



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

City of Wahpeton

Wahpeton, North Dakota

Audit Report for the Year Ended December 31, 2019

Client Code: PS39100



Photo credit: North Dakota Tourism



Office of the
State Auditor

CITY OF WAHPETON

Table of Contents

For the Year Ended December 31, 2019

City Officials and Audit Personnel	1
Independent Auditor's Report	2
Basic Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds.....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds.....	12
Statement of Fiduciary Assets & Liabilities - Agency Funds	13
Notes to the Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedules	31
Schedule of Employer's Share of Net Pension Liability and Employer Contributions	33
Schedule of Employer's Share of Net OPEB Liability and Employer Contributions	34
Notes to the Required Supplementary Information	35
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	37
Summary of Auditor's Results.....	39
Schedule of Audit Findings	40
Governance Communication	42

CITY OF WAHPETON

City Officials and Audit Personnel
December 31, 2019

CITY OFFICIALS

Steven Dale	Mayor
Lane Wateland	President at large
Brett Lambrecht	Vice-President
Rory McCann	Board Member
Don Bajumpaa	Board Member
Tiana Bohn	Board Member
Perry Miller	Board Member
Kelly McNary	Board Member
Darcie Huwe	City Finance Director
Carla J. Broadland	City Assessor
Dennis Miranowski	Public Works Director
Steven J. Lies	City Attorney
Chris DeVries	Community Development Director
Scott Thorsteinson	Police Chief

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Jonathan Worrall, CPA	In-Charge

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Wahpeton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020 on our consideration of the City of Wahpeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wahpeton's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 15, 2020

CITY OF WAHPETON

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and Investments	\$ 12,840,030	\$ 1,710,565	\$ 14,550,595
Accounts Receivable	19,036	-	19,036
Intergovernmental Receivable	535,068	-	535,068
Utility Billings Receivable	-	286,360	286,360
Taxes Receivable	75,899	-	75,899
Special Assessments Receivable	5,839,710	-	5,839,710
Loans Receivable, Net	1,043,895	-	1,043,895
Capital Assets, Net	48,687,387	11,282,704	59,970,091
Total Assets	\$ 69,041,025	\$ 13,279,629	\$ 82,320,654
DEFERRED OUTFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 979,893	\$ 335,446	\$ 1,315,339
LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 135,006	\$ 20,825	\$ 155,831
Salaries Payable and Accrued Benefits	58,778	-	58,778
RLF Payable	500	-	500
Retainages Payable	22,100	-	22,100
Accrued Interest Payable	67,295	4,808	72,103
Long Term Liabilities			
Due Within One Year			
Long Term Debt	1,614,422	138,000	1,752,422
Compensated Absences Payable	16,054	5,979	22,033
Due After One Year			
Long Term Debt	11,144,055	439,000	11,583,055
Compensated Absences Payable	144,488	53,803	198,291
Net Pension & OPEB Liability	2,085,433	713,904	2,799,337
Total Liabilities	\$ 15,288,131	\$ 1,376,319	\$ 16,664,450
DEFERRED INFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 1,147,396	\$ 392,788	\$ 1,540,184
NET POSITION			
Net Investment in Capital Assets	\$ 35,839,515	\$ 10,700,896	\$ 46,540,411
Restricted			
Debt Service	9,199,595	-	9,199,595
Public Works	563,968	-	563,968
Economic/Job Development	3,125,598	-	3,125,598
Loans	1,043,895	-	1,043,895
Culture and Recreation	265,356	-	265,356
Capital Improvements	3,042,590	-	3,042,590
Unrestricted	504,874	1,145,072	1,649,946
Total Net Position	\$ 53,585,391	\$ 11,845,968	\$ 65,431,359

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

CITY OF WAHPETON

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 733,546	\$ 98,505	\$ 21,125	\$ -	\$ (613,916)		\$ (613,916)
Public Safety	1,603,712	105,403	10,924	-	(1,487,385)		(1,487,385)
Public Works	2,787,110	515,169	538,708	3,517,166	1,783,933		1,783,933
Culture and Recreation	733,541	7,622	39,003	-	(686,916)		(686,916)
Economic Development	796,027	871	-	-	(795,156)		(795,156)
Other	20,479	-	-	-	(20,479)		(20,479)
Interest & Fees on Long-Term Debt	288,315	-	-	-	(288,315)		(288,315)
Total Governmental Activities	\$ 6,962,730	\$ 727,570	\$ 609,760	\$ 3,517,166	\$ (2,108,234)		\$ (2,108,234)
Business-Type Activities							
Water Operations	\$ 1,162,584	\$ 1,539,840	\$ -	\$ -	\$ -	\$ 377,256	\$ 377,256
Sewer Operations	933,726	1,298,033	-	-	-	364,307	364,307
Non-major Enterprise	541,118	641,091	-	-	-	99,973	99,973
Total Business-Type Activities	\$ 2,637,428	\$ 3,478,964	\$ -	\$ -	\$ -	\$ 841,536	\$ 841,536
Total Primary Government	\$ 9,600,158	\$ 4,206,534	\$ 609,760	\$ 3,517,166	\$ (2,108,234)	\$ 841,536	\$ (1,266,698)
General Revenues							
Taxes							
Property taxes					\$ 2,043,568	\$ -	\$ 2,043,568
Sales taxes					2,503,394	-	2,503,394
Unrestricted grants & contributions					738,738	-	738,738
Unrestricted Investment Earnings					140,543	12,789	153,332
Miscellaneous					309,751	2,160	311,911
Transfers					1,861,428	(1,861,428)	-
Capital Asset Transfers					(4,196,316)	4,196,316	-
Total General Revenues and Transfers					\$ 3,401,106	\$ 2,349,837	\$ 5,750,943
Change in Net Position					\$ 1,292,872	\$ 3,191,373	\$ 4,484,245
Net Position - January 1					\$ 52,598,465	\$ 8,654,595	\$ 61,253,060
Prior Period Adjustments					\$ (305,946)	\$ -	\$ (305,946)
Net Position - January 1, as restated					\$ 52,292,519	\$ 8,654,595	\$ 60,947,114
Net Position - December 31					\$ 53,585,391	\$ 11,845,968	\$ 65,431,359

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

CITY OF WAHPETON

Balance Sheet – Governmental Funds

December 31, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash, and Investments	\$ 1,678,770	\$ 5,997,415	\$ 3,330,402	\$ 1,833,443	\$ 12,840,030
Accounts Receivable	19,036	-	-	-	19,036
Intergovernmental Receivable	248,863	99,588	-	186,617	535,068
Loans Receivable, Net	-	1,043,895	-	-	1,043,895
Taxes Receivable	35,898	10,518	29,483	-	75,899
Special Assessments Receivable	-	-	5,839,710	-	5,839,710
Total Assets	<u>\$ 1,982,567</u>	<u>\$ 7,151,416</u>	<u>\$ 9,199,595</u>	<u>\$ 2,020,060</u>	<u>\$ 20,353,638</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable & Accrued Expenses	\$ 40,901	\$ 35,947	\$ -	\$ 58,158	\$ 135,006
Salaries Payable and Accrued Benefits	58,778	-	-	-	58,778
RLF Payable	-	500	-	-	500
Total Liabilities	<u>\$ 99,679</u>	<u>\$ 36,447</u>	<u>\$ -</u>	<u>\$ 58,158</u>	<u>\$ 194,284</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 35,898	\$ 10,518	\$ 29,483	\$ -	\$ 75,899
Special Assessments Receivable	-	-	5,839,710	-	5,839,710
Total Deferred Inflows of Resources	<u>\$ 35,898</u>	<u>\$ 10,518</u>	<u>\$ 5,869,193</u>	<u>\$ -</u>	<u>\$ 5,915,609</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 135,577</u>	<u>\$ 46,965</u>	<u>\$ 5,869,193</u>	<u>\$ 58,158</u>	<u>\$ 6,109,893</u>
FUND BALANCES					
Non-Spendable					
Loans Receivable	\$ -	\$ 1,043,895	\$ -	\$ -	\$ 1,043,895
Restricted					
Debt Service	-	-	3,330,402	-	3,330,402
Capital Project Funds	-	-	-	1,961,902	1,961,902
Sales Tax Funds/Economic Development	-	2,282,063	-	-	2,282,063
Public Works	-	593,725	-	-	593,725
Culture & Recreation	-	388,608	-	-	388,608
Public Safety	-	129,154	-	-	129,154
Other/General Government	-	187,494	-	-	187,494
Committed					
Sales Tax Funds/Economic Development	-	969,096	-	-	969,096
Equipment Replacement/Capital Projects	-	1,080,688	-	-	1,080,688
Public Safety	-	7,468	-	-	7,468
Public Works	-	422,260	-	-	422,260
Unassigned					
General Fund	<u>1,846,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,846,990</u>
Total Fund Balances	<u>\$ 1,846,990</u>	<u>\$ 7,104,451</u>	<u>\$ 3,330,402</u>	<u>\$ 1,961,902</u>	<u>\$ 14,243,745</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,982,567</u>	<u>\$ 7,151,416</u>	<u>\$ 9,199,595</u>	<u>\$ 2,020,060</u>	<u>\$ 20,353,638</u>

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

CITY OF WAHPETON

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2019

Total Fund Balances of Governmental Funds		\$ 14,243,745
--	--	----------------------

Total *Net Position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		48,687,387
--	--	------------

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

Taxes Receivable	\$ 75,899	
Special Assessments Receivable	<u>5,839,710</u>	5,915,609

Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(2,085,433)
---	--	-------------

Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Pension & OPEB Deferred Inflows of Resources	\$ (1,147,396)	
Pension & OPEB Deferred Outflows of Resources	<u>979,893</u>	(167,503)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Long Term Debt	\$ (12,758,477)	
Interest Payable	(67,295)	
Retainages Payable	(22,100)	
Compensated Absences Payable	<u>(160,542)</u>	(13,008,414)

Total Net Position - Governmental Activities		<u>\$ 53,585,391</u>
---	--	-----------------------------

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

CITY OF WAHPETON

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

For the Year Ended December 31, 2019

	General Fund	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,326,849	\$ 686,825	\$ 6,656	\$ -	\$ 2,020,330
Sales Taxes	-	757,875	-	1,745,519	2,503,394
Special Assessment Taxes	9,363	-	1,672,956	-	1,682,319
Licenses, Permits and Fees	524,627	-	-	-	524,627
Fines and Forfeits	101,546	-	-	-	101,546
Intergovernmental	1,222,335	87,893	-	598,057	1,908,285
Charges for Services	58,109	43,288	-	-	101,397
Interest Income	101,812	38,731	-	-	140,543
Miscellaneous	4,195	165,269	20,995	84,291	274,750
Total Revenues	\$ 3,348,836	\$ 1,779,881	\$ 1,700,607	\$ 2,427,867	\$ 9,257,191
EXPENDITURES					
Current					
General Government	\$ 681,786	\$ 23,592	\$ -	\$ -	\$ 705,378
Public Safety	1,992,022	97,872	-	-	2,089,894
Public Works/Highways & Streets	670,457	512,697	30,949	-	1,214,103
Culture and Recreation	164,988	548,404	-	-	713,392
Economic Development	-	785,773	-	-	785,773
Other	20,479	-	-	-	20,479
Capital Outlay	-	200,777	-	2,736,754	2,937,531
Debt Service					
Principal	-	27,635	1,482,330	-	1,509,965
Interest	-	13,204	257,146	-	270,350
Fees	-	-	13,963	-	13,963
Total Expenditures	\$ 3,529,732	\$ 2,209,954	\$ 1,784,388	\$ 2,736,754	\$ 10,260,828
Excess (Deficiency) of Revenues Over Expenditures	\$ (180,896)	\$ (430,073)	\$ (83,781)	\$ (308,887)	\$ (1,003,637)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 784,804	\$ 1,344,907	\$ 977,423	\$ 3,939,663	\$ 7,046,797
Bond Proceeds	-	-	-	2,640,153	2,640,153
Transfers Out	(541,624)	(833,816)	(66,972)	(3,742,957)	(5,185,369)
Total Other Financing Sources and Uses	\$ 243,180	\$ 511,091	\$ 910,451	\$ 2,836,859	\$ 4,501,581
Net Change in Fund Balances	\$ 62,284	\$ 81,018	\$ 826,670	\$ 2,527,972	\$ 3,497,944
Fund Balances - January 1	\$ 1,784,706	\$ 7,023,433	\$ 2,503,732	\$ (566,070)	\$ 10,745,801
Fund Balances - December 31	\$ 1,846,990	\$ 7,104,451	\$ 3,330,402	\$ 1,961,902	\$ 14,243,745

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

CITY OF WAHPETON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in *Fund Balances* - Total Governmental Funds

\$ 3,497,944

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

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

Capital Asset Capital Outlay	\$ 3,245,420	
Transfers to Enterprise Funds	(4,196,316)	
Current Year Depreciation Expense	<u>(1,739,994)</u>	(2,690,890)

Repayment reduces long-term liabilities in the statement of net position, while the issuance of debt increases long-term liabilities in the statement of net position.

Repayment of Debt	\$ 1,544,965	
Debt Proceeds	<u>(2,640,153)</u>	(1,095,188)

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

Net Change in Compensated Absences	\$ 5,204	
Net Change in Retainages Payable	479,331	
Net Change in Interest Payable	<u>(4,002)</u>	480,533

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Change in Net Pension & OPEB Liability	\$ 962,227	
Change in Deferred Outflows of Resources for pensions & OPEB	(318,744)	
Change in Deferred Inflows of Resources for pensions & OPEB	<u>(841,308)</u>	(197,825)

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.

Net Change in Taxes Receivable	\$ 23,238	
Net Change in Special Assessments Receivable	<u>1,275,060</u>	<u>1,298,298</u>

Change in Net Position of Governmental Activities

\$ 1,292,872

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

CITY OF WAHPETON

Statement of Net Position – Proprietary Funds

December 31, 2019

	Water Operating	Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets				
Cash, and Investments	\$ 845,960	\$ 622,336	\$ 242,269	\$ 1,710,565
Utility Billings Receivable	121,539	108,570	56,251	286,360
Total Current Assets	\$ 967,499	\$ 730,906	\$ 298,520	\$ 1,996,925
Noncurrent Assets				
Capital Assets, Net	\$ 6,208,562	\$ 5,074,142	\$ -	\$ 11,282,704
Total Assets	\$ 7,176,061	\$ 5,805,048	\$ 298,520	\$ 13,279,629
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 205,134	\$ 119,640	\$ 10,672	\$ 335,446
Total Assets & Deferred Outflows of Resources	\$ 7,381,195	\$ 5,924,688	\$ 309,192	\$ 13,615,075
LIABILITIES				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$ 15,171	\$ 2,560	\$ 3,094	\$ 20,825
Accrued Interest Payable	4,058	750	-	4,808
Long Term Debt	118,000	20,000	-	138,000
Compensated Absences Payable	4,119	1,672	188	5,979
Total Current Liabilities	\$ 141,348	\$ 24,982	\$ 3,282	\$ 169,612
Noncurrent Liabilities				
Long Term Debt	\$ 369,000	\$ 70,000	\$ -	\$ 439,000
Compensated Absences Payable	37,070	15,044	1,689	53,803
Net Pension & OPEB Liability	436,570	254,622	22,712	713,904
Total Noncurrent Liabilities	\$ 842,640	\$ 339,666	\$ 24,401	\$ 1,206,707
Total Liabilities	\$ 983,988	\$ 364,648	\$ 27,683	\$ 1,376,319
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 240,200	\$ 140,092	\$ 12,496	\$ 392,788
Total Liabilities & Deferred Inflows of Resources	\$ 1,224,188	\$ 504,740	\$ 40,179	\$ 1,769,107
NET POSITION				
Net Investment in Capital Assets	\$ 5,717,504	\$ 4,983,392	\$ -	\$ 10,700,896
Unrestricted	439,503	436,556	269,013	1,145,072
Total Net Position	\$ 6,157,007	\$ 5,419,948	\$ 269,013	\$ 11,845,968

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

CITY OF WAHPETON

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Year Ended December 31, 2019

	Water Operating	Sewer Operating	Other Enterprise Funds	Enterprise Total
OPERATING REVENUES				
Charges for Sales and Services	\$ 1,539,840	\$ 1,298,033	\$ 641,091	\$ 3,478,964
OPERATING EXPENSES				
Payroll Expenses	\$ 558,154	\$ 352,626	\$ 42,610	\$ 953,390
Repairs and Maintenance	85,529	152,089	16,606	254,224
Utilities	58,044	59,790	128,866	246,700
Office Expenses	17,938	12,332	5,318	35,588
Waste Removal	-	-	305,129	305,129
Chemicals	156,313	73,493	36,117	265,923
Service Contract	9,641	-	-	9,641
Water Meters/Hydrants	18,001	-	-	18,001
Insurance	17,250	-	-	17,250
Miscellaneous	32,778	61,721	6,472	100,971
Professional Fees	2,400	30,756	-	33,156
Depreciation	178,082	181,515	-	359,597
Total Operating Expenses	\$ 1,134,130	\$ 924,322	\$ 541,118	\$ 2,599,570
Operating Income	\$ 405,710	\$ 373,711	\$ 99,973	\$ 879,394
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 8,539	\$ 4,250	\$ -	\$ 12,789
Miscellaneous Income	2,160	-	-	2,160
Interest Expense	(14,091)	(7,324)	-	(21,415)
Service Charges and Administration Fees	(2,723)	(2,080)	-	(4,803)
Loss on Capital Assets	(11,640)	-	-	(11,640)
Total Nonoperating Revenue (Expenses)	\$ (17,755)	\$ (5,154)	\$ -	\$ (22,909)
Income Before Transfers	\$ 387,955	\$ 368,557	\$ 99,973	\$ 856,485
TRANSFERS				
Transfers In	\$ -	\$ 4,960	\$ -	\$ 4,960
Transfers Out	(1,052,035)	(736,850)	(77,503)	(1,866,388)
Capital Asset Transfers	2,596,466	1,599,850	-	4,196,316
Change in Net Position	\$ 1,932,386	\$ 1,236,517	\$ 22,470	\$ 3,191,373
Total Net Position - January 1	\$ 4,224,621	\$ 4,183,431	\$ 246,543	\$ 8,654,595
Total Net Position - December 31	\$ 6,157,007	\$ 5,419,948	\$ 269,013	\$ 11,845,968

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

CITY OF WAHPETON

Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2019

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,542,289	\$ 1,297,330	\$ 638,880	\$ 3,478,499
Payments to Suppliers	(399,430)	(388,852)	(530,859)	(1,319,141)
Payments to Employees	(541,850)	(336,064)	(39,277)	(917,191)
Net Cash Provided by Operating Activities	\$ 601,009	\$ 572,414	\$ 68,744	\$ 1,242,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	\$ -	\$ 4,960	\$ -	\$ 4,960
Transfers Out	(1,052,035)	(736,850)	(77,503)	(1,866,388)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (1,052,035)	\$ (731,890)	\$ (77,503)	\$ (1,861,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Miscellaneous Income	\$ 2,160	\$ -	\$ -	\$ 2,160
Principal Paid on Capital Debt	(115,000)	(20,000)	-	(135,000)
Interest Paid on Capital Debt	(15,050)	(7,491)	-	(22,541)
Fees Paid on Capital Debt	(2,723)	(2,080)	-	(4,803)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (130,613)	\$ (29,571)	\$ -	\$ (160,184)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	\$ 8,539	\$ 4,250	\$ -	\$ 12,789
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (573,100)	\$ (184,797)	\$ (8,759)	\$ (766,656)
Cash and Cash Equivalents, January 1	\$ 1,419,060	\$ 807,133	\$ 251,028	\$ 2,477,221
Cash and Cash Equivalents, December 31	\$ 845,960	\$ 622,336	\$ 242,269	\$ 1,710,565
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 405,710	\$ 373,711	\$ 99,973	\$ 879,394
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	178,082	181,515	-	359,597
Change in Assets and Liabilities				
Utility Billings Receivable	2,449	(703)	(2,211)	(465)
Changes in Pension Items	20,394	19,565	2,420	42,379
Payables	(1,536)	1,329	(32,351)	(32,558)
Compensated Absences Payable	(4,090)	(3,003)	913	(6,180)
Net Cash Provided (Used) by Operating Activities	\$ 601,009	\$ 572,414	\$ 68,744	\$ 1,242,167

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

CITY OF WAHPETON

Statement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2019

Assets

Cash and Cash Equivalents	\$ 13,414
---------------------------	-----------

Liabilities

Benefits Payable	\$ 5,177
Due to Other Entities	8,237

Total Liabilities	\$ 13,414
-------------------	-----------

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

CITY OF WAHPETON

Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wahpeton, North Dakota ("City") operates under a Home Rule Charter and various applicable sections in Title 40 of the North Dakota Century Code. 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.

Reporting Entity

The accompanying financial statements present the activities of the City. 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 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.

Based on these criteria, there are no component units to be included within the City as a reporting entity.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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 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, interest, and non-restricted grants and contributions, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Debt Service Fund - This fund accounts for the costs of paying off the City's bond obligations. The major sources of revenues are special assessments.

Capital Projects Fund - This fund accounts for the costs of paying for the City's construction projects. The major sources of revenues are state grants/reimbursements.

The City reports the following major enterprise funds:

Water Fund - This fund accounts for the activity of the Water Department. The department operates the water distribution system in the City of Wahpeton.

Sewer Fund - This fund accounts for the activities of the City's sewer collection system.

Additionally, the City reports the following fund type:

Agency Funds. These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's agency funds are used to account for property taxes collected on behalf of other governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be 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 general 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.

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the City consist of mortgage backed securities stated at fair market value with maturities in excess of three months.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund and sewer fund in the enterprise fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Buildings	50
Equipment	15
Vehicles	5
Infrastructure	25 - 50

Compensated Absences

Full-time and permanent part-time employees are granted vacation benefits at a specified rate per calendar month of full-time service. Full-time employees earn sick leave benefits at the rate of one working day per month. Permanent part-time employees earn sick leave benefits at the rate of half a working day per month. A liability for vested or accumulated vacation leave is reported in the statement of net position.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Minimum Fund Balance Policy. The City established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the City's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the City.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

Non-spendable Fund Balances. Non-spendable fund balances are reported for loans receivable in the Special Revenue Fund.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Committed Fund Balances. Committed fund balances are shown by primary function on the balance sheet. They have been committed by the governing boards City council action. They are committed in various special revenue funds.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were necessary to properly restate the beginning balance of capital assets of governmental activities.

The net effect of all prior period adjustments for governmental activities are as follows:

Governmental Activities	Amounts
Beginning Net Position, As Previously Reported	\$ 52,598,465
Adjustments to Restate the January 1, 2019 Net Position	
Capital Assets, Net	(305,946)
Net Position January 1, As Restated	<u>\$ 52,292,519</u>

NOTE 3 DEPOSITS**Custodial Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At year ended December 31, 2019, the City's carrying amount of deposits totaled \$14,563,507, and the bank balances totaled \$14,742,944. Of the bank balances, \$1,671,401 was covered by Federal Depository Insurance, \$3,842,729 was collateralized with U.S. Government Obligations and the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The City does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

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.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

As of December 31, 2019, the City held investments with market value and maturing dates as outlined below:

Investment Type	Total		Less Than		More Than	
	Fair Value		1 Year	1-5 Years	6-10 Years	10 Years
Mortgage Backed Securities	\$	363,456	\$ 114,900	\$ 199,749	\$ 14,613	\$ 34,193

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2019:

Assets	Quote Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mortgage Backed Securities	\$ -	\$ 363,456	\$ -

NOTE 5 PROPERTY TAXES

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.

NOTE 6 LOAN RECEIVABLE

The City issues loans for various economic development projects. The City sets up a payment schedule with interest for the loans to be repaid. The City had the following loan activity for the year ended December 31, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Loans	\$ 714,000	\$ -	\$ 714,000	\$ -
PACE Loans	458,449	116,305	90,323	484,431
RLF & FLEX Loans	886,045	6,049	332,630	559,464
Total Loans Receivable, Gross	\$ 2,058,494	\$ 122,354	\$ 1,136,953	\$ 1,043,895
Less: Allowance for Doubtful Accounts *	\$ (935,040)	\$ -	\$ (935,040)	\$ -
Total Loans Receivable, Net	\$ 1,123,454	\$ 122,354	\$ 201,913	\$ 1,043,895

- * \$935,040 of loans receivable previously presented as Allowance Doubtful Accounts was formally written off to bad debt expense at the July 1, 2019 commission meeting. The majority of the write off was related to the Phoenix Housing Wahpeton II, LLC loan that was issued on March 3, 2014.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 7 CAPITAL ASSETS**Governmental Activities**

The following is a summary of changes in capital assets for the year ended 2019:

	Balance Jan 1 Restated	Increases	Decreases	Transfers	Transfer to Business-Type Activities	Balance Dec 31
Capital Assets Not Being Depreciated						
Land	\$ 3,966,442	\$ -	\$ -	\$ -	\$ -	\$ 3,966,442
Intangible Assets	-	-	-	589,300	-	589,300
Construction in Progress	7,265,049	1,795,326	-	(4,621,801)	(3,748,817)	689,757
Total Capital Assets Not Being Depreciated	11,231,491	1,795,326	-	(4,032,501)	(3,748,817)	5,245,499
Capital Assets Being Depreciated						
Buildings	\$ 5,488,841	\$ 73,652	\$ -	\$ -	\$ -	\$ 5,562,493
Equipment	5,591,001	605,333	-	-	-	6,196,334
Vehicles	482,560	145,945	26,433	-	-	602,072
Infrastructure	44,745,398	177,665	-	4,032,501	-	48,955,564
Total Capital Assets Being Depreciated	\$ 56,307,800	\$ 1,002,595	\$ 26,433	\$ 4,032,501	\$ -	\$ 61,316,463
Less Accumulated Depreciation						
Buildings	\$ 1,993,380	\$ 96,914	\$ -	\$ -	\$ -	\$ 2,090,294
Equipment	3,533,940	283,089	-	-	-	3,817,029
Vehicles	387,504	34,630	26,433	-	-	395,701
Infrastructure	10,246,190	1,325,361	-	-	-	11,571,551
Total Accumulated Depreciation	\$ 16,161,014	\$ 1,739,994	\$ 26,433	\$ -	\$ -	\$ 17,874,575
Total Capital Assets Being Depreciated, Net	\$ 40,146,786	\$ (737,399)	\$ -	\$ 4,032,501	\$ -	\$ 43,441,888
Governmental Activities Capital Assets, Net	\$ 51,378,277	\$ 1,057,927	\$ -	\$ -	\$ (3,748,817)	\$ 48,687,387

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

General Government	\$ 83,580
Public Safety	144,188
Public Works	178,524
Culture and Recreation	8,341
Infrastructure	1,325,361
Total Depreciation Expense	\$ 1,739,994

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Business-Type Activities

The following is a summary of changes in capital assets for the year ended 2019:

Water Fund

	Balance Jan 1	Increases	Decreases	Transfers	Transfer from Governmental Activities	Balance Dec 31
Capital Assets Being Depreciated						
Buildings	\$ 2,693,790	\$ -	\$ -	\$ -	\$ 837,512	\$ 3,531,302
Equipment	1,815,526	-	195,500	-	445,918	2,065,944
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	3,035,331	18,151	-	-	1,294,885	4,348,367
Total Capital Assets Being Depreciated	\$ 7,600,547	\$ 18,151	\$ 195,500	\$ -	\$ 2,578,315	\$ 10,001,513
Less Accumulated Depreciation						
Buildings	\$ 1,166,480	\$ 53,876	\$ -	\$ -	\$ -	\$ 1,220,356
Equipment	1,564,075	33,587	183,860	-	-	1,413,802
Vehicles	38,229	5,891	-	-	-	44,120
Infrastructure	1,029,945	84,728	-	-	-	1,114,673
Total Accumulated Depreciation	\$ 3,798,729	\$ 178,082	\$ 183,860	\$ -	\$ -	\$ 3,792,951
Water Fund Capital Assets, Net	\$ 3,801,818	\$ (159,931)	\$ 11,640	\$ -	\$ 2,578,315	\$ 6,208,562

Depreciation expense was charged to the Water function.

Sewer Fund

	Balance Jan 1	Increases	Decreases	Transfers	Transfer from Governmental Activities	Balance Dec 31
Capital Assets Being Depreciated						
Buildings	\$ 62,942	\$ -	\$ -	\$ -	\$ -	\$ 62,942
Equipment	2,837,099	-	-	-	-	2,837,099
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	4,825,140	429,348	-	-	1,170,502	6,424,990
Total Capital Assets Being Depreciated	\$ 7,772,980	\$ 429,348	\$ -	\$ -	\$ 1,170,502	\$ 9,372,830
Less Accumulated Depreciation						
Buildings	\$ 17,625	\$ 1,259	\$ -	\$ -	\$ -	\$ 18,884
Equipment	2,478,973	44,768	-	-	-	2,523,741
Vehicles	35,867	5,966	-	-	-	41,833
Infrastructure	1,584,708	129,522	-	-	-	1,714,230
Total Accumulated Depreciation	\$ 4,117,173	\$ 181,515	\$ -	\$ -	\$ -	\$ 4,298,688
Sewer Fund Capital Assets, Net	\$ 3,655,807	\$ 247,833	\$ -	\$ -	\$ 1,170,502	\$ 5,074,142

Depreciation expense was charged to the Sewer function.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 8 LONG-TERM LIABILITIES

The following changes occurred in long-term liabilities for the year ended 2019:

Governmental Activities

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Special Assessment Bonds	\$ 10,836,698	\$ 2,640,153	\$ 1,487,964	\$ 11,988,887	\$ 1,555,735
Leases Payable	551,545	-	44,633	506,912	46,070
Loans Payable	275,046	-	12,368	262,678	12,617
Total Long Term Debt	\$ 11,663,289	\$ 2,640,153	\$ 1,544,965	\$ 12,758,477	\$ 1,614,422
Compensated Absences *	\$ 165,746	\$ -	\$ 5,204	\$ 160,542	\$ 16,054
Net Pension & OPEB Liability	3,047,660	-	962,227	2,085,433	-
Total Governmental Activities	\$ 14,876,695	\$ 2,640,153	\$ 2,512,396	\$ 15,004,452	\$ 1,630,476

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

Business-Type Activities

Water Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Revenue Bonds	\$ 602,000	\$ -	\$ 115,000	\$ 487,000	\$ 118,000
Compensated Absences *	\$ 45,278	\$ -	\$ 4,089	\$ 41,189	\$ 4,119
Net Pension & OPEB Liability	669,178	-	232,607	436,571	-
Total Water Fund	\$ 1,316,456	\$ -	\$ 351,696	\$ 964,760	\$ 122,119

Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Revenue Bonds	\$ 110,000	\$ -	\$ 20,000	\$ 90,000	\$ 20,000
Compensated Absences *	\$ 19,719	\$ -	\$ 3,003	\$ 16,716	\$ 1,672
Net Pension & OPEB Liability	378,911	-	124,289	254,622	-
Total Sewer Fund	\$ 508,630	\$ -	\$ 147,292	\$ 361,338	\$ 21,672

Nonmajor Enterprise Funds	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 964	\$ 913	\$ -	\$ 1,877	\$ 188
Net Pension & OPEB Liability	32,797	-	10,085	22,712	-
Total Other Funds	\$ 33,761	\$ 913	\$ 10,085	\$ 24,589	\$ 188

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding long-term debt at December 31, 2019 is as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending Dec. 31st	Spec. Assmt. Bonds		Capital Leases		Loans Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,555,735	\$ 229,596	\$ 46,070	\$ 15,763	\$ 12,617	\$ 5,167
2021	1,196,437	213,960	113,364	14,469	12,871	4,914
2022	1,141,196	188,783	30,241	10,597	13,129	4,655
2023	991,970	164,738	31,164	9,675	13,393	4,391
2024	977,741	142,639	32,114	8,725	13,662	4,122
2025 - 2029	3,101,216	454,952	175,872	28,321	72,543	16,379
2030 - 2034	1,549,592	180,186	78,087	3,590	80,133	8,789
2035 - 2039	780,000	87,825	-	-	44,330	1,303
2040 - 2044	695,000	27,375	-	-	-	-
Total	\$ 11,988,887	\$ 1,690,054	\$ 506,912	\$ 91,140	\$ 262,678	\$ 49,720

BUSINESS-TYPE ACTIVITIES						
Year Ending Dec. 31st	Revenue Bonds				Total	
	Water Fund		Sewer Fund			
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 118,000	\$ 12,175	\$ 20,000	\$ 2,250	\$ 138,000	\$ 14,425
2021	120,000	9,225	20,000	1,750	140,000	10,975
2022	123,000	6,225	25,000	1,250	148,000	7,475
2023	126,000	3,150	25,000	625	151,000	3,775
Total	\$ 487,000	\$ 30,775	\$ 90,000	\$ 5,875	\$ 577,000	\$ 36,650

NOTE 9 PENSION PLAN**General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier

CITY OF WAHPETON

Notes to the Financial Statements – Continued

was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the City reported a liability of \$2,631,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the City's proportion was .224496 percent, which was a decrease of .009874 percent from its proportion measured as of June 30, 2018.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

For the year ended December 31, 2019, the City recognized pension expense of \$438,561. At December 31, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,559	\$ 477,523
Changes of Assumptions	983,231	844,189
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	45,843	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	125,491	209,779
Employer Contributions Subsequent to the Measurement Date	107,613	-
Total	\$ 1,263,737	\$ 1,531,491

\$107,613 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2020	47,038
2021	(5,565)
2022	(93,926)
2023	(242,971)
2024	(79,943)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	2.50%
Salary increases	State Employee	Non-State Employee
Service at beginning of Year:	Increase Rate:	Increase Rate:
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
Age *		
Under 30	7.25%	10.00%
30 – 39	6.50%	7.50%
41 – 49	6.25%	6.75%
50 – 59	5.75%	6.50%
60+	5.00%	5.25
Investment rate of return	7.75%, net of investment expenses	7.75%, net of investment expenses
Cost-of-living adjustments	None	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.25%
International Equities	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	\$ 3,772,654	\$ 2,631,256	\$ 1,672,281

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 10 OPEB PLAN**General Information about the OPEB Plan****North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, City reported a liability of \$168,082 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

At June 30, 2019, the City's proportion was .209629 percent, which was a decrease of .010772 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019 the City recognized OPEB expense of \$24,189. At December 31, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,151	\$ 5,251
Changes of Assumptions	20,033	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	187	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	10,000	3,441
Employer Contributions Subsequent to the Measurement Date	17,230	-
Total	\$ 51,601	\$ 8,692

\$17,230 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2020	4,426
2021	4,426
2022	5,991
2023	5,704
2024	3,790
Thereafter	1,342

Actuarial assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses, including inflation
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 214,534	\$ 168,082	\$ 128,319

NOTE 11 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that the City accounts for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 12 COMMITMENTS

The City was involved in various contracts for Capital Improvements as outlined below:

Project	Project Amount	Completed	Outstanding	Retainage
Reconstruction of 3rd Ave. N. - Duinick Inc.	\$ 3,021,345	\$ 3,006,007	\$ 15,338	\$ 15,338
Reconstruction of 3rd Ave. N. - S&S Landscaping	73,051	66,289	6,762	6,762
Wheatland Rd. Rosewood Shared Use Path - Interstate Engineering	101,841	60,796	41,045	-
Wheatland Rd. Rosewood Shared Use Path - Northern Improvement	529,647	-	529,647	-
Eastside Sanitary Sewer Phase B	359,500	3,307	356,193	-
JR Field Parking Lot & Hughes Dr.	144,362	13,560	130,802	-
Flood Lift Station Facility Plan	114,336	9,817	104,519	-
SRTS 11th St. N. Crosswalk	53,550	3,837	49,713	-
Well Field Relocation - Test Well	40,150	500	39,650	-
Loy Ave. & 12th St. N. Imp. Proj.	317,512	15,997	301,515	-
8th Ave. N. Reconstruction	324,833	29,790	295,043	-
Natural Gas Supply Recommendations	50,000	2,070	47,930	-
Total	\$ 5,130,127	\$ 3,211,970	\$ 1,918,157	\$ 22,100

NOTE 13 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability and automobile, and up to \$3,707,462 for public assets (mobile equipment and portable property).

The City 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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 14 CONDUIT DEBT**Industrial Development Revenue Bonds**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The amount outstanding of these types of bonds at December 31, 2019 is \$4,999,422.

Economic Development Loans / Governor's Revolving Fund Loans

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

The amount outstanding of these types of loans at December 31, 2019 is \$12,876.

NOTE 15 CONTINGENT LIABILITIES

The City is a defendant in various lawsuits incident to its operations. In the opinion of the Counsel and management, most claims against the City not covered by insurance would not materially affect the financial condition of the City.

CITY OF WAHPETON

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,312,715	\$ 1,312,715	\$ 1,326,849	\$ 14,134
Special Assessment Taxes	-	-	9,363	9,363
Licenses, Permits and Fees	541,947	541,947	524,627	(17,320)
Fines and Forfeits	90,000	90,000	101,546	11,546
Intergovernmental	1,062,675	1,062,675	1,222,335	159,660
Charges for Services	55,436	55,436	58,109	2,673
Interest Income	32,000	32,000	101,812	69,812
Miscellaneous Income	2,300	2,300	4,195	1,895
Total Revenues	\$ 3,097,073	\$ 3,097,073	\$ 3,348,836	\$ 251,763
EXPENDITURES				
General Government	\$ 745,525	\$ 745,525	\$ 681,786	\$ 63,739
Public Safety	2,025,790	2,025,790	1,992,022	33,768
Public Works	694,783	694,783	670,457	24,326
Culture and Recreation	142,700	142,700	164,988	(22,288)
Other	26,000	26,000	20,479	5,521
Total Expenditures	\$ 3,634,798	\$ 3,634,798	\$ 3,529,732	\$ 105,066
Excess (Deficiency) of Revenues Over Expenditures	\$ (537,725)	\$ (537,725)	\$ (180,896)	\$ 356,829
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 779,870	\$ 779,870	\$ 784,804	\$ 4,934
Transfers Out	(242,145)	(436,645)	(541,624)	(104,979)
Total Other Financing Sources and Uses	\$ 537,725	\$ 343,225	\$ 243,180	\$ (100,045)
Net Change in Fund Balances	\$ -	\$ (194,500)	\$ 62,284	\$ 256,784
Fund Balance - January 1	\$ 1,563,724	\$ 1,563,724	\$ 1,784,706	\$ 220,982
Fund Balance - December 31	\$ 1,563,724	\$ 1,369,224	\$ 1,846,990	\$ 477,766

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

CITY OF WAHPETON

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 587,483	\$ 587,483	\$ 686,825	\$ 99,342
Sales Taxes	630,000	630,000	757,875	127,875
Intergovernmental	43,147	43,147	87,893	44,746
Charges for Services	37,779	37,779	43,288	5,509
Interest Income	18,000	18,000	38,731	20,731
Miscellaneous	16,400	16,400	165,269	148,869
Total Revenues	\$ 1,332,809	\$ 1,332,809	\$ 1,779,881	\$ 447,072
EXPENDITURES				
Current				
General Government	\$ 25,360	\$ 26,620	\$ 23,592	\$ 3,028
Public Safety	41,960	41,960	97,872	(55,912)
Public Works/Highways & Streets	571,280	612,662	512,697	99,965
Culture and Recreation	345,436	519,076	548,404	(29,328)
Economic Development	877,485	947,845	785,773	162,072
Capital Outlay	174,400	608,825	200,777	408,048
Debt Service				
Principal	27,635	27,635	27,635	-
Interest	13,204	13,204	13,204	-
Total Expenditures	\$ 2,076,760	\$ 2,797,827	\$ 2,209,954	\$ 587,873
Excess (Deficiency) of Revenues Over Expenditures	\$ (743,951)	\$ (1,465,018)	\$ (430,073)	\$ 1,034,945
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 991,566	\$ 991,566	\$ 1,344,907	\$ 353,341
Transfers Out	(599,976)	(683,457)	(833,816)	(150,359)
Total Other Financing Sources and Uses	\$ 391,590	\$ 308,109	\$ 511,091	\$ 202,982
Net Change in Fund Balances	\$ (352,361)	\$ (1,156,909)	\$ 81,018	\$ 1,237,927
Fund Balance - January 1	\$ 7,023,433	\$ 7,023,433	\$ 7,023,433	\$ -
Fund Balance - December 31	\$ 6,671,072	\$ 5,866,524	\$ 7,104,451	\$ 1,237,927

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

CITY OF WAHPETON

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2019

**Schedule of Employer's Share of Net Pension Liability
ND Public Employee's Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.224496%	\$ 2,631,256	\$ 2,335,145	112.68%	71.66%
2018	0.234370%	3,955,249	2,407,727	164.27%	62.80%
2017	0.211301%	3,396,301	2,157,055	157.45%	61.98%
2016	0.239829%	2,337,367	2,416,910	96.71%	70.46%
2015	0.665753%	1,746,890	2,288,686	76.33%	77.15%
2014	0.655469%	1,636,591	2,172,028	75.35%	77.70%

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 170,011	\$ 193,992	\$ (23,981)	\$ 2,335,145	8.31%
2018	177,339	154,725	22,614	2,407,727	6.43%
2017	156,413	167,969	(11,556)	2,157,055	7.79%
2016	174,980	187,909	(12,929)	2,416,910	7.77%
2015	173,844	163,725	10,119	2,288,686	7.15%
2014	154,648	154,648	-	2,172,028	7.12%

CITY OF WAHPETON

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2019

**Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years**

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.209269%	\$ 168,082	\$ 2,335,145	7.20%	63.13%
2018	0.220041%	173,297	2,407,727	7.20%	61.89%
2017	0.199387%	157,717	2,157,055	7.31%	59.78%

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 27,158	\$ 31,055	\$ (3,897)	\$ 2,335,145	1.33%
2018	28,241	24,773	3,468	2,407,727	1.03%
2017	25,074	26,875	(1,801)	2,157,055	1.25%

CITY OF WAHPETON

Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (N.D.C.C.) Chapter 40-40 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:

- The governing body of each municipality, annually or before August 10th, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (N.D.C.C. 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (N.D.C.C. 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (N.D.C.C. 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in N.D.C.C. 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (N.D.C.C. 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (N.D.C.C. 40-40-10).
- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability the members of the governing body (N.D.C.C. 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (N.D.C.C. 40-40-21).

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The board of City commissioners amended the budget for 2019 as follows:

EXPENDITURES & TRANSFERS OUT			
	Original Budget	Amendment	Amended Budget
General Fund	\$ 3,876,943	\$ 194,500	\$ 4,071,443
Special Revenue Fund	2,676,736	804,548	3,481,284
Debt Service Fund	1,964,224	45,631	2,009,855
Capital Projects Fund	5,492,765	2,638,200	8,130,965

NOTE 3: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

NOTE 4: CHANGES OF BENEFIT TERMS – PENSION AND OPEB**Pension**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50% for Pension.
- The investment return assumption was lowered from 7.50% to 7.25% for OPEB.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Independent Auditor's Report

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wahpeton as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Wahpeton's basic financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as items 2019-001, and 2019-002 that we consider to be material weaknesses.

CITY OF WAHPETON

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

Compliance and Other Matters

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

City of Wahpeton's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 15, 2020

CITY OF WAHPETON

Summary of Auditor's Results

For the Year Ended December 31, 2019

Financial Statements

Type of Report Issued?

Governmental Activities

Unmodified

Business-Type Activities

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

 Yes X None Noted

Noncompliance material to financial statements noted?

 Yes X None Noted

CITY OF WAHPETON

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

The City of Wahpeton currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to the City of Wahpeton's financial statements.

Cause

Management chose not to allocate City resources for preparation of the financial statements.

Criteria

The City of Wahpeton is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

Yes.

Recommendation

We recommend the City of Wahpeton consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

City of Wahpeton's Response

Agree. The City of Wahpeton is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2019-002 CAPITAL ASSET RECORDS – MATERIAL WEAKNESS

Condition

The City of Wahpeton had Construction in Progress for the 16th Avenue Commerce Street project, in the amount of \$376,172, on its capital asset listing that should have been classified as maintenance expense.

Effect

The City of Wahpeton may not be in compliance with Generally Accepted Accounts Principles (“GAAP”), which increases the risk of material misstatement to its financial statements, whether due to fraud or error.

Cause

The City of Wahpeton does not currently have someone other than the preparer review the capital asset listing to ensure compliance with GAAP.

Criteria

GAAP requires financial statements, which includes capital assets, to be presented free from material misstatements.

Repeat Finding

Yes.

Recommendation

We recommend the City of Wahpeton carefully prepare and review capital asset schedules to ensure they are free of material misstatements.

City of Wahpeton’s Response

I acknowledge a sizable prior period adjustment was required and should be explained.

The 16th Ave. Commerce St. Mill & Overlay project was reported and closed in the 2018 financial statements. Because it was reported as a work in progress it resulted in a prior period adjustment for 2019 – the WIP assets were overstated in 2018. A 2018 work in progress project was reclassified from a capital asset to a maintenance project, definitely a PPA but not indicative of a systemic failure in financial reporting. I am confident the nearly \$48 mm in net fixed assets for 2019 is not overstated.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, for the year ended December 31, 2019 which collectively comprise the City of Wahpeton's basic financial statements, and have issued our report thereon dated June 15, 2020. 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 by the Uniform Guidance

As stated in our engagement letter dated April 6, 2020, 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 opinion on the basic financial statements and not to provide an opinion on 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 grant agreements and other matters, 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/Qualitative Aspects of Accounting Practices

Management is responsible for the 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 financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all adjustments provided by management or misstatements detected as a result of audit procedures that were corrected by management.

	Client Provided Adjustments	
	Debit	Credit
Governmental Activities		
Intergovernmental Receivable	\$ 535,069	
Revenue		\$ 535,069

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Wahpeton's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF WAHPETONGovernance Communication – Continued

This information is intended solely for the use of the Board of City Commissioners and management of the City of Wahpeton, and is not intended to be, and should not be, used for any other purpose. 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 15, 2020



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505