



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, 2020

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Office of the
State Auditor

CITY OF WAHPETON

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CITY OF WAHPETON

City Officials and Audit Personnel
December 31, 2020

CITY OFFICIALS

Steven Dale	Mayor
Lane Wateland	President at large
Brett Lambrecht	Vice-President
Abby Carlson	Board Member
Jason Goltz	Board Member
Tiana Bohn	Board Member
David Woods, II	Board Member
Renata Fobb	Board Member
Kelly McNary	Board Member
Darcie Huwe	City Finance Director
Carla J. Broadland	City Assessor
Dennis Miranowski	Public Works Director
Brittany Hatting	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



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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, 2020, 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, 2020, 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 2019 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Wahpeton's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2021 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
August 3, 2021

CITY OF WAHPETON

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and Investments	\$ 15,503,663	\$ 1,909,184	\$ 17,412,847
Accounts Receivable	115,867	-	115,867
Intergovernmental Receivable	551,834	-	551,834
Utility Billings Receivable	-	268,407	268,407
Taxes Receivable	85,878	-	85,878
Special Assessments Receivable	5,160,817	-	5,160,817
Loans Receivable, Net	1,020,421	-	1,020,421
Capital Assets, Net	47,801,649	10,864,085	58,665,734
Total Assets	\$ 70,240,129	\$ 13,041,676	\$ 83,281,805
DEFERRED OUTFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 3,333,959	\$ 1,097,896	\$ 4,431,855
LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 136,598	\$ 31,992	\$ 168,590
Salaries Payable and Accrued Benefits	64,178	-	64,178
RLF Payable	500	-	500
Retainages Payable	10,593	-	10,593
Accrued Interest Payable	59,651	3,658	63,309
Long Term Liabilities			
Due Within One Year			
Long Term Debt	1,246,490	140,000	1,386,490
Compensated Absences Payable	16,126	6,127	22,253
Due After One Year			
Long Term Debt	9,744,184	299,000	10,043,184
Compensated Absences Payable	145,138	55,141	200,279
Net Pension & OPEB Liability	5,551,395	1,828,114	7,379,509
Total Liabilities	\$ 16,974,853	\$ 2,364,032	\$ 19,338,885
DEFERRED INFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 858,606	\$ 282,744	\$ 1,141,350
NET POSITION			
Net Investment in Capital Assets	\$ 36,740,731	\$ 10,421,427	\$ 47,162,158
Restricted			
Debt Service	8,055,127	-	8,055,127
Public Works	154,487	-	154,487
Economic/Job Development	2,716,048	-	2,716,048
Loans	1,020,421	-	1,020,421
Culture and Recreation	350,679	-	350,679
Capital Improvements	6,464,910	-	6,464,910
Other/General Government	155,819	-	155,819
Unrestricted	82,407	1,071,369	1,153,776
Total Net Position	\$ 55,740,629	\$ 11,492,796	\$ 67,233,425

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, 2020

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	\$ 925,392	\$ 111,837	\$ 1,183,444	\$ -	\$ 369,889		\$ 369,889
Public Safety	2,728,586	87,917	90,537	-	(2,550,132)		(2,550,132)
Public Works	3,570,737	453,619	2,943,955	1,076,061	902,898		902,898
Culture and Recreation	536,547	39,609	36,659	-	(460,279)		(460,279)
Economic Development	1,554,879	1,651	27,085	-	(1,526,143)		(1,526,143)
Other	192,535	-	-	-	(192,535)		(192,535)
Interest & Fees on Long-Term Debt	271,369	-	-	-	(271,369)		(271,369)
Total Governmental Activities	\$ 9,780,045	\$ 694,633	\$ 4,281,680	\$ 1,076,061	\$ (3,727,671)		\$ (3,727,671)
Business-Type Activities							
Water Operations	\$ 1,400,233	\$ 1,575,225	\$ -	\$ -	\$ -	\$ 174,992	\$ 174,992
Sewer Operations	1,026,779	1,319,602	-	-	-	292,823	292,823
Non-major Enterprise	570,644	650,385	-	-	-	79,741	79,741
Total Business-Type Activities	\$ 2,997,656	\$ 3,545,212	\$ -	\$ -	\$ -	\$ 547,556	\$ 547,556
Total Primary Government	\$ 12,777,701	\$ 4,239,845	\$ 4,281,680	\$ 1,076,061	\$ (3,727,671)	\$ 547,556	\$ (3,180,115)
General Revenues							
Taxes							
Property taxes					\$ 2,051,317	\$ -	\$ 2,051,317
Sales taxes					2,629,724	-	2,629,724
Unrestricted grants & contributions					636,406	-	636,406
Unrestricted Investment Earnings					30,994	4,274	35,268
Miscellaneous					96,723	-	96,723
Transfers					905,002	(905,002)	-
Loan Forgiveness					84,185	-	84,185
Total General Revenues and Transfers					\$ 6,434,351	\$ (900,728)	\$ 5,533,623
Change in Net Position					\$ 2,706,680	\$ (353,172)	\$ 2,353,508
Net Position - January 1					\$ 53,585,391	\$ 11,845,968	\$ 65,431,359
Prior Period Adjustments					\$ (551,442)	\$ -	\$ (551,442)
Net Position - January 1, as restated					\$ 53,033,949	\$ 11,845,968	\$ 64,879,917
Net Position - December 31					\$ 55,740,629	\$ 11,492,796	\$ 67,233,425

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

CITY OF WAHPETON

Balance Sheet – Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash, and Investments	\$ 1,865,642	\$ 6,058,205	\$ 2,859,252	\$ 4,720,564	\$ 15,503,663
Accounts Receivable	34,111	6,756	-	75,000	115,867
Intergovernmental Receivable	313,876	84,626	-	153,332	551,834
Loans Receivable, Net	-	1,020,421	-	-	1,020,421
Taxes Receivable	38,510	12,310	35,058	-	85,878
Special Assessments Receivable	-	-	5,160,817	-	5,160,817
Total Assets	<u>\$ 2,252,139</u>	<u>\$ 7,182,318</u>	<u>\$ 8,055,127</u>	<u>\$ 4,948,896</u>	<u>\$ 22,438,480</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable & Accrued Expenses	\$ 35,759	\$ 26,272	\$ -	\$ 74,567	\$ 136,598
Salaries Payable and Accrued Benefits	64,178	-	-	-	64,178
RLF Payable	-	500	-	-	500
Total Liabilities	<u>\$ 99,937</u>	<u>\$ 26,772</u>	<u>\$ -</u>	<u>\$ 74,567</u>	<u>\$ 201,276</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 38,510	\$ 12,310	\$ 35,058	\$ -	\$ 85,878
Special Assessments Receivable	-	-	5,160,817	-	5,160,817
Total Deferred Inflows of Resources	<u>\$ 38,510</u>	<u>\$ 12,310</u>	<u>\$ 5,195,875</u>	<u>\$ -</u>	<u>\$ 5,246,695</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 138,447</u>	<u>\$ 39,082</u>	<u>\$ 5,195,875</u>	<u>\$ 74,567</u>	<u>\$ 5,447,971</u>
FUND BALANCES					
Non-Spendable					
Loans Receivable	\$ -	\$ 1,020,421	\$ -	\$ -	\$ 1,020,421
Restricted					
Debt Service	-	-	2,859,252	-	2,859,252
Capital Project Funds	-	-	-	4,874,329	4,874,329
Sales Tax Funds/Economic Development	-	1,906,391	-	-	1,906,391
Public Works	-	582,252	-	-	582,252
Culture & Recreation	-	519,682	-	-	519,682
Public Safety	-	172,340	-	-	172,340
Other/General Government	-	180,095	-	-	180,095
Committed					
Sales Tax Funds/Economic Development	-	964,640	-	-	964,640
Equipment Replacement/Capital Projects	-	1,590,581	-	-	1,590,581
Public Safety	-	17,859	-	-	17,859
Public Works	-	188,975	-	-	188,975
Unassigned					
General Fund	<u>2,113,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,113,692</u>
Total Fund Balances	<u>\$ 2,113,692</u>	<u>\$ 7,143,236</u>	<u>\$ 2,859,252</u>	<u>\$ 4,874,329</u>	<u>\$ 16,990,509</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,252,139</u>	<u>\$ 7,182,318</u>	<u>\$ 8,055,127</u>	<u>\$ 4,948,896</u>	<u>\$ 22,438,480</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, 2020

Total Fund Balances of Governmental Funds		\$ 16,990,509
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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.		47,801,649
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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	\$ 85,878	
Special Assessments Receivable	<u>5,160,817</u>	5,246,695

Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(5,551,395)
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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	\$ (858,606)	
Pension & OPEB Deferred Outflows of Resources	<u>3,333,959</u>	2,475,353

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	\$ (10,990,674)	
Interest Payable	(59,651)	
Retainages Payable	(10,593)	
Compensated Absences Payable	<u>(161,264)</u>	<u>(11,222,182)</u>

Total Net Position - Governmental Activities		<u>\$ 55,740,629</u>
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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, 2020

	General Fund	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,312,075	\$ 722,540	\$ 6,723	\$ -	\$ 2,041,338
Sales Taxes	-	788,917	-	1,840,807	2,629,724
Special Assessment Taxes	8,638	-	1,233,566	-	1,242,204
Licenses, Permits and Fees	466,658	-	-	-	466,658
Fines and Forfeits	80,759	-	-	-	80,759
Intergovernmental	2,257,743	55,344	-	2,605,000	4,918,087
Charges for Services	74,020	73,194	-	-	147,214
Interest Income	30,994	-	-	-	30,994
Miscellaneous	14,512	51,610	20,994	9,607	96,723
Total Revenues	\$ 4,245,399	\$ 1,691,605	\$ 1,261,283	\$ 4,455,414	\$ 11,653,701
EXPENDITURES					
Current					
General Government	\$ 733,708	\$ 108,682	\$ -	\$ -	\$ 842,390
Public Safety	2,052,640	77,579	-	-	2,130,219
Public Works/Highways & Streets	741,608	465,419	-	-	1,207,027
Culture and Recreation	155,297	328,269	-	-	483,566
Economic Development	-	1,513,374	-	-	1,513,374
Other	12,132	-	180,403	-	192,535
Capital Outlay	-	54,000	-	1,426,196	1,480,196
Debt Service					
Principal	-	28,478	1,835,544	-	1,864,022
Interest	-	12,361	244,756	-	257,117
Fees	-	-	21,896	-	21,896
Total Expenditures	\$ 3,695,385	\$ 2,588,162	\$ 2,282,599	\$ 1,426,196	\$ 9,992,342
Excess (Deficiency) of Revenues Over Expenditures	\$ 550,014	\$ (896,557)	\$ (1,021,316)	\$ 3,029,218	\$ 1,661,359
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 635,818	\$ 1,774,269	\$ 917,209	\$ 908,150	\$ 4,235,446
Capital Lease Proceeds	-	-	180,403	-	180,403
Transfers Out	(919,130)	(838,927)	(547,446)	(1,024,941)	(3,330,444)
Total Other Financing Sources and Uses	\$ (283,312)	\$ 935,342	\$ 550,166	\$ (116,791)	\$ 1,085,405
Net Change in Fund Balances	\$ 266,702	\$ 38,785	\$ (471,150)	\$ 2,912,427	\$ 2,746,764
Fund Balances - January 1	\$ 1,846,990	\$ 7,104,451	\$ 3,330,402	\$ 1,961,902	\$ 14,243,745
Fund Balances - December 31	\$ 2,113,692	\$ 7,143,236	\$ 2,859,252	\$ 4,874,329	\$ 16,990,509

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, 2020

Net Change in Fund Balances - Total Governmental Funds **\$ 2,746,764**

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 Outlay	\$ 1,069,949	
Capital Contributions	512,750	
Depreciation Expense	<u>(1,916,995)</u>	(334,296)

In the statement of activities, loan forgiveness is recognized. The fund financial statements recognize only the proceeds from these transactions.

84,185

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	\$ 1,864,022	
Debt Proceeds	<u>(180,403)</u>	1,683,619

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	\$ (723)	
Net Change in Retainages Payable	11,507	
Net Change in Interest Payable	<u>7,644</u>	18,428

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	\$ (3,465,962)	
Change in Deferred Outflows of Resources for pensions & OPEB	2,354,066	
Change in Deferred Inflows of Resources for pensions & OPEB	<u>288,790</u>	(823,106)

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	\$ 9,979	
Net Change in Special Assessments Receivable	<u>(678,893)</u>	<u>(668,914)</u>

Change in Net Position of Governmental Activities **\$ 2,706,680**

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, 2020

	Water Operating	Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets				
Cash, and Investments	\$ 918,091	\$ 746,601	\$ 244,492	\$ 1,909,184
Utility Billings Receivable	109,546	102,978	55,883	268,407
Total Current Assets	\$ 1,027,637	\$ 849,579	\$ 300,375	\$ 2,177,591
Noncurrent Assets				
Capital Assets, Net	\$ 5,994,711	\$ 4,869,374	\$ -	\$ 10,864,085
Total Assets	\$ 7,022,348	\$ 5,718,953	\$ 300,375	\$ 13,041,676
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 658,693	\$ 402,872	\$ 36,331	\$ 1,097,896
Total Assets & Deferred Outflows of Resources	\$ 7,681,041	\$ 6,121,825	\$ 336,706	\$ 14,139,572
LIABILITIES				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$ 20,078	\$ 11,866	\$ 48	\$ 31,992
Accrued Interest Payable	3,075	583	-	3,658
Long Term Debt	120,000	20,000	-	140,000
Compensated Absences Payable	3,897	2,025	205	6,127
Total Current Liabilities	\$ 147,050	\$ 34,474	\$ 253	\$ 181,777
Noncurrent Liabilities				
Long Term Debt	\$ 249,000	\$ 50,000	\$ -	\$ 299,000
Compensated Absences Payable	35,074	18,221	1,846	55,141
Net Pension & OPEB Liability	1,096,793	670,826	60,495	1,828,114
Total Noncurrent Liabilities	\$ 1,380,867	\$ 739,047	\$ 62,341	\$ 2,182,255
Total Liabilities	\$ 1,527,917	\$ 773,521	\$ 62,594	\$ 2,364,032
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 169,635	\$ 103,753	\$ 9,356	\$ 282,744
Total Liabilities & Deferred Inflows of Resources	\$ 1,697,552	\$ 877,274	\$ 71,950	\$ 2,646,776
NET POSITION				
Net Investment in Capital Assets	\$ 5,622,636	\$ 4,798,791	\$ -	\$ 10,421,427
Unrestricted	360,853	445,760	264,756	1,071,369
Total Net Position	\$ 5,983,489	\$ 5,244,551	\$ 264,756	\$ 11,492,796

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, 2020

	Water Operating	Sewer Operating	Other Enterprise Funds	Enterprise Total
OPERATING REVENUES				
Charges for Sales and Services	\$ 1,575,225	\$ 1,319,602	\$ 650,385	\$ 3,545,212
OPERATING EXPENSES				
Payroll Expenses	\$ 680,244	\$ 452,174	\$ 50,426	\$ 1,182,844
Repairs and Maintenance	125,787	139,043	13,268	278,098
Utilities	55,457	62,652	136,499	254,608
Office Expenses	15,590	11,161	1,421	28,172
Waste Removal	-	-	321,604	321,604
Chemicals	168,694	66,911	38,047	273,652
Service Contract	8,968	-	-	8,968
Water Meters/Hydrants	14,389	-	-	14,389
Insurance	18,000	-	-	18,000
Miscellaneous	24,693	42,585	9,379	76,657
Professional Fees	3,264	15,245	-	18,509
Depreciation	271,815	224,768	-	496,583
Total Operating Expenses	\$ 1,386,901	\$ 1,014,539	\$ 570,644	\$ 2,972,084
Operating Income	\$ 188,324	\$ 305,063	\$ 79,741	\$ 573,128
NONOPERATING REVENUES (EXPENSES)				
Interest Income	\$ 2,855	\$ 1,419	\$ -	\$ 4,274
Interest Expense	(11,192)	(9,401)	-	(20,593)
Service Charges and Administration Fees	(2,140)	(2,839)	-	(4,979)
Total Nonoperating Revenue (Expenses)	\$ (10,477)	\$ (10,821)	\$ -	\$ (21,298)
Income Before Transfers	\$ 177,847	\$ 294,242	\$ 79,741	\$ 551,830
TRANSFERS				
Transfers Out	\$ (351,365)	\$ (469,639)	\$ (83,998)	\$ (905,002)
Change in Net Position	\$ (173,518)	\$ (175,397)	\$ (4,257)	\$ (353,172)
Total Net Position - January 1	\$ 6,157,007	\$ 5,419,948	\$ 269,013	\$ 11,845,968
Total Net Position - December 31	\$ 5,983,489	\$ 5,244,551	\$ 264,756	\$ 11,492,796

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, 2020

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,587,218	\$ 1,325,195	\$ 650,753	\$ 3,563,166
Payments to Suppliers	(438,409)	(333,649)	(523,265)	(1,295,323)
Payments to Employees	(537,888)	(346,654)	(41,267)	(925,809)
Net Cash Provided by Operating Activities	\$ 610,921	\$ 644,892	\$ 86,221	\$ 1,342,034
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers Out	\$ (351,365)	\$ (469,639)	\$ (83,998)	\$ (905,002)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (351,365)	\$ (469,639)	\$ (83,998)	\$ (905,002)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	\$ (57,964)	\$ (20,000)	\$ -	\$ (77,964)
Principal Paid on Capital Debt	(118,000)	(20,000)	-	(138,000)
Interest Paid on Capital Debt	(12,175)	(9,568)	-	(21,743)
Fees Paid on Capital Debt	(2,140)	(2,839)	-	(4,979)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (190,279)	\$ (52,407)	\$ -	\$ (242,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	\$ 2,854	\$ 1,419	\$ -	\$ 4,273
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 72,131	\$ 124,265	\$ 2,223	\$ 198,619
Cash and Cash Equivalents, January 1	\$ 845,960	\$ 622,336	\$ 242,269	\$ 1,710,565
Cash and Cash Equivalents, December 31	\$ 918,091	\$ 746,601	\$ 244,492	\$ 1,909,184
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 188,324	\$ 305,063	\$ 79,741	\$ 573,128
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	271,815	224,768	-	496,583
Change in Assets and Liabilities				
Utility Billings Receivable	11,993	5,593	368	17,954
Changes in Pension Items	136,099	96,632	8,984	241,715
Accounts Payable	(3,567)	3,948	(3,047)	(2,666)
Salaries Payable	8,475	5,358	-	13,833
Compensated Absences Payable	(2,218)	3,530	175	1,487
Net Cash Provided (Used) by Operating Activities	\$ 610,921	\$ 644,892	\$ 86,221	\$ 1,342,034

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

CITY OF WAHPETON

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	Custodial Funds
ASSETS	
Cash	\$ 13,514
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Funds Held for Other Governmental Units	\$ 4,845
Funds Held for Other Purposes	8,669
Total Liabilities and Deferred Inflows of Resources	\$ 13,514

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

CITY OF WAHPETONStatement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 81,287
Miscellaneous Collections	<u>4,865</u>
 Total Additions	 <u><u>\$ 86,152</u></u>
 DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 81,287
Miscellaneous Disbursements	<u>4,865</u>
 Total Deductions	 <u><u>\$ 86,152</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u><u>\$ -</u></u>
 Net Position - Beginning	 <u><u>\$ -</u></u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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, 2020

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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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 Council 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 ADJUSTMENT

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	\$ 53,585,391
Adjustments to Restate the January 1, 2020 Net Position	
Capital Assets, Net	(551,442)
Net Position January 1, As Restated	\$ 53,033,949

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, 2020, the City's carrying amount of deposits totaled \$17,425,862, and the bank balances totaled \$17,674,475. Of the bank balances, \$2,421,612 was covered by Federal Depository Insurance, \$6,754,614 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, 2020, the City held investments with market value and maturing dates as outlined below:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Mortgage Backed Securities	\$ 34,919	\$ -	\$ -	\$ 9,934	\$ 24,985

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 on December 31, 2020:

Assets	Quote Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mortgage Backed Securities	\$ -	\$ 34,919.10	\$ -

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 LOANS 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, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Loans Westdale 2020	\$ -	\$ 555,210	\$ 555,210	-
PACE Loans	484,431	26,027	78,770	431,688
RLF & FLEX Loans	559,464	140,463	111,194	588,733
RLF Westdale 2020	-	467,010	467,010	-
Total Loans Receivable	\$ 1,043,895	\$ 1,188,710	\$ 1,212,184	\$ 1,020,421

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 2020:

	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 3,966,442	\$ 28,100	\$ -	\$ -	\$ 3,994,542
Intangible Assets	589,300	-	-	215,880	805,180
Construction in Progress	138,315	1,387,684	-	(215,880)	1,310,119
Total Capital Assets Not Being Depreciated	4,694,057	1,415,784	-	-	6,109,841
Capital Assets Being Depreciated					
Buildings	\$ 5,562,493	\$ 5,520	\$ -	\$ -	\$ 5,568,013
Equipment	6,196,334	111,717	70,907	-	6,237,144
Vehicles	602,072	39,294	66,580	-	574,786
Infrastructure	48,955,564	10,384	-	-	48,965,948
Total Capital Assets Being Depreciated	\$ 61,316,463	\$ 166,915	\$ 137,487	\$ -	\$ 61,345,891
Less Accumulated Depreciation					
Buildings	\$ 2,090,294	\$ 98,387	\$ -	\$ -	\$ 2,188,681
Equipment	3,817,029	270,725	70,907	-	4,016,847
Vehicles	395,701	54,114	66,580	-	383,235
Infrastructure	11,571,551	1,493,769	-	-	13,065,320
Total Accumulated Depreciation	\$ 17,874,575	\$ 1,916,995	\$ 137,487	\$ -	\$ 19,654,083
Total Capital Assets Being Depreciated, Net	\$ 43,441,888	\$ (1,750,080)	\$ -	\$ -	\$ 41,691,808
Governmental Activities Capital Assets, Net	\$ 48,135,945	\$ (334,296)	\$ -	\$ -	\$ 47,801,649

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

General Government	\$ 81,634
Public Safety	202,439
Public Works	130,624
Culture and Recreation	8,530
Infrastructure	1,493,768
Total Depreciation Expense	\$ 1,916,995

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 2020:

Water Fund

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 3,531,302	\$ 57,964	\$ -	\$ -	\$ 3,589,266
Equipment	2,065,944	-	-	-	2,065,944
Vehicles	55,900	-	-	-	55,900
Infrastructure	4,348,367	-	-	-	4,348,367
Total Capital Assets Being Depreciated	\$ 10,001,513	\$ 57,964	\$ -	\$ -	\$ 10,059,477
Less Accumulated Depreciation					
Buildings	\$ 1,220,356	\$ 70,626	\$ -	\$ -	\$ 1,290,982
Equipment	1,413,802	58,049	-	-	1,471,851
Vehicles	44,120	5,891	-	-	50,011
Infrastructure	1,114,673	137,249	-	-	1,251,922
Total Accumulated Depreciation	\$ 3,792,951	\$ 271,815	\$ -	\$ -	\$ 4,064,766
Water Fund Capital Assets, Net	\$ 6,208,562	\$ (213,851)	\$ -	\$ -	\$ 5,994,711

Depreciation expense was charged to the Water function.

Sewer Fund

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Buildings	\$ 62,942	\$ 20,000	\$ -	\$ -	\$ 82,942
Equipment	2,837,099	-	-	-	2,837,099
Vehicles	47,799	-	-	-	47,799
Infrastructure	6,424,990	-	-	-	6,424,990
Total Capital Assets Being Depreciated	\$ 9,372,830	\$ 20,000	\$ -	\$ -	\$ 9,392,830
Less Accumulated Depreciation					
Buildings	\$ 18,884	\$ 1,259	\$ -	\$ -	\$ 20,143
Equipment	2,523,741	24,027	-	-	2,547,768
Vehicles	41,833	5,966	-	-	47,799
Infrastructure	1,714,230	193,516	-	-	1,907,746
Total Accumulated Depreciation	\$ 4,298,688	\$ 224,768	\$ -	\$ -	\$ 4,523,456
Sewer Fund Capital Assets, Net	\$ 5,074,142	\$ (204,768)	\$ -	\$ -	\$ 4,869,374

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 2020:

Governmental Activities

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Special Assessment Bonds	\$ 11,988,887	\$ -	\$ 1,555,719	\$ 10,433,168	\$ 1,196,437
Leases Payable	506,912	180,403	130,088	557,227	50,054
Loans Payable	262,678	-	262,678	-	-
Total Long Term Debt	\$ 12,758,477	\$ 180,403	\$ 1,948,485	\$ 10,990,395	\$ 1,246,491
Compensated Absences *	\$ 160,542	\$ 723	\$ -	\$ 161,265	\$ 16,126
Net Pension & OPEB Liability	2,085,433	3,465,962	-	5,551,395	-
Total Governmental Activities	\$ 15,004,452	\$ 3,647,088	\$ 1,948,485	\$ 16,703,055	\$ 1,262,617

* 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	\$ 487,000	\$ -	\$ 118,000	\$ 369,000	\$ 120,000
Compensated Absences *	\$ 41,189	\$ -	\$ 2,218	\$ 38,971	\$ 3,897
Net Pension & OPEB Liability	436,571	660,222	-	1,096,793	-
Total Water Fund	\$ 964,760	\$ 660,222	\$ 120,218	\$ 1,504,764	\$ 123,897

Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Revenue Bonds	\$ 90,000	\$ -	\$ 20,000	\$ 70,000	\$ 20,000
Compensated Absences *	\$ 16,716	\$ 3,530	\$ -	\$ 20,246	\$ 2,025
Net Pension & OPEB Liability	254,622	416,204	-	670,826	-
Total Sewer Fund	\$ 361,338	\$ 419,734	\$ 20,000	\$ 761,072	\$ 22,025

Nonmajor Enterprise Funds	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 1,877	\$ 174	\$ -	\$ 2,051	\$ 205
Net Pension & OPEB Liability	22,712	37,783	-	60,495	-
Total Other Funds	\$ 24,589	\$ 37,957	\$ -	\$ 62,546	\$ 205

* 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, 2020 is as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending Dec. 31st	Spec. Assmt. Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2021	\$ 1,196,437	\$ 211,910	\$ 50,054	\$ 16,495
2022	1,141,196	189,258	50,292	16,257
2023	991,970	164,988	51,949	14,600
2024	977,741	142,739	53,661	12,887
2025	983,566	120,575	130,405	11,343
2026 - 2030	2,545,499	387,979	181,236	22,957
2031 - 2035	1,272,037	148,424	39,631	1,209
2036 - 2040	800,000	61,140	-	-
2041 - 2045	525,000	24,268	-	-
Total	\$ 10,433,446	\$ 1,451,281	\$ 557,228	\$ 95,748

BUSINESS-TYPE ACTIVITIES						
Year Ending Dec. 31st	Revenue Bonds				Total	
	Water Fund		Sewer Fund			
	Principal	Interest	Principal	Interest	Principal	Interest
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	\$ 369,000	\$ 18,600	\$ 70,000	\$ 3,625	\$ 439,000	\$ 22,225

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 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 equals 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 must 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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

On December 31, 2020, the City reported a liability of \$7,196,618 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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. On June 30, 2020, the City's proportion was .228753 percent, which was an increase of .004257 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized pension expense of \$1,251,954. On December 31, 2020 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	\$ 28,006	\$ 364,659
Changes of Assumptions	3,857,842	637,797
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	232,270	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	133,175	131,622
Employer Contributions Subsequent to the Measurement Date	117,052	-
Total	\$ 4,368,345	\$ 1,134,078

\$117,052 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, 2021.

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

2021	903,563
2022	812,854
2023	661,018
2024	739,780

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.30%
International Equities	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Proportionate Share of the Net Pension Liability	\$ 9,337,072	\$ 7,196,618	\$ 5,445,206

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the 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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

On December 31, 2020, City reported a liability of \$182,891 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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.

On June 30, 2020, the City's proportion was .217418 percent, which was an increase of .008149 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020 the City recognized OPEB expense of \$29,032. On December 31, 2020 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	\$ 4,063	\$ 4,385
Changes of Assumptions	24,522	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	6,289	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12,248	2,888
Employer Contributions Subsequent to the Measurement Date	16,387	-
Total	\$ 63,509	\$ 7,273

\$16,387 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, 2021.

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

2021	8,599
2022	10,224
2023	9,926
2024	7,944
2025	3,037
Thereafter	119

Actuarial assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, 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 MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Proportionate Share of the Net OPEB Liability	\$ 239,866	\$ 182,891	\$ 134,712

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 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 on December 31, 2020 is \$4,877,246.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 13 COMMITMENTS

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

Project	Project Amount	Completed	Outstanding	Retainage
Wheatland Rd. Rosewood Shared Use Path - Interstate Engineering	\$ 110,383	\$ 110,383	\$ -	\$ -
Wheatland Rd. Rosewood Shared Use Path - Northern Improvement	523,253	512,660	10,593	10,593
Eastside Sanitary Sewer Phase B	359,500	395,552	(36,052)	-
JR Field Parking Lot & Hughes Dr.	144,362	85,916	58,446	-
Flood Lift Station Facility Plan	96,136	36,577	59,559	-
SRTS 11th St. N. Crosswalk	53,550	3,837	49,713	-
Well Field Relocation - Test Well	40,150	13,972	26,178	-
Loy Ave. & 12th St. N. Imp. Proj.	317,512	80,037	237,475	-
8th Ave. N. Reconstruction	324,833	43,666	281,167	-
Test Wells	76,262	41,139	35,123	-
Central School Site Redevelopment	48,608	6,400	42,208	-
Downtown Side Streets	206,189	8,662	197,527	-
Comprehensive Plan Update	96,000	2,835	93,165	-
Waste Water Facility Plan	92,500	-	92,500	-
Total	\$ 2,489,238	\$ 1,341,636	\$ 1,147,602	\$ 10,593

NOTE 14 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 \$3,732,172 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 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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,256,433	\$ 1,256,433	\$ 1,312,075	\$ 55,642
Special Assessment Taxes	-	-	8,638	8,638
Licenses, Permits and Fees	509,571	509,571	466,658	(42,913)
Fines and Forfeits	83,000	83,000	80,759	(2,241)
Intergovernmental	1,156,946	1,156,946	2,257,743	1,100,797
Charges for Services	65,674	65,674	74,020	8,346
Interest Income	60,000	60,000	30,994	(29,006)
Miscellaneous Income	2,600	2,600	14,512	11,912
Total Revenues	\$ 3,134,224	\$ 3,134,224	\$ 4,245,399	\$ 1,111,175
EXPENDITURES				
General Government	\$ 757,188	\$ 757,188	\$ 733,708	\$ 23,480
Public Safety	2,084,995	2,084,995	2,052,640	32,355
Public Works	711,828	711,828	741,608	(29,780)
Culture and Recreation	158,937	158,937	155,297	3,640
Other	27,500	27,500	12,132	15,368
Total Expenditures	\$ 3,740,448	\$ 3,740,448	\$ 3,695,385	\$ 45,063
Excess (Deficiency) of Revenues Over Expenditures	\$ (606,224)	\$ (606,224)	\$ 550,014	\$ 1,156,238
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 648,532	\$ 648,532	\$ 635,818	\$ (12,714)
Transfers Out	(42,308)	(853,828)	(919,130)	(65,302)
Total Other Financing Sources and Uses	\$ 606,224	\$ (205,296)	\$ (283,312)	\$ (78,016)
Net Change in Fund Balances	\$ -	\$ (811,520)	\$ 266,702	\$ 1,078,222
Fund Balance - January 1	\$ 1,598,127	\$ 1,598,127	\$ 1,846,990	\$ 248,863
Fund Balance - December 31	\$ 1,598,127	\$ 786,607	\$ 2,113,692	\$ 1,327,085

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 686,412	\$ 686,412	\$ 722,540	\$ 36,128
Sales Taxes	660,000	660,000	788,917	128,917
Intergovernmental	40,700	40,700	55,344	14,644
Charges for Services	39,114	39,114	73,194	34,080
Miscellaneous	42,100	42,100	51,610	9,510
Total Revenues	\$ 1,468,326	\$ 1,468,326	\$ 1,691,605	\$ 223,279
EXPENDITURES				
Current				
General Government	\$ 72,335	\$ 90,125	\$ 108,682	\$ (18,557)
Public Safety	205,510	205,510	77,579	127,931
Public Works/Highways & Streets	434,420	466,110	465,419	691
Culture and Recreation	356,312	410,962	328,269	82,693
Economic Development	490,343	1,681,584	1,513,374	168,210
Capital Outlay	54,000	54,000	54,000	-
Debt Service				
Principal	28,478	28,478	28,478	-
Interest	12,361	12,361	12,361	-
Total Expenditures	\$ 1,653,759	\$ 2,949,130	\$ 2,588,162	\$ 360,968
Excess (Deficiency) of Revenues Over Expenditures	\$ (185,433)	\$ (1,480,804)	\$ (896,557)	\$ 584,247
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 748,601	\$ 748,601	\$ 1,774,269	\$ 1,025,668
Transfers Out	(504,863)	(778,472)	(838,927)	(60,455)
Total Other Financing Sources and Uses	\$ 243,738	\$ (29,871)	\$ 935,342	\$ 965,213
Net Change in Fund Balances	\$ 58,305	\$ (1,510,675)	\$ 38,785	\$ 1,549,460
Fund Balance - January 1	\$ 7,104,451	\$ 7,104,451	\$ 7,104,451	\$ -
Fund Balance - December 31	\$ 7,162,756	\$ 5,593,776	\$ 7,143,236	\$ 1,549,460

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, 2020

**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
2020	0.228753%	\$ 7,196,618	\$ 2,523,417	285.19%	48.91%
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
2020	\$ 178,680	\$ 179,174	\$ (494)	\$ 2,523,417	7.10%
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, 2020

**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
2020	0.217418%	\$ 182,891	\$ 2,478,497	7.38%	63.38%
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
2020	\$ 29,117	\$ 28,393	\$ 724	\$ 2,478,497	1.15%
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, 2020

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 City council amended the budget for 2020 as follows:

EXPENDITURES & TRANSFERS OUT			
	Original Budget	Amendment	Amended Budget
General Fund	\$ 3,782,756	\$ 811,520	\$ 4,594,276
Special Revenue Fund	2,158,622	1,568,980	3,727,602
Debt Service Fund	2,523,302	40,070	2,563,372
Capital Projects Fund	1,012,135	1,442,750	2,454,885

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 decreased from 7.00 percent to 6.50 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, 2019.

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, 2019.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

CITY OF WAHPETON

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2020

Federal CFDA Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TREASURY:			
21.019	Passed through the North Dakota Office of State Treasurer Coronavirus Relief Fund	N/A	\$ 1,183,235
	Total U.S. Department of the Treasury		\$ 1,183,235
U.S. DEPARTMENT OF AGRICULTURE:			
	Passed through North Dakota Forest Service & North Dakota State University:		
10.664	Cooperative Forestry Assistance	2019-ATBTP-005	\$ 10,000
10.170	Specialty Crop Block Grant Program	DA02320	20,000
10.664	Cooperative Forestry Assistance	2019-CFPA-017	10,000
	Total U.S. Department of Agriculture - FS		\$ 40,000
U.S. DEPARTMENT OF TRANSPORTATION:			
	Passed through the State Department of Transportation:		
20.600	State and Community Highway Safety	HSPSC2007	\$ 132
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	HSPID2010	3,992
		HSPID2110	
		HSPOP2005	
20.616	National Priority Safety Programs	HSPOP2105	11,894
	Total U.S. Department of Transportation		\$ 16,018
U.S. DEPARTMENT OF HOMELAND SECURITY:			
	Direct Federal Funding:		
16.607	Dept. of Justice Bullet Proof Vest Partnership Program	N/A	\$ 758
97.067	Homeland Security Grant Program	N/A	9,982
	Total Direct Federal Funding		\$ 10,740
	Total Federal Grant Funds Received		\$ 1,249,993

CITY OF WAHPETON

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City. Expenditures represent only the federally funded portions of the program. City records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the City was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

STATE AUDITOR
Joshua C. Gallion



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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, 2020, 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 August 3, 2021.

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 a certain deficiency in internal control, described in the accompanying *schedule of audit findings and questioned costs* as item 2020-001 that we consider to be a material weakness.

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 and questioned costs*. City of Wahpeton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
August 3, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Wahpeton's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City of Wahpeton's major federal program for the year ended December 31, 2020. The City of Wahpeton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Wahpeton's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Wahpeton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Wahpeton's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Wahpeton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

CITY OF WAHPETON

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

Report on Internal Control Over Compliance

Management of the City of Wahpeton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Wahpeton's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Wahpeton's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
August 3, 2021

CITY OF WAHPETON

Summary of Auditor's Results
For the Year Ended December 31, 2020

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?	<u> X </u> Yes	<u> </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	None Noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u>	None Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> </u> Yes	<u> X </u>	None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	None noted
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> </u> Yes	<u> X </u>	None noted

Identification of Major Programs

CFDA 20.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

CITY OF WAHPETON

Schedule of Audit Findings and Questioned Costs

For the Year Ended December 31, 2020

Section I - Financial Statement Findings

2020-001 CAPITAL ASSET RECORDS – MATERIAL WEAKNESS

Condition

The City of Wahpeton had Construction in Progress for the Stage 3 Levee project, in the amount of \$551,442, on its capital asset listing that should not have been capitalized in the prior reporting period.

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

See Corrective Action Plan

Section II - Federal Award Findings and Questioned Costs

None



CITY OF WAHPETON ADMINISTRATION

1900 4th Street North · PO Box 490 · Wahpeton, ND 58074 · Phone 701-642-8448 · Fax 701-642-1428

DATE: July 29, 2021
TO: Joshua C. Gallion, ND State Auditor
FROM: Darcie Huwe, Finance Director
RE: City of Wahpeton – 2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Darcie Huwe, Finance Director

Section I – Financial Statement Findings:

2020-001 CAPITAL ASSET RECORDS – MATERIAL WEAKNESS

Condition:

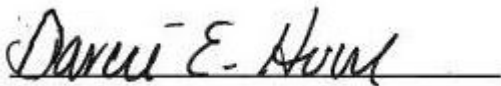
The City of Wahpeton had Construction in Progress for the Stage 3 Levee project, in the amount of \$551,442, on its capital asset listing that should not have been capitalized in the prior reporting period.

Corrective Action Plan:

We agree with this finding and have implemented a review process for proposed capital assets and will segregate maintenance projects from capital asset works-in-progress to prevent a material misstatement created by jobs abandoned and or prior period adjustments.

Anticipated Completion Date:

2021


FINANCE DIRECTOR



CITY OF WAHPETON ADMINISTRATION

1900 4th Street North · PO Box 490 · Wahpeton, ND 58074 · Phone 701-642-8448 · Fax 701-642-1428

DATE: July 29, 2021
TO: Joshua C. Gallion, ND State Auditor
FROM: Darcie Huwe, Finance Director
RE: City of Wahpeton – FY2020 Status of Prior Recommendations

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.

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.

Current Status

We have implemented a plan to prepare the financial statements and accompanying notes in an audit ready format.

2019-002 CAPITAL ASSET RECORDS – MATERIAL WEAKNESS

Condition:

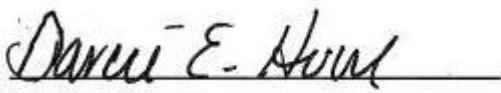
The City of Wahpeton had Construction in Progress for the 16th Avenue Commerce Street project, in the amount of \$376,172, on its capital asset listing that should have been classified as maintenance expense.

Recommendation

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

Current Status

We have implemented a review process for proposed capital assets and will segregate maintenance projects from capital asset works-in-progress to prevent a material misstatement created by jobs abandoned and or prior period adjustments.


FINANCE DIRECTOR

STATE AUDITOR
Joshua C. Gallion



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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, 2020 which collectively comprise the City of Wahpeton's basic financial statements and have issued our report thereon dated August 3, 2021. 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 February 17, 2021, 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, 2020. 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.

CITY OF WAHPETON

Governance Communication – Continued

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 schedule below lists all adjustments detected as a result of audit procedures that were corrected by management.

	<u>Debit</u>	<u>Credit</u>
Governmental Activities		
Beginning Net Position	\$ 551,442	
Capital Assets		\$ 551,442

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 August 3, 2021.

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.

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
August 3, 2021



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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