$ -	\$ 1,631,338
Income Before Contributions and Transfers	\$ 836,792	\$ 800,366	\$ (3,656)	\$ 1,633,502
Transfers in	\$ -	\$ -	\$ 5,000	\$ 5,000
Transfers out	(84,000)	-	-	(84,000)
Change in Net Assets	\$ 752,792	\$ 800,366	\$ 1,344	\$ 1,554,502
Total Net Assets - January 1	\$ 1,714,105	\$ 3,122,939	\$ 229,927	\$ 5,066,971
Prior Period Adjustments	41,998	(41,998)	-	-
Total Net Assets - January 1, as restated	\$ 1,756,103	\$ 3,080,941	\$ 229,927	\$ 5,066,971
Total Net Assets - December 31	\$ 2,508,895	\$ 3,881,307	\$ 231,271	\$ 6,621,473

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, 2010

	Business-Type Activities - Enterprise Funds			
	Water Operating Fund	Sanitary Sewer Fund	Other Enterprise Funds	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Receipts from customers and users	\$ 1,077,213	\$ 509,246	\$ 381,992	\$ 1,968,451
Payments to suppliers	(470,149)	(340,500)	(375,943)	(1,186,592)
Payments to employees	(300,878)	(178,967)	(26,462)	(506,307)
Net Cash Provided by Operating Activities	<u>\$ 306,186</u>	<u>\$ (10,221)</u>	<u>\$ (20,413)</u>	<u>\$ 275,552</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers in	\$ -	\$ -	\$ 5,000	\$ 5,000
Transfers to other funds	(84,000)	-	-	(84,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (84,000)</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ (79,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchase of capital assets	\$ (58,953)	\$ -	\$ -	\$ (58,953)
Miscellaneous income	2,342	1,314	-	3,656
Principal paid on capital debt	(172,000)	(15,000)	-	(187,000)
Interest paid on capital debt	(49,884)	(7,125)	-	(57,009)
Fees paid on capital debt	(9,547)	(1,388)	-	(10,935)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (288,042)</u>	<u>\$ (22,199)</u>	<u>\$ -</u>	<u>\$ (310,241)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest received	\$ 1,050	\$ -	\$ -	\$ 1,050
Net Increase in Cash and Cash Equivalents	<u>\$ (64,806)</u>	<u>\$ (32,420)</u>	<u>\$ (15,413)</u>	<u>\$ (112,639)</u>
Cash and Cash Equivalents, January 1	<u>\$ 504,012</u>	<u>\$ 299,576</u>	<u>\$ 182,253</u>	<u>\$ 985,841</u>
Cash and Cash Equivalents, December 31	<u>\$ 439,206</u>	<u>\$ 267,156</u>	<u>\$ 166,840</u>	<u>\$ 873,202</u>
<u>Reconciliation of operating income to net cash provided (used) by operating activities:</u>				
Operating income	\$ 173,738	\$ (167,918)	\$ (3,656)	\$ 2,164
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	125,218	171,884	-	297,102
Change in Assets and Liabilities:				
Utility billings receivable	10,077	(8,616)	(7,977)	(6,516)
Accounts payable	(7,884)	(7,223)	(8,895)	(24,002)
Compensated absences	5,037	1,652	115	6,804
Net Cash Provided (Used) by Operating Activities	<u>\$ 306,186</u>	<u>\$ (10,221)</u>	<u>\$ (20,413)</u>	<u>\$ 275,552</u>

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

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

COMPONENT UNITS

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

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

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

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

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

RELATED ORGANIZATIONS

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

Airport	\$57,074
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The City of Wahpeton is accountable for the Bois de Sioux Golf Club, a legally separate entity because it appoints a voting majority to its governing board. The city also owns the land used by the golf club. The city cannot and does not control the operations of the club.

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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

Sales Tax Operating Fund. This fund accounts for the use of city sales tax for various purposes within the city, primarily to make capital improvements and to make economic development grants and loans.

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

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

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

The City reports the following major enterprise funds:

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

Sanitary Sewer Operating. This fund accounts for the activities of the Sanitation 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 are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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

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

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

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

G. Compensated Absences

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

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

Police Officers and Sergeants:

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

Water Plant Personnel:

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

Other Full-Time City Employees:

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

Permanent Part-Time City Employees:

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

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

H. Fund Balances

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments - Expenditures:

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

	Original Budget	Amendment	Amended Budget
General Fund	\$2,613,437	\$ (41,187)	\$2,572,250
Capital Improvements	133,466	45,452	178,918
Sales Tax Operating	358,150	(290,063)	68,087
Sales Tax Reserve	260,000	(211,040)	48,960
Revolving Loan Fund	5,000	274,813	279,813
Debt Service Funds - Expend/T-out	-	85,280	85,280
Capital Projects Funds - Expend.	-	4,471,684	4,471,684

OVERSPENT FUNDS:

Expenditures exceeded budgeted amounts in the following funds:

	OVERSPENT FUNDS		
	Budget	Spent	Overspent
Advertising Levy	\$ 18,929	\$ 24,623	\$ 5,694
Airport 4 Mill Road	50,855	57,074	6,219
Planning Commission	12,619	24,184	11,565
Employee Safety	-	1,641	1,641
Real Estate Levy	-	8,374	8,374
Special Street Maintenance	88,965	134,883	45,918
Snow/Flood Emergency	12,745	26,496	13,751
Levee Maintenance	83,880	90,433	6,553
Special Transportation Fund	-	20,737	20,737
Unemployed Compensation Reserve	-	540	540
Economic Development	164,120	165,190	1,070
Absolute Marketing Campaign	-	49,738	49,738
Miscellaneous Fund	-	628	628
Job Development Levy	17,288	60,287	42,999
Lodging Tax	26,667	27,058	391
Sales Tax Default Reserve	-	1,163	1,163
Sales Tax Developers	-	138,000	138,000
Sales Tax HELP Reserve	-	1,630	1,630
HCP Parking Fines	-	510	510
Safe Families Coalition	-	180	180
Police Canine Unit	2,000	2,639	639
Golf Club Donations	-	1,577	1,577
Clubhouse Maintenance	5,000	30,717	25,717
Downtown Cleanup	-	47	47

No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2010, the city's carrying amount of deposits was \$8,054,237 and the bank balances were \$8,230,996. Of the bank balances, \$1,354,058 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2010, the city held certificates of deposit totaling \$575,000.

The City's latest bond rating was Aaa as received from Moody's Investment Services.

NOTE 4: ACCOUNTS RECEIVABLE

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

NOTE 5: UTILITY BILLINGS RECEIVABLE

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 6: TAXES RECEIVABLE

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

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

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

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due the City at December 31 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, 2010 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Operating Fund	\$ 385,884	\$354,777	\$ 1,270	\$ 739,391
Sales Tax H.E.L.P. Housing	6,155	-	2,750	-
Revolving Loan Fund	632,844	346,675	105,766	873,753
Total Loans Receivable	\$1,021,478	\$701,452	\$109,786	\$1,613,144

NOTE 10: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents negative cash amounts in the capital projects funds covered by the debt service funds totaling \$360,411 at December 31, 2010.

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2010:

Governmental Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<i>Capital assets not being depreciated:</i>				
Land	\$ 435,678	\$ -	\$ -	\$ 435,678
Construction in Progress	1,152,826	-	1,152,826	-
Total Capital Assets, Not Being Depreciated	\$ 1,588,504	\$ -	\$1,152,826	\$ 435,678
<i>Capital assets being depreciated:</i>				
Buildings	\$ 4,297,811	\$ 13,922	\$ -	\$ 4,311,733
Equipment	4,253,565	17,591	-	4,271,156
Vehicles	362,033	29,726	-	391,759
Infrastructure	11,042,899	11,594,785	-	22,637,684
Total Capital Assets, Being Depreciated	\$19,956,308	\$11,656,024	\$ -	\$31,612,332
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,126,349	\$ 73,594	\$ -	\$ 1,199,943
Equipment	1,722,658	251,711	-	1,974,369
Vehicles	262,037	28,373	-	290,410
Infrastructure	1,981,746	251,835	-	2,233,581
Total Accumulated Depreciation	\$ 5,092,790	\$ 605,513	\$ -	\$ 5,698,303
Total Capital Assets Being Depreciated, Net	\$14,863,518	\$11,050,511	\$ -	\$25,914,029
Governmental Activities Capital Assets, Net	\$16,452,022	\$11,050,511	\$1,152,826	\$26,349,707

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

Governmental Activities:	Amounts
General Government	\$ 59,224
Public Safety	105,003
Public Works	189,451
Infrastructure	251,835
Total Depreciation Expense - Governmental Activities	\$605,513

Business-Type Activities:

Business-Type Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,316,946	\$ -	\$ -	\$ 2,316,946
Equipment	3,998,527	25,431	-	4,023,958
Vehicles	44,416	-	-	44,416
Infrastructure	4,775,511	1,726,664	-	6,502,175
Total Capital Assets, Being Depreciated	\$11,135,400	\$1,752,095	\$ -	\$12,887,495
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 736,079	\$ 46,339	\$ -	\$ 782,418
Equipment	3,037,489	140,908	-	3,178,397
Vehicles	19,282	7,183	-	26,465
Infrastructure	1,044,871	102,672	-	1,147,543
Total Accumulated Depreciation	\$ 4,837,721	\$ 297,102	\$ -	\$ 5,134,823
Total Capital Assets Being Depreciated, Net	\$ 6,297,678	\$1,454,993	\$ -	\$ 7,752,672

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Component Unit - Library:

Governmental Activities (Library):	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<i>Capital assets being depreciated:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	29,621	6,392	-	36,013
Total Capital Assets, Being Depreciated	\$54,621	\$6,392	\$ -	\$61,013
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$25,000	\$ -	\$ -	\$25,000
Equipment	2,228	1,975	-	4,203
Total Accumulated Depreciation	\$25,798	\$1,975	\$ -	\$29,203
Total Capital Assets Being Depreciated, Net	\$27,393	\$4,417	\$ -	\$31,810

NOTE 12: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2010:

Fund	Transfers In	Transfers Out
General Fund	\$ 404,497	\$ 165,507
Sales Tax Operating Fund	-	160,083
Capital Improvements	125,617	-
Revolving Loan Fund	-	5,000
Debt Service Funds	901,121	196,066
Capital Projects Funds	261,342	1,203,589
Water Enterprise Funds	-	84,000
Non-Major Enterprise Funds	5,000	-
Transfer to Component Unit	12,390	-
Special Revenue Funds	313,016	208,738
Total Transfers	\$2,022,983	\$2,022,983

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 REVENUE

Deferred revenue in the governmental fund modified accrual basis financial statements as of December 31, 2010 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 27,667
Delinquent property taxes receivable (debt service fund- major)	1,182
Delinquent property taxes receivable (non-major funds)	34,937
Delinquent special assessments receivable (debt service funds)	38,000
Long-Term Uncertified Special Assessments Receivable	2,785,147
Total Deferred Revenue	\$2,886,933

CITY OF WAHPETON

Notes to the Financial Statements - Continued

NOTE 14: LONG-TERM LIABILITIES

During the year ended December 31, 2010, the following changes occurred in long-term liabilities of the city:

Governmental Activities:

Governmental Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10	Due Within One Year
Special Assessment Bonds	\$10,270,000	\$5,405,000	\$1,035,000	\$14,640,000	\$1,110,000
Leases Payable	335,567	-	102,291	233,276	106,252
Compensated Absences *	103,255	7,468	-	110,723	11,072
Total Governmental Activities	\$10,708,822	\$5,412,468	\$1,137,291,	\$14,983,999	\$1,227,324

Business-Type Activities (Proprietary Funds):

Business-Type Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10	Due Within One Year
Revenue Bonds	\$2,280,366	\$ -	\$187,000	\$2,093,366	\$194,000
Compensated Absences *	20,243	6,805	-	27,049	2,705
Total Business-Type Activities	\$2,300,609	\$6,805	\$187,000	\$2,120,415	\$196,705

* - 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, 2010, is comprised of the following individual issues:

Special Assessment Bonds:

\$2,050,000 2003D Refunding Improvement Bonds #10303, due in annual installments of \$135,000 to \$140,000 through 2019, with interest at 3.2% to 4.0%.	\$ 1,220,000
\$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%.	5,405,000
\$2,000,000 2005 Refunding Improvement Bonds, due in annual installments of \$125,000 to \$170,000 through 2020, with interest at 3.75% to 4.0%.	1,440,000
\$970,000 2006 Refunding Improvement Bonds #10506, due in annual installments of \$65,000 through 2021, with interest at 4.0%.	715,000
\$1,850,000 2007 Refunding Improvement Bonds #10607, due in annual installments of \$105,000 to \$165,000 through 2022, with interest at 3.75% to 4.375%.	1,560,000

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Special Assessment Bonds (Continued):

\$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of \$140,000 to \$195,000 through 2020, with interest at 4.0% to 4.5%. \$ 1,645,000

\$3,130,000 2010 Refunding Improvement Bonds #10809, due in annual installments of \$240,000 to \$535,000 through 2017, with interest at 1.5% to 3.35%. This issue refunded the following series: 1995B, 1997, 1999B, 2000A and 2002. 2,655,000

Total Special Assessment Bonds \$14,640,000

Governmental activities debt service requirements to maturity (excluding compensated absences and leases payable) at December 31, 2010 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2011	\$ 1,110,000	\$ 442,758
2012	1,455,000	414,181
2013	1,460,000	374,504
2014	1,475,000	332,086
2015	1,320,000	289,253
2016-2020	5,695,000	838,888
2021-2025	2,125,000	159,403
Totals	\$14,640,000	\$2,849,073

Proprietary Funds – Revenue Bonds:

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

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

Enterprise Revenue Bonds – Set Payment Schedules:

\$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; due in annual installments of \$20,000 through 2018, with interest at 2.5%. \$ 160,000

\$1,062,366 of 1993 Revenue Bonds, due in annual installments of \$60,000 to \$62,366 through 2014, with interest at 2.5%. 242,366

\$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of \$94,000 to \$126,000 through 2023, with interest at 2.5%. 1,421,000

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Enterprise Revenue Bonds – Set Payment Schedules (Continued):

\$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%. \$ 270,000

Total Enterprise Revenue Bonds \$2,093,366

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
2011	\$ 194,000	\$ 52,335
2012	196,000	47,485
2013	199,000	42,584
2014	203,366	37,609
2015	144,000	32,525
2016-2020	718,000	108,000
2021-2024	439,000	22,225
Totals	\$2,093,366	\$342,762

NOTE 15: CDBG/RLF PAYABLE

The City has obtained Community Development Block Grant (CBDG) Loans (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, 2010, there was a CDBG loan 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 contingent grant match payables reported in the sales tax operating (320) and sales tax contingency (321) funds. The \$150,000 match in fund 320 is recorded as an accrued liability per Council action 8/6/7 as requested by the ND Dept. of Commerce in reference to bonus payments for consulting contracts for the marketing of the former Ivation buildings. 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: 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.

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 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 \$1,343,370 at December 31, 2010. The outstanding principal balance on those loans was \$625,240. The total principal balance of the CDBG loans issued to various industries totaled \$475,000 at December 31, 2010. The outstanding principal balance on those loans was \$329,124.

NOTE 18: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and public assets insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to \$2,468,069 for public assets (mobile equipment and portable property) coverage.

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

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

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

NOTE 19: PENSION PLAN

Defined Contribution Plan

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

The city only provides a matching contribution to the 457 plan for existing employees that did not elect to participate in the defined contribution plan at the time of conversion on January 1, 2005. The city had 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, 2010, 2009 and 2008, were \$2,308, \$2,069, and \$1,989, 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 2% of their annual covered salary. The city is required to contribute 5.26% which the city chooses to increase to 7.26% to reduce the employee contribution from 4% to 2% of the employee's salary. The employer contribution consists of 6.12% 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, 2010, 2009 and 2008 were \$115,171, \$106,789, and \$100,645, respectively, equal to the required contributions for the year.

NOTE 20: FUND DEFICITS

The following funds were in a deficit position at December 31, 2010:

Fund Name	Balance
Absolute Marketing Campaign (272)	\$ (49,738)
5-1-97 Flood Phase II (574)	(891,893)
Dakota Avenue Side Streets (607)	(73,647)
Urban Roads Maintenance 2009 (609)	(267,358)
Safe Routes to Schools (610)	(103,569)
Southside Storm Sewer (608)	(7,202)
NSP Grant Project (614)	(38,139)
Cul De Sac Improvements (615)	(92)
Alley Improvements-Miscellaneous (617)	(212)
NDDOT Hwy 127 (618)	(17,689)
Town Centre Square Improvements (620)	(10,510)

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 21: SUBSEQUENT EVENTS

Flooding:

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

CITY OF WAHPETON

Notes to the Financial Statements - Continued

Water / Sewer Billings:

In July of 2010, 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
2011	\$ 78,375
2012	78,375
2013	78,375
Total	\$235,125

One additional retail customer owed \$12,464 in water and sewer under billings and this amount was repaid to the City by April 30, 2011.

Debt Issuance – Refunding Bonds of 2011:

At the June 20, 2011 City Council meeting, by unanimous vote of the Council, it was agreed to advance refund the remaining 2003D Series Bonds. \$1,120,000 of refunding bonds of 2011 with interest rates ranging from .065% to 2.5% and an effective rate of 2.13% were issued to reduce its total debt service payments over the next 8 years by \$58,803, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$53,422.

NOTE 22: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was done between the water and sewer operating funds to reclassify a sewer fund capital asset to a water fund capital asset totaling \$41,998.

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 819,148	\$ 819,148	\$ 814,857	\$ (4,291)
Licenses, permits and fees	461,155	461,155	466,916	5,761
Fines and forfeits	154,000	154,000	188,572	34,572
Intergovernmental	825,989	825,989	964,638	138,649
Charges for services	2,100	2,100	2,758	658
Interest income	70,000	70,000	8,253	(61,747)
Miscellaneous income	162,300	162,300	35,947	(126,353)
Total Revenues	\$ 2,494,692	\$ 2,494,692	\$ 2,481,941	\$ (12,751)
<u>Expenditures:</u>				
Current:				
General government	\$ 539,369	501,791	\$ 501,791	\$ -
Public safety	1,418,917	1,405,937	1,405,937	-
Public works	539,471	518,469	518,469	-
Culture and recreation	16,680	123,903	123,903	-
Other	15,000	22,150	22,150	-
Total Expenditures	\$ 2,529,437	\$ 2,572,250	\$ 2,572,250	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (34,745)	\$ (77,558)	\$ (90,309)	\$ (12,751)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 316,430	\$ 316,430	\$ 404,497	\$ 88,067
Transfers out	(163,785)	(163,785)	(165,507)	(1,722)
Total Other Financing Sources and Uses	\$ 152,645	\$ 152,645	\$ 238,990	\$ 86,345
Net Change in Fund Balances	\$ 117,900	\$ 75,087	\$ 148,681	\$ 73,594
Fund Balance - January 1	\$ 548,843	\$ 548,843	\$ 548,843	\$ -
Fund Balance - December 31	\$ 666,743	\$ 623,930	\$ 697,524	\$ 73,594

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 50,591	\$ 50,591
Interest income	-	-	8,960	8,960
Total Revenues	\$ -	\$ -	\$ 59,551	\$ 59,551
<u>Expenditures:</u>				
Current:				
General Government	\$ -	\$ 17,163	\$ 17,163	\$ -
Public Safety	28,000	56,290	56,290	-
Debt Service:				
Principal	-	57,232	57,232	-
Interest and Fees	-	2,781	2,781	-
Total Expenditures	\$ 28,000	\$ 133,466	\$ 133,466	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,000)	\$ (133,466)	\$ (73,915)	\$ 59,551
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 75,617	\$ 75,617	\$ 125,617	\$ 50,000
Net Change in Fund Balances	\$ 47,617	\$ (57,849)	\$ 51,702	\$ 109,551
Fund Balance - January 1	\$ 647,517	\$ 647,517	\$ 647,517	\$ -
Fund Balance - December 31	\$ 695,134	\$ 589,668	\$ 699,219	\$ 109,551

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX OPERATING FUND
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales taxes	\$ 510,000	\$ 510,000	\$ 535,193	\$ 25,193
Interest income	10,000	10,000	3,116	(6,884)
Miscellaneous income	-	-	428	428
Total Revenues	\$ 520,000	\$ 520,000	\$ 538,737	\$ 18,737
<u>Expenditures:</u>				
Current:				
General Government	\$ -	\$ 10,405	\$ 10,405	\$ -
Economic Development	283,150	44,525	44,525	-
Capital Outlay	75,000	13,157	13,157	-
Total Expenditures	\$ 358,150	\$ 68,087	\$ 68,087	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 161,850	\$ 451,913	\$ 470,650	\$ 18,737
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (160,083)	\$ (160,083)
Net Change in Fund Balances	\$ 161,850	\$ 451,913	\$ 310,567	\$ (141,346)
Fund Balance - January 1	\$ 1,522,951	\$ 1,522,951	\$ 1,522,951	\$ -
Fund Balance - December 31	\$ 1,684,801	\$ 1,974,864	\$ 1,833,518	\$ (141,346)

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Loan receivable receipts	\$ 9,800	\$ 9,800	\$ 9,507	\$ (293)
Interest income	7,000	7,000	1,720	(5,280)
Miscellaneous income	-	-	118,233	118,233
Total Revenues	\$ 16,800	\$ 16,800	\$ 129,460	\$ 112,660
<u>Expenditures:</u>				
Current:				
Economic Development	\$ -	\$ 274,812	\$ 274,812	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,800	\$ (258,012)	\$ (145,352)	\$ 112,660
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (5,000)	\$ (5,000)
Net Change in Fund Balances	\$ 16,800	\$ (258,012)	\$ (150,352)	\$ 107,660
Fund Balance - January 1	\$ 1,323,105	\$ 1,323,105	\$ 1,323,105	\$ -
Fund Balance - December 31	\$ 1,339,905	\$ 1,065,093	\$ 1,172,753	\$ 107,660

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

CITY OF WAHPETON
Wahpeton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

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, 2010

	Balance 1-1-10	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-10
Major Funds:							
General Fund	\$ 393,062.97	\$ 2,448,523.50	\$ 404,496.61	\$ -	\$ 165,507.21	\$ 2,572,249.61	\$ 508,326.26
Capital Improvements	\$ 647,517.25	\$ 59,550.86	\$ 125,616.89	\$ -	\$ -	\$ 133,466.00	\$ 699,219.00
Sales Tax Operating Fund	1,522,951.12	538,736.79	-	-	160,083.08	68,087.09	1,833,517.74
Revolving Loan Fund	1,323,104.98	129,460.20	-	-	5,000.00	274,812.50	1,172,752.68
Total Major Funds	\$ 3,886,636.32	\$ 3,176,271.35	\$ 530,113.50	\$ -	\$ 330,590.29	\$ 3,048,615.20	\$ 4,213,815.68
Non-Major Funds:							
Special Revenue Funds:							
Advertising	\$ 36,857.59	\$ 21,277.85	\$ -	\$ -	\$ -	\$ 24,623.31	\$ 33,512.13
Airport	3,461.79	57,712.22	-	-	-	57,074.21	4,099.80
Planning Commission	43,257.53	12,213.45	-	-	-	24,183.84	31,287.14
Band Levy	2,108.99	4,097.45	-	-	-	-	6,206.44
Social Security Levy	17,610.03	94,948.42	-	-	84,150.44	-	28,408.01
Retirement Levy	17,688.66	79,269.16	-	-	72,018.46	-	24,939.36
Employee Safety Committee	5,327.95	581.13	-	-	-	1,641.00	4,268.08
Fire Department Levy	76,511.11	149,557.51	-	-	20,000.00	104,349.17	101,719.45
Real Estate Levy	99,294.47	340,600.00	-	-	20,000.00	8,373.72	411,520.75
Special Street Maintenance	71,479.12	88,132.76	-	-	-	134,883.24	24,728.64
Snow/Flood Emergency	17,939.94	13,786.30	60,000.00	-	-	26,496.01	65,230.23
Levee Maintenance	-	-	90,433.41	-	-	90,433.41	-
City Share of Specials	37,373.52	46,596.79	-	-	-	49,303.97	34,666.34
Special Transportation Funding	47,889.26	-	-	-	-	20,736.61	27,152.65
Ambulance Levy	-	1,775.83	-	-	-	-	1,775.83
Unemployment Reserve	41,292.54	-	-	-	-	539.96	40,752.58
Economic Development	-	5,106.49	160,083.08	-	-	165,189.57	-
Absolute Marketing Campaign	-	-	-	-	-	49,738.24	(49,738.24)
Miscellaneous Fund	113.29	514.36	-	-	-	627.65	-
Vector Control	6,528.48	16,842.53	-	-	-	7,830.01	15,541.00
1% Additional Lodging Tax 1-1-08	13,819.39	16,986.32	-	-	-	9,535.26	21,270.45
Job Development Levy	82,871.96	23,636.48	-	-	-	60,287.32	46,221.12
Weed Maintenance Levy	58,051.27	45,264.75	-	-	12,568.79	16,716.60	74,030.63
Lodging Tax	37,145.27	34,149.49	-	-	-	27,058.22	44,236.54
Sales Tax Recreation	133,178.58	267,685.76	-	-	-	48,959.79	351,904.55
Sales Tax Default Reserve	65,978.59	-	-	-	-	1,162.82	64,815.77
Sales Tax Development Reserve	495,200.00	-	-	-	-	138,000.00	357,200.00
Sales Tax Mini-Match Reserve	11,182.23	-	-	-	-	4,912.02	6,270.21
Sales Tax Help Fund	362,509.46	953.46	-	-	-	1,630.04	361,832.88
CDC	13,974.36	-	-	-	-	-	13,974.36
Handicapped Parking Fines	-	610.00	-	-	-	510.00	100.00
Employee Bonus/Retirement	38,572.18	-	-	-	-	-	38,572.18
Gasoline, Oil, Etc.	3,153.65	22,927.11	-	-	-	-	26,080.76
Safe Communities Coalition	-	1,393.77	-	-	-	180.00	1,213.77
Local Law Enforcement Block Grant	5.15	-	-	-	-	-	5.15
Police Dept. Radio Sinking Fund	15,099.62	-	2,500.00	-	-	-	17,599.62
Police Dept. Canine Unit Fund	5,539.51	104.25	-	-	-	2,638.77	3,004.99
Community Policing Fund	880.56	54.00	-	-	-	-	934.56
Golf Club Donations	1,000.00	963.53	-	-	-	1,576.82	386.71
Clubhouse Maintenance	4,433.32	27,500.00	-	-	-	30,717.25	1,216.07
Sidewalk Maintenance	26,747.06	-	-	-	-	-	26,747.06
Downtown Cleanup Fund	11,962.15	-	-	-	-	47.25	11,914.90
Downtown Development Process	13,483.08	-	-	-	-	-	13,483.08
Comm. Emergency Response (CERT)	3,541.97	1,000.00	-	-	-	975.35	3,566.62
Total Special Revenue Funds	\$ 1,923,063.63	\$ 1,376,241.17	\$ 313,016.49	\$ -	\$ 208,737.69	\$ 1,110,931.43	\$ 2,292,652.17
Debt Service Funds:							
Special Assessment Deficiency	\$ 186,115.41	\$ 14,258.83	\$ -	\$ -	\$ -	\$ -	\$ 200,374.24
Tax Increment Fund	9,564.03	193,877.43	-	-	196,066.00	-	7,375.46

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CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2010

	Balance 1-1-10	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 12-31-10
CONTINUED:							
<u>Debt Service Funds (Cont.):</u>							
R/I 10303 Sinking Fund	\$ 436,090.17	\$ 189,242.58	\$ -	\$ -	\$ -	\$ 187,668.00	\$ 437,664.75
R/I 10405 Sinking Fund	183,402.50	-	175,068.75	-	-	174,910.75	183,560.50
R/I 10506 Sinking Fund	74,719.91	102,811.10	-	-	-	101,121.00	76,410.01
R/I 10607 Sinking Fund	165,608.34	-	166,326.25	-	-	166,176.26	165,758.33
R/I 10708 Sinking Fund	137,231.05	179,314.06	181,066.00	-	-	209,817.00	287,794.11
R/I 10809 Sinking Fund	742,768.36	369,425.25	168,660.00	-	-	535,497.95	745,355.66
R/I 10910 Sinking Fund	-	-	210,000.00	-	-	-	210,000.00
Total Debt Service Funds	\$ 1,935,499.77	\$ 1,048,929.25	\$ 901,121.00	\$ -	\$ 196,066.00	\$ 1,375,190.96	\$ 2,314,293.06
<u>Capital Projects Funds:</u>							
Sales Tax for Flood & Infrastructure Fund	\$ -	\$ 342,296.21	\$ -	\$ -	\$ 258,805.00	\$ -	\$ 83,491.21
1/2 Sales Tax Fund	305,055.09	535,192.59	-	-	603,025.08	-	237,222.60
5-1-97 Flood Phase II	(850,231.89)	6,550.00	-	-	-	48,210.64	(891,892.53)
Flood 2010	-	10,931.57	2,536.67	-	-	13,468.24	-
Dakota Ave. Reconstruction 2008	(88,685.33)	-	-	2,742,113.24	168,264.35	2,050,008.85	435,154.71
11th Street Shared Use Path	-	26,203.22	-	-	-	26,203.22	-
Dakota Ave. Side Streets	(73,646.65)	-	-	-	-	-	(73,646.65)
Southside Storm Sewer	(384,129.60)	68,243.57	258,805.00	665,529.71	50,085.37	480,430.06	77,933.25
Urban Roads Mtc. 2009	(104,465.70)	12,803.74	-	-	-	175,696.36	(267,358.32)
Safe Routes to School	(794.54)	-	-	-	-	102,774.08	(103,568.62)
Southside Storm Sewer	-	-	-	-	-	7,202.00	(7,202.00)
Dakota Ave. Alleys	(215,457.47)	-	-	241,819.79	15,948.72	9,050.45	1,363.15
Lift Stations Ctrls #6 & #8	(234.00)	-	-	-	-	(234.00)	-
NSP Grant Project	(61,071.66)	120,368.00	-	-	-	97,435.75	(38,139.41)
Cul de Sac Improvements	(92.00)	-	-	-	-	-	(92.00)
North Central Area Street Improvements	(315.40)	-	-	1,755,537.26	107,460.48	1,433,027.31	214,734.07
Alley Improvements Misc. Locations	-	-	-	-	-	211.68	(211.68)
NDDOT Hwy 127 from Jct. 11	-	-	-	-	-	17,688.77	(17,688.77)
Town Centre Square	-	-	-	-	-	10,510.14	(10,510.14)
Total Capital Projects Funds	\$ (1,474,069.15)	\$ 1,122,588.90	\$ 261,341.67	\$ 5,405,000.00	\$ 1,203,589.00	\$ 4,471,683.55	\$ (360,411.13)
Total Governmental Funds	\$ 6,271,130.57	\$ 6,724,030.67	\$ 2,005,592.66	\$ 5,405,000.00	\$ 1,938,982.98	\$ 10,006,421.14	\$ 8,460,349.78
<u>Major Enterprise Funds:</u>							
Water Operating	\$ 512,593.85	\$ 1,070,527.63	\$ -	\$ -	\$ 84,000.00	\$ 1,053,133.47	\$ 445,988.01
Meter Deposits	3,676.25	-	-	-	-	393.64	3,282.61
Total Water Operating - Major	\$ 516,270.10	\$ 1,070,527.63	\$ -	\$ -	\$ 84,000.00	\$ 1,053,527.11	\$ 449,270.62
Total Sewer Operating	\$ 341,883.81	\$ 519,175.68	\$ -	\$ -	\$ -	\$ 535,755.01	\$ 325,304.48
<u>Nonmajor Enterprise Funds:</u>							
Waste Removal	\$ 58,848.09	\$ 235,077.01	\$ -	\$ -	\$ -	\$ 230,850.03	\$ 63,075.07
Waste Reduction	91,071.79	18,539.99	-	-	-	12,290.03	97,321.75
Total Waste Fund	\$ 149,919.88	\$ 253,617.00	\$ -	\$ -	\$ -	\$ 243,140.06	\$ 160,396.82
Vector Control	\$ 78,121.89	\$ 43,168.50	\$ -	\$ -	\$ -	\$ 50,608.73	\$ 70,681.66
Street Lights	\$ 2,079.82	\$ 93,183.18	\$ 5,000.00	\$ -	\$ -	\$ 99,760.52	\$ 502.48
Total Nonmajor Enterprise Funds	\$ 230,121.59	\$ 389,968.68	\$ 5,000.00	\$ -	\$ -	\$ 393,509.31	\$ 231,580.96
Total Enterprise Funds	\$ 1,088,275.50	\$ 1,979,671.99	\$ 5,000.00	\$ -	\$ 84,000.00	\$ 1,982,791.43	\$ 1,006,156.06
<u>Component Unit:</u>							
Library	\$ 58,164.51	\$ 288,687.57	\$ 12,390.32	\$ -	\$ -	\$ 280,125.92	\$ 79,116.48
Total Reporting Entity	\$ 7,417,570.58	\$ 8,992,390.23	\$ 2,022,982.98	\$ 5,405,000.00	\$ 2,022,982.98	\$ 12,269,338.49	\$ 9,545,622.32

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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

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected in a timely basis.

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

Compliance and Other Matters

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

We noted on matter that we reported to the management of the City of Wahpeton in a separate letter dated July 29, 2011.

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

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

July 29, 2011

COMMUNICATION WITH BOARD

CITY OF WAHPETON
WAHPETON, NORTH DAKOTA

FOR THE YEAR ENDED DECEMBER 31, 2010

OFFICE OF THE STATE AUDITOR
LOCAL GOVERNMENT DIVISION
4342 15TH AVE. S., SUITE 203
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BISMARCK, ND 58505

MANAGEMENT LETTER

City Council
City of Wahpeton
Wahpeton, North Dakota

Our audit of the financial records, including the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, for the year ended December 31, 2010 has disclosed an opportunity for improvement in the operations of the City. The following item which we believe should be brought to your attention is set forth below:

OVERSPENT FUNDS

We noted that twenty-four non-major special revenue funds were overspent for the year ended December 31, 2010. NDCC40-40-15 states "no municipal expenditure may be made nor liability incurred, and no bill may be paid for any purpose in excess of the appropriation made therefore in the final budget. Expenditures made, liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability of the members of the governing body who authorized the making, incurring, or issuing thereof or who were present when they were authorized and did not vote against authorizing the same". The "final budget" includes any and all budget amendments made for overspent funds.

We recommend that the City Finance Director submit a list of overspent funds requiring amendment at or shortly after each year-end for the Council to approve by formal board motion noted in the minutes. Any special revenue fund expenditure budgets which are overspent should be amended, including non-budgeted and overspent grant non-major special revenue funds, major special revenue funds, the general fund and debt service funds. While there is no statutory authority or accounting principles requiring budgeting of capital projects funds, should they be overspent, the board may approve budget amendments if management feels it is necessary.

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

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

Handwritten signature of Robert R. Peterson in cursive.

Robert R. Peterson
State Auditor

July 29, 2011

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City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wahpeton, North Dakota for the year ended December 31, 2010 which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2011. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated November 25, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Wahpeton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Wahpeton are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2010. We noted no transactions entered into by the City of Wahpeton during the year ended December 31, 2010 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

SIGNIFICANT AUDIT ADJUSTMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

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

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



Robert R. Peterson
State Auditor

July 29, 2011