



# 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, 2021

*Client Code: PS39100*



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Office of the  
State Auditor

# CITY OF WAHPETON

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For the Year Ended December 31, 2021

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# CITY OF WAHPETON

City Officials

December 31, 2021

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## 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

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of City Commissioners  
City of Wahpeton  
Wahpeton, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wahpeton, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Wahpeton's basic financial statements as listed in the table of contents.

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 City of Wahpeton, North Dakota, as of December 31, 2021, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Wahpeton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Wahpeton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Wahpeton's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Wahpeton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**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 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.

**CITY OF WAHPETON**

Independent Auditor's Report - Continued

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**Other Reporting Required by *Government Auditing Standards***

In accordance with GAS, we have also issued our report dated December 14, 2022 on our consideration of 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 GAS in considering City of Wahpeton's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 14, 2022

**CITY OF WAHPETON**

Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, and Investments	\$ 14,617,966	\$ 2,325,928	\$ 16,943,894
Accounts Receivable	53,680	-	53,680
Intergovernmental Receivable	321,426	-	321,426
Utility Billings Receivable	-	293,182	293,182
Taxes Receivable	90,217	-	90,217
Special Assessments Receivable	4,564,639	-	4,564,639
Loans Receivable, Net	799,480	-	799,480
Capital Assets, Net	50,961,100	11,925,023	62,886,123
<b>Total Assets</b>	<b>\$ 71,408,508</b>	<b>\$ 14,544,133</b>	<b>\$ 85,952,641</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Derived from Pensions & OPEB	\$ 2,292,155	\$ 741,048	\$ 3,033,203
<b>LIABILITIES</b>			
Accounts Payable & Accrued Expenses	\$ 96,063	\$ 26,816	\$ 122,879
Salaries Payable and Accrued Benefits	57,196	-	57,196
Grants Received in Advance	607,151	-	607,151
RLF Payable	942	-	942
Retainages Payable	41,750	-	41,750
Accrued Interest Payable	57,334	2,492	59,826
Long Term Liabilities			
Due Within One Year			
Long Term Debt	1,246,170	148,000	1,394,170
Compensated Absences Payable	14,791	6,480	21,271
Due After One Year			
Long Term Debt	10,182,967	151,000	10,333,967
Compensated Absences Payable	133,123	58,317	191,440
Net Pension & OPEB Liability	1,928,890	623,605	2,552,495
<b>Total Liabilities</b>	<b>\$ 14,366,377</b>	<b>\$ 1,016,710</b>	<b>\$ 15,383,087</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Derived from Pensions & OPEB	\$ 3,590,149	\$ 1,160,687	\$ 4,750,836
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 39,432,879	\$ 11,623,531	\$ 51,056,410
Restricted			
Debt Service	7,545,998	-	7,545,998
Public Works	41,668	-	41,668
Economic/Job Development	3,390,532	-	3,390,532
Loans	799,480	-	799,480
Culture and Recreation	503,208	-	503,208
Capital Improvements	3,850,102	-	3,850,102
Other/General Government	144,704	-	144,704
Unrestricted	35,566	1,484,253	1,519,819
<b>Total Net Position</b>	<b>\$ 55,744,137</b>	<b>\$ 13,107,784</b>	<b>\$ 68,851,921</b>

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, 2021

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
<b>Governmental Activities</b>							
General Government	\$ 847,746	\$ 113,699	\$ 124	\$ -	\$ (733,923)		\$ (733,923)
Public Safety	2,524,267	88,848	25,446	-	(2,409,973)		(2,409,973)
Public Works	2,813,043	512,330	417,915	787,541	(1,095,257)		(1,095,257)
Culture and Recreation	578,723	51,751	47,449	-	(479,523)		(479,523)
Economic Development	945,493	-	29,448	-	(916,045)		(916,045)
Other	38,117	1,695	-	-	(36,422)		(36,422)
Interest & Fees on Long-Term Debt	261,976	-	-	-	(261,976)		(261,976)
<b>Total Governmental Activities</b>	<b>\$ 8,009,365</b>	<b>\$ 768,323</b>	<b>\$ 520,382</b>	<b>\$ 787,541</b>	<b>\$ (5,933,119)</b>		<b>\$ (5,933,119)</b>
<b>Business-Type Activities</b>							
Water Operations	\$ 1,310,340	\$ 1,638,900	\$ -	\$ -	\$ -	\$ 328,560	\$ 328,560
Sewer Operations	889,214	1,368,546	-	-	-	479,332	479,332
Non-major Enterprise	662,989	803,419	-	-	-	140,430	140,430
<b>Total Business-Type Activities</b>	<b>\$ 2,862,543</b>	<b>\$ 3,810,865</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 948,322</b>	<b>\$ 948,322</b>
<b>Total Primary Government</b>	<b>\$ 10,871,908</b>	<b>\$ 4,579,188</b>	<b>\$ 520,382</b>	<b>\$ 787,541</b>	<b>\$ (5,933,119)</b>	<b>\$ 948,322</b>	<b>\$ (4,984,797)</b>
<b>General Revenues</b>							
Taxes							
Property taxes					\$ 2,155,431	\$ -	\$ 2,155,431
Sales taxes					2,938,590	-	2,938,590
Unrestricted grants & contributions					675,321	-	675,321
Unrestricted Investment Earnings					1,637	181	1,818
Miscellaneous					291,770	1,532	293,302
Transfers					771,917	(771,917)	-
Capital Asset Transfers					(1,436,870)	1,436,870	-
<b>Total General Revenues and Transfers</b>					<b>\$ 5,397,796</b>	<b>\$ 666,666</b>	<b>\$ 6,064,462</b>
<b>Special Items</b>							
Revenue Related to Development Agreement Default					\$ 1,314,697	\$ -	\$ 1,314,697
Expenditures Related to Development Agreement Default					(961,691)	-	(961,691)
<b>Total Special Items</b>					<b>\$ 353,006</b>	<b>\$ -</b>	<b>\$ 353,006</b>
<b>Change in Net Position</b>					<b>\$ (182,317)</b>	<b>\$ 1,614,988</b>	<b>\$ 1,432,671</b>
<b>Net Position - January 1</b>					<b>\$ 55,740,629</b>	<b>\$ 11,492,796</b>	<b>\$ 67,233,425</b>
<b>Prior Period Adjustments</b>					<b>\$ 185,825</b>	<b>\$ -</b>	<b>\$ 185,825</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 55,926,454</b>	<b>\$ 11,492,796</b>	<b>\$ 67,419,250</b>
<b>Net Position - December 31</b>					<b>\$ 55,744,137</b>	<b>\$ 13,107,784</b>	<b>\$ 68,851,921</b>

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, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash, and Investments	\$ 2,066,720	\$ 6,896,515	\$ 2,943,395	\$ 2,711,336	\$ 14,617,966
Accounts Receivable	44,681	2,949	6,050	-	53,680
Intergovernmental Receivable	89,448	92,564	-	139,414	321,426
Loans Receivable, Net	-	799,480	-	-	799,480
Taxes Receivable	45,875	12,428	31,914	-	90,217
Special Assessments Receivable	-	-	4,564,639	-	4,564,639
<b>Total Assets</b>	<b>\$ 2,246,724</b>	<b>\$ 7,803,936</b>	<b>\$ 7,545,998</b>	<b>\$ 2,850,750</b>	<b>\$ 20,447,408</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
<b>Liabilities</b>					
Accounts Payable & Accrued Expenses	\$ 28,806	\$ 67,257	\$ -	\$ -	\$ 96,063
Salaries Payable and Accrued Benefits	57,196	-	-	-	57,196
Grants Received in Advance	-	-	-	607,151	607,151
RLF Payable	-	942	-	-	942
<b>Total Liabilities</b>	<b>\$ 86,002</b>	<b>\$ 68,199</b>	<b>\$ -</b>	<b>\$ 607,151</b>	<b>\$ 761,352</b>
<b>Deferred Inflows of Resources</b>					
Taxes Receivable	\$ 45,875	\$ 12,428	\$ 31,914	\$ -	\$ 90,217
Special Assessments Receivable	-	-	4,564,639	-	4,564,639
<b>Total Deferred Inflows of Resources</b>	<b>\$ 45,875</b>	<b>\$ 12,428</b>	<b>\$ 4,596,553</b>	<b>\$ -</b>	<b>\$ 4,654,856</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 131,877</b>	<b>\$ 80,627</b>	<b>\$ 4,596,553</b>	<b>\$ 607,151</b>	<b>\$ 5,416,208</b>
<b>FUND BALANCES</b>					
<b>Non-Spendable</b>					
Loans Receivable	\$ -	\$ 799,480	\$ -	\$ -	\$ 799,480
<b>Restricted</b>					
Debt Service	-	-	2,949,445	-	2,949,445
Capital Projects	-	1,606,503	-	2,243,599	3,850,102
Sales Tax Funds/Economic Development	-	3,555,522	-	-	3,555,522
Public Works	-	682,857	-	-	682,857
Culture & Recreation	-	685,593	-	-	685,593
Public Safety	-	228,998	-	-	228,998
Other/General Government	-	164,356	-	-	164,356
<b>Unassigned</b>					
General Fund	2,114,847	-	-	-	2,114,847
<b>Total Fund Balances</b>	<b>\$ 2,114,847</b>	<b>\$ 7,723,309</b>	<b>\$ 2,949,445</b>	<b>\$ 2,243,599</b>	<b>\$ 15,031,200</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,246,724</b>	<b>\$ 7,803,936</b>	<b>\$ 7,545,998</b>	<b>\$ 2,850,750</b>	<b>\$ 20,447,408</b>

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, 2021

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<b>Total Fund Balances of Governmental Funds</b>		\$ 15,031,200
Total <i>Net Position</i> 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.		50,961,100
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	\$ 90,217	
Special Assessments Receivable	<u>4,564,639</u>	4,654,856
Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(1,928,890)
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	\$ (3,590,149)	
Pension & OPEB Deferred Outflows of Resources	<u>2,292,155</u>	(1,297,994)
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	\$ (11,429,137)	
Interest Payable	(57,334)	
Retainages Payable	(41,750)	
Compensated Absences Payable	<u>(147,914)</u>	<u>(11,676,135)</u>
<b>Total Net Position - Governmental Activities</b>		<u>\$ 55,744,137</u>

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

# CITY OF WAHPETON

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2021

	General Fund	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,366,446	\$ 777,852	\$ 6,794	\$ -	\$ 2,151,092
Sales Taxes	-	892,301	-	2,046,289	2,938,590
Special Assessment Taxes	33,892	-	1,244,258	-	1,278,150
Licenses, Permits and Fees	525,312	-	-	-	525,312
Fines and Forfeits	82,469	-	-	-	82,469
Intergovernmental	1,118,055	77,648	-	-	1,195,703
Charges for Services	76,305	84,235	-	-	160,540
Interest Income	1,637	-	-	-	1,637
Miscellaneous	30,748	152,092	25,666	83,266	291,772
<b>Total Revenues</b>	<b>\$ 3,234,864</b>	<b>\$ 1,984,128</b>	<b>\$ 1,276,718</b>	<b>\$ 2,129,555</b>	<b>\$ 8,625,265</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 717,935	\$ 162,175	\$ -	\$ -	\$ 880,110
Public Safety	2,122,834	180,832	-	-	2,303,666
Public Works/Highways & Streets	632,270	466,514	-	-	1,098,784
Culture and Recreation	176,146	367,791	-	-	543,937
Economic Development	-	936,710	-	-	936,710
Other	38,117	-	-	-	38,117
Capital Outlay	-	-	-	6,082,343	6,082,343
Debt Service					
Principal	-	29,346	1,216,873	-	1,246,219
Interest	-	11,492	220,101	-	231,593
Fees	-	-	32,700	-	32,700
<b>Total Expenditures</b>	<b>\$ 3,687,302</b>	<b>\$ 2,154,860</b>	<b>\$ 1,469,674</b>	<b>\$ 6,082,343</b>	<b>\$ 13,394,179</b>
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (452,438)	\$ (170,732)	\$ (192,956)	\$ (3,952,788)	\$ (4,768,914)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	\$ 940,053	\$ 866,646	\$ 598,822	\$ 1,400,334	\$ 3,805,855
Special Assessment Bond Proceeds	-	-	-	1,684,682	1,684,682
Transfers Out	(486,460)	(468,847)	(315,673)	(1,762,958)	(3,033,938)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 453,593</b>	<b>\$ 397,799</b>	<b>\$ 283,149</b>	<b>\$ 1,322,058</b>	<b>\$ 2,456,599</b>
<b>SPECIAL ITEMS</b>					
Revenue Related to Development Agreement Default	\$ -	\$ 1,314,697	\$ -	\$ -	\$ 1,314,697
Expenditures Related to Development Agreement Default	-	(961,691)	-	-	(961,691)
<b>Total Special Items</b>	<b>\$ -</b>	<b>\$ 353,006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 353,006</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,155</b>	<b>\$ 580,073</b>	<b>\$ 90,193</b>	<b>\$ (2,630,730)</b>	<b>\$ (1,959,309)</b>
Fund Balances - January 1	\$ 2,113,692	\$ 7,143,236	\$ 2,859,252	\$ 4,874,329	\$ 16,990,509
Fund Balances - December 31	\$ 2,114,847	\$ 7,723,309	\$ 2,949,445	\$ 2,243,599	\$ 15,031,200

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, 2021

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,959,309)

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	\$ 6,234,122	
Capital Contribution	105,569	
Transfers to Enterprise Funds	(1,436,870)	
Depreciation Expense	<u>(1,929,195)</u>	2,973,626

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	\$ 1,246,219	
Debt Proceeds	<u>(1,684,682)</u>	(438,463)

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	\$ 13,350	
Net Change in Retainages Payable	(31,157)	
Net Change in Interest Payable	<u>2,317</u>	(15,490)

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	\$ 3,622,505	
Change in Deferred Outflows of Resources for pensions & OPEB	(1,041,804)	
Change in Deferred Inflows of Resources for pensions & OPEB	<u>(2,731,543)</u>	(150,842)

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	\$ 4,339	
Net Change in Special Assessments Receivable	<u>(596,178)</u>	<u>(591,839)</u>

**Change in Net Position of Governmental Activities** \$ (182,317)

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, 2021

	Water Operating	Sewer Operating	Other Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets				
Cash, and Investments	\$ 1,066,351	\$ 980,712	\$ 278,865	\$ 2,325,928
Utility Billings Receivable	116,094	107,004	70,084	293,182
Total Current Assets	<u>\$ 1,182,445</u>	<u>\$ 1,087,716</u>	<u>\$ 348,949</u>	<u>\$ 2,619,110</u>
Noncurrent Assets				
Capital Assets, Net	\$ 5,910,396	\$ 6,014,627	\$ -	\$ 11,925,023
Total Assets	<u>\$ 7,092,841</u>	<u>\$ 7,102,343</u>	<u>\$ 348,949</u>	<u>\$ 14,544,133</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pensions & OPEB	\$ 447,389	\$ 268,617	\$ 25,042	\$ 741,048
Total Assets & Deferred Outflows of Resources	<u>\$ 7,540,230</u>	<u>\$ 7,370,960</u>	<u>\$ 373,991</u>	<u>\$ 15,285,181</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$ 6,814	\$ 12,548	\$ 7,454	\$ 26,816
Accrued Interest Payable	2,075	417	-	2,492
Long Term Debt	123,000	25,000	-	148,000
Compensated Absences Payable	4,120	2,161	199	6,480
Total Current Liabilities	<u>\$ 136,009</u>	<u>\$ 40,126</u>	<u>\$ 7,653</u>	<u>\$ 183,788</u>
Noncurrent Liabilities				
Long Term Debt	\$ 126,000	\$ 25,000	\$ -	\$ 151,000
Compensated Absences Payable	37,082	19,447	1,788	58,317
Net Pension & OPEB Liability	376,486	226,046	21,073	623,605
Total Noncurrent Liabilities	<u>\$ 539,568</u>	<u>\$ 270,493</u>	<u>\$ 22,861</u>	<u>\$ 832,922</u>
Total Liabilities	<u>\$ 675,577</u>	<u>\$ 310,619</u>	<u>\$ 30,514</u>	<u>\$ 1,016,710</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from Pensions & OPEB	\$ 700,736	\$ 420,728	\$ 39,223	\$ 1,160,687
Total Liabilities & Deferred Inflows of Resources	<u>\$ 1,376,313</u>	<u>\$ 731,347</u>	<u>\$ 69,737</u>	<u>\$ 2,177,397</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 5,659,321	\$ 5,964,210	\$ -	\$ 11,623,531
Unrestricted	504,596	675,403	304,254	1,484,253
Total Net Position	<u>\$ 6,163,917</u>	<u>\$ 6,639,613</u>	<u>\$ 304,254</u>	<u>\$ 13,107,784</u>

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, 2021

	Water Operating	Sewer Operating	Other Enterprise Funds	Enterprise Total
<b>OPERATING REVENUES</b>				
Charges for Sales and Services	\$ 1,638,900	\$ 1,368,546	\$ 803,419	\$ 3,810,865
<b>OPERATING EXPENSES</b>				
Payroll Expenses	\$ 567,958	\$ 344,509	\$ 36,682	\$ 949,149
Repairs and Maintenance	133,844	138,971	16,606	289,421
Utilities	58,022	64,059	144,418	266,499
Office Expenses	15,973	13,561	368	29,902
Waste Removal	-	-	346,976	346,976
Chemicals	177,279	73,241	13,739	264,259
Storm Water Maintenance & Management	-	-	99,043	99,043
Service Contract	12,714	-	-	12,714
Water Meters/Hydrants	21,942	-	-	21,942
Insurance	19,325	-	-	19,325
Miscellaneous	25,199	24,413	5,157	54,769
Professional Fees	3,272	12,641	-	15,913
Depreciation	265,042	215,935	-	480,977
Total Operating Expenses	\$ 1,300,570	\$ 887,330	\$ 662,989	\$ 2,850,889
Operating Income	\$ 338,330	\$ 481,216	\$ 140,430	\$ 959,976
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 121	\$ 60	\$ -	\$ 181
Miscellaneous Income	1,532	-	-	1,532
Interest Expense	(8,225)	(1,584)	-	(9,809)
Service Charges and Administration Fees	(1,545)	(300)	-	(1,845)
Total Nonoperating Revenue (Expenses)	\$ (8,117)	\$ (1,824)	\$ -	\$ (9,941)
Income Before Transfers	\$ 330,213	\$ 479,392	\$ 140,430	\$ 950,035
<b>TRANSFERS</b>				
Transfers Out	\$ (306,600)	\$ (364,385)	\$ (100,932)	\$ (771,917)
Capital Asset Transfers	156,815	1,280,055	-	1,436,870
Change in Net Position	\$ 180,428	\$ 1,395,062	\$ 39,498	\$ 1,614,988
Total Net Position - January 1	\$ 5,983,489	\$ 5,244,551	\$ 264,756	\$ 11,492,796
Total Net Position - December 31	\$ 6,163,917	\$ 6,639,613	\$ 304,254	\$ 13,107,784

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, 2021

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 1,632,352	\$ 1,364,520	\$ 789,218	\$ 3,786,090
Payments to Suppliers	(480,835)	(326,204)	(618,901)	(1,425,940)
Payments to Employees	(543,630)	(336,697)	(35,013)	(915,340)
Net Cash Provided by Operating Activities	\$ 607,887	\$ 701,619	\$ 135,304	\$ 1,444,810
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers Out	\$ (306,600)	\$ (364,385)	\$ (100,931)	\$ (771,916)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (306,600)	\$ (364,385)	\$ (100,931)	\$ (771,916)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	\$ (23,912)	\$ (81,134)	\$ -	\$ (105,046)
Principal Paid on Capital Debt	(120,000)	(20,000)	-	(140,000)
Interest Paid on Capital Debt	(9,225)	(1,750)	-	(10,975)
Fees Paid on Capital Debt	(1,545)	(300)	-	(1,845)
Miscellaneous Income	1,534	-	-	1,534
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (153,148)	\$ (103,184)	\$ -	\$ (256,332)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	\$ 121	\$ 61	\$ -	\$ 182
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 148,260	\$ 234,111	\$ 34,373	\$ 416,744
Cash and Cash Equivalents, January 1	\$ 918,091	\$ 746,601	\$ 244,492	\$ 1,909,184
Cash and Cash Equivalents, December 31	\$ 1,066,351	\$ 980,712	\$ 278,865	\$ 2,325,928
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income	\$ 338,330	\$ 481,216	\$ 140,430	\$ 959,976
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	265,042	215,935	-	480,977
Change in Assets and Liabilities				
Utility Billings Receivable	(6,548)	(4,026)	(14,201)	(24,775)
Changes in Pension Items	22,097	6,451	1,734	30,282
Accounts Payable & Accrued Expenses	(13,265)	682	7,406	(5,177)
Compensated Absences Payable	2,231	1,361	(65)	3,527
Net Cash Provided (Used) by Operating Activities	\$ 607,887	\$ 701,619	\$ 135,304	\$ 1,444,810

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, 2021

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash	\$ 16,633
<b>LIABILITIES</b>	
Funds Held for Other Governmental Units	\$ 5,323
Funds Held for Other Purposes	<u>11,310</u>
Total Liabilities	<u>\$ 16,633</u>

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



**CITY OF WAHPETON**

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended December 31, 2021

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 86,667
Miscellaneous Collections	<u>2,640</u>
Total Additions	<u><u>\$ 89,307</u></u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 86,667
Miscellaneous Disbursements	<u>2,640</u>
Total Deductions	<u><u>\$ 89,307</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<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, 2021

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## 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

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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:

*Custodial Funds.* These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's custodial 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 cash value with maturities in excess of three months.

**CITY OF WAHPETON**

Notes to the Financial Statements – Continued

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**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	15 - 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

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*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 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*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:

<b>Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, As Previously Reported	\$ 55,740,629
Adjustments to Restate the January 1, 2021 Net Position	
Capital Assets, Net	185,825
Net Position January 1, As Restated	\$ 55,926,454

**CITY OF WAHPETON**

Notes to the Financial Statements – Continued

**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, 2021, the City’s carrying amount of deposits totaled \$16,960,027, and the bank balances totaled \$17,175,410. Of the bank balances, \$2,666,079 was covered by Federal Depository Insurance, \$5,607,480 was collateralized with by 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, 2021, the City held investments with market value and maturing dates as outlined below:

Investment Type	Total		Less Than			More Than
	Fair Value		1 Year	1-5 Years	6-10 Years	10 Years
Mortgage Backed Securities	\$	21,733	\$ -	\$ -	\$ 5,909	\$ 15,824

**CITY OF WAHPETON**

Notes to the Financial Statements – Continued

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

The following table below presents the balances of assets measured at fair value on a recurring basis on December 31, 2021:

<b>Assets</b>	<b>Quote Prices in Active Markets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Mortgage Backed Securities	\$ -	\$ 21,733	\$ -

**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, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
PACE Loans	\$ 431,688	\$ 49,038	\$ 133,329	\$ 347,397
RLF & FLEX Loans	588,733	23,940	160,590	452,083
Total Loans Receivable	\$ 1,020,421	\$ 72,978	\$ 293,919	\$ 799,480

**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 2021:

	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Transfer to Business-Type Activities</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated						
Land	\$ 4,131,411	\$ -	\$ -	\$ -	\$ -	\$ 4,131,411
Intangible Assets	805,180	-	-	-	-	805,180
Construction in Progress	1,358,546	6,133,680	-	(1,671,697)	(1,436,870)	4,383,659
<b>Total Capital Assets Not Being Depreciated</b>	<b>6,295,137</b>	<b>6,133,680</b>	<b>-</b>	<b>(1,671,697)</b>	<b>(1,436,870)</b>	<b>9,320,250</b>
Capital Assets Being Depreciated						
Buildings	\$ 5,568,013	\$ 78,060	\$ -	\$ -	\$ -	\$ 5,646,073
Equipment	6,237,144	127,951	-	-	-	6,365,095
Vehicles	574,786	-	-	-	-	574,786
Infrastructure	48,965,948	-	-	1,671,697	-	50,637,645
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 61,345,891</b>	<b>\$ 206,011</b>	<b>\$ -</b>	<b>\$ 1,671,697</b>	<b>\$ -</b>	<b>\$ 63,223,599</b>
Less Accumulated Depreciation						
Buildings	\$ 2,188,681	\$ 98,498	\$ -	\$ -	\$ -	\$ 2,287,179
Equipment	4,016,318	282,458	-	-	-	4,298,776
Vehicles	383,235	54,264	-	-	-	437,499
Infrastructure	13,065,320	1,493,975	-	-	-	14,559,295
<b>Total Accumulated Depreciation</b>	<b>\$ 19,653,554</b>	<b>\$ 1,929,195</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,582,749</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 41,692,337</b>	<b>\$ (1,723,184)</b>	<b>\$ -</b>	<b>\$ 1,671,697</b>	<b>\$ -</b>	<b>\$ 41,640,850</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 47,987,474</b>	<b>\$ 4,410,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,436,870)</b>	<b>\$ 50,961,100</b>

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

General Government	\$ 78,299
Public Safety	203,108
Public Works	129,497
Culture and Recreation	24,315
Infrastructure	1,493,976
<b>Total Depreciation Expense</b>	<b>\$ 1,929,195</b>



**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 2021:

**Water Fund**

	Balance Jan 1	Increases	Decreases	Transfers	Transfer from Governmental Activities	Balance Dec 31
Capital Assets Being Depreciated						
Buildings	\$ 3,589,266	\$ -	\$ -	\$ -	\$ -	\$ 3,589,266
Equipment	2,065,944	23,912	-	-	-	2,089,856
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	4,348,367	-	-	-	156,815	4,505,182
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 10,059,477</b>	<b>\$ 23,912</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 156,815</b>	<b>\$ 10,240,204</b>
Less Accumulated Depreciation						
Buildings	\$ 1,290,982	\$ 67,145	\$ -	\$ -	\$ -	\$ 1,358,127
Equipment	1,471,851	54,757	-	-	-	1,526,608
Vehicles	50,011	5,891	-	-	-	55,902
Infrastructure	1,251,922	137,249	-	-	-	1,389,171
<b>Total Accumulated Depreciation</b>	<b>\$ 4,064,766</b>	<b>\$ 265,042</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,329,808</b>
<b>Water Fund Capital Assets, Net</b>	<b>\$ 5,994,711</b>	<b>\$ (241,130)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 156,815</b>	<b>\$ 5,910,396</b>

Depreciation expense was charged to the Water function.

**Sewer Fund**

	Balance Jan 1	Increases	Decreases	Transfers	Transfer from Governmental Activities	Balance Dec 31
Capital Assets Being Depreciated						
Buildings	\$ 82,942	\$ -	\$ -	\$ -	\$ -	\$ 82,942
Equipment	2,837,099	72,734	-	-	-	2,909,833
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	6,424,990	8,400	-	-	1,280,055	7,713,445
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 9,392,830</b>	<b>\$ 81,134</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,280,055</b>	<b>\$ 10,754,019</b>
Less Accumulated Depreciation						
Buildings	\$ 20,143	\$ 1,659	\$ -	\$ -	\$ -	\$ 21,802
Equipment	2,547,768	20,761	-	-	-	2,568,529
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	1,907,746	193,516	-	-	-	2,101,262
<b>Total Accumulated Depreciation</b>	<b>\$ 4,523,456</b>	<b>\$ 215,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,739,392</b>
<b>Sewer Fund Capital Assets, Net</b>	<b>\$ 4,869,374</b>	<b>\$ (134,802)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,280,055</b>	<b>\$ 6,014,627</b>

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 2021:

**Governmental Activities**

<b>Governmental Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Special Assessment Bonds	\$ 10,433,446	\$ 1,684,682	\$ 1,196,165	\$ 10,921,963	\$ 1,195,878
Leases Payable	557,227	-	50,053	507,174	50,292
<b>Total Long Term Debt</b>	<b>\$ 10,990,673</b>	<b>\$ 1,684,682</b>	<b>\$ 1,246,218</b>	<b>\$ 11,429,137</b>	<b>\$ 1,246,170</b>
Compensated Absences *	\$ 161,265	\$ -	\$ 13,351	\$ 147,914	\$ 14,791
Net Pension & OPEB Liability	5,551,395	-	3,622,505	1,928,890	-
<b>Total Governmental Activities</b>	<b>\$ 16,703,333</b>	<b>\$ 1,684,682</b>	<b>\$ 4,882,074</b>	<b>\$ 13,505,941</b>	<b>\$ 1,260,961</b>

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

**Business-Type Activities**

<b>Water Fund</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Revenue Bonds	\$ 369,000	\$ -	\$ 120,000	\$ 249,000	\$ 123,000
Compensated Absences *	\$ 38,971	\$ 2,231	\$ -	\$ 41,202	\$ 4,120
Net Pension & OPEB Liability	1,096,793	-	720,307	376,486	-
<b>Total Water Fund</b>	<b>\$ 1,504,764</b>	<b>\$ 2,231</b>	<b>\$ 840,307</b>	<b>\$ 666,688</b>	<b>\$ 127,120</b>

<b>Sewer Fund</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Revenue Bonds	\$ 70,000	\$ -	\$ 20,000	\$ 50,000	\$ 25,000
Compensated Absences *	\$ 20,246	\$ 1,362	\$ -	\$ 21,608	\$ 2,161
Net Pension & OPEB Liability	670,826	-	444,780	226,046	-
<b>Total Sewer Fund</b>	<b>\$ 761,072</b>	<b>\$ 1,362</b>	<b>\$ 464,780</b>	<b>\$ 297,654</b>	<b>\$ 27,161</b>

<b>Nonmajor Enterprise Funds</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 2,051	\$ -	\$ 64	\$ 1,987	\$ 199
Net Pension & OPEB Liability	60,495	-	39,422	21,073	-
<b>Total Other Funds</b>	<b>\$ 62,546</b>	<b>\$ -</b>	<b>\$ 39,486</b>	<b>\$ 23,060</b>	<b>\$ 199</b>

\* 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, 2021 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending Dec. 31st</b>	<b>Spec. Assmt. Bonds</b>		<b>Capital Leases</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 1,195,878	\$ 203,190	\$ 50,292	\$ 16,257
2023	1,046,970	189,438	51,949	14,600
2024	1,032,741	166,364	53,661	12,887
2025	1,038,566	143,375	130,405	11,343
2026	684,389	123,927	34,103	6,736
2027 - 2031	2,655,419	425,360	186,764	17,430
2032 - 2036	1,323,000	198,495	-	-
2037 - 2041	1,185,000	96,165	-	-
2042 - 2046	760,000	34,768	-	-
<b>Total</b>	<b>\$ 10,921,963</b>	<b>\$ 1,581,082</b>	<b>\$ 507,174</b>	<b>\$ 79,253</b>

<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>Year Ending Dec. 31st</b>	<b>Revenue Bonds</b>				<b>Total</b>	
	<b>Water Fund</b>		<b>Sewer Fund</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$ 249,000</b>	<b>\$ 9,375</b>	<b>\$ 50,000</b>	<b>\$ 1,875</b>	<b>\$ 299,000</b>	<b>\$ 11,250</b>

The City issued various bonds and warrants during 2021 with unused portions as of December 31, 2021. The issuance amounts, amounts used, and unused portions can be seen at:

<b>Issuance</b>	<b>Issuance Amount</b>	<b>Amount Used</b>	<b>Unused Portion</b>
Series 2021A Improvement Bond	\$3,000,000	\$1,684,682	\$1,315,318
Series 2021B Improvement Bond	1,964,000	-	1,964,000
Series 2021C Improvement Bond	1,103,000	-	1,103,000
Definitive Improvement Warrant, Series 2021	209,931	-	209,931
<b>Total</b>	<b>\$6,276,931</b>	<b>\$1,684,682</b>	<b>\$4,592,249</b>

**NOTE 9 PENSION PLAN**

**General Information about the NDPERS 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

**CITY OF WAHPETON**

Notes to the Financial Statements – Continued

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

**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, 2021, the City reported a liability of \$2,422,432 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City’s proportion was .232412 percent, which was an increase of .003659 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$376,363. On December 31, 2021 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	\$ 41,823	\$ 247,242
Changes of Assumptions	2,681,161	3,495,674
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	898,442
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	130,077	59,014
Employer Contributions Subsequent to the Measurement Date	118,401	-
<b>Total</b>	<b>\$ 2,971,462</b>	<b>\$ 4,700,372</b>

\$118,401 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, 2022.

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

2022	(251,513)
2023	(405,747)
2024	(325,667)
2025	(864,384)

**Actuarial Assumptions**

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	3.5% 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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 1.92%; and the resulting Single Discount Rate is 7.00%.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Proportionate Share of the Net Pension Liability	\$ 3,852,480	\$ 2,422,432	\$ 1,231,691

**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, 2021, City reported a liability of \$130,064 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the City's proportion was .233856 percent, which was an increase of .016438 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021 the City recognized OPEB expense of \$21,483. On December 31, 2021 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	\$ 7,470	\$ 3,565
Changes of Assumptions	20,142	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	44,563
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	17,553	2,335
Employer Contributions Subsequent to the Measurement Date	16,576	-
<b>Total</b>	<b>\$ 61,741</b>	<b>\$ 50,463</b>

\$16,576 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, 2022.

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

2022	1,018
2023	698
2024	(1,423)
2025	(6,580)
2026	989

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2021 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
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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

**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 rates described in this report. 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 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, 2021, 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	\$ 192,902	\$ 130,064	\$ 76,894

**NOTE 11 COMMITMENTS**

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

Project	Project Amount	Completed	Outstanding	Retainage
Eastside Sanitary Sewer Phase B, Part 2	73,745	52,042	21,703	-
JR Field Parking Lot & Hughes Dr.	2,357,792	2,029,755	328,037	41,750
Flood Lift Station Facility Plan	96,136	62,502	33,634	-
Loy Ave. & 12th St. N. Imp. Proj.	3,261,507	224,157	3,037,350	-
8th Ave. N. Reconstruction	330,033	57,124	272,909	-
Downtown Side Streets	2,676,553	209,542	2,467,011	-
Downtown Side Streets Part 2	167,071	15,890	151,181	-
Comprehensive Plan Update	96,000	77,471	18,529	-
Waste Water Facility Plan	92,500	41,515	50,985	-
Homestead Addition Proj. ST21-263 Ph A	169,970	3,083	166,887	-
Sanitary Sewer LSN0. 8 Generator Proj. SS21-265	18,932	6,868	12,064	-
VFD's for Flood Lift Stations 2, 3, 4, 5, & 6	54,656	1,031	53,625	-
<b>Total</b>	<b>\$ 9,394,895</b>	<b>\$ 2,780,980</b>	<b>\$ 6,613,915</b>	<b>\$ 41,750</b>

**CITY OF WAHPETON**

Notes to the Financial Statements – Continued

**NOTE 12 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 13 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability and automobile, and up to \$3,606,025 for public assets (mobile equipment and portable property).

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

**NOTE 14 SUBSEQUENT EVENTS**

Subsequent to December 31, 2021, the City issued various bonds and warrants to fund various projects. The Issuances and amounts can be seen below:

<b>Issuance</b>	<b>Amount</b>
2022 Refunding Improvement Bond	\$4,710,000
Series 2021A Improvement Bond	1,165,318
Series 2021B Improvement Bond	540,698
Series 2021C Improvement Bond	858,246
Definitive Improvement Warrant, Series 2021	150,587
<b>Total</b>	<b>\$7,424,849</b>

**NOTE 15 SPECIAL ITEM**

In 2014, the city entered into a development agreement for the restoration and rehabilitation of the north side of Dakota Ave. The developer was able to secure a real estate mortgage from Starion Financial which was collateralized in first position. The city also funded an interest rate buy down with the BND PACE Fund. Subsequent real estate mortgages were originated with Eastern Dakota Housing Alliance in second position, and a mortgage funded by the city sales tax loan fund, in third position. Additionally, the city originated a \$790,000 10-year mortgage at 1% with terms granting loan forgiveness of \$79,000 annually for each full year the developer owns the project and is in compliance with the terms and conditions of the development agreement. During 2020, the City was notified by the developer that they would be defaulting on their loan with the city. During 2020, the City paid \$363,226.13 to acquire the mortgage positions of both Starion Bank and Eastern Dakota Housing Alliance, giving the City the first mortgage position. During 2021, the property went into mortgage default. The property went through Sheriff’s sale by Richland County and the City ended up being the top and only bidder. The City paid Richland County \$939,000 but the amount was paid back to the city since they had first position. The property was then sold to another developer during 2021 for \$360,399.72.

**CITY OF WAHPETON**

Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,354,139	\$ 1,354,139	\$ 1,366,446	\$ 12,307
Special Assessment Taxes	-	-	33,892	33,892
Licenses, Permits and Fees	491,314	491,314	525,312	33,998
Fines and Forfeits	101,000	101,000	82,469	(18,531)
Intergovernmental	999,433	999,433	1,118,055	118,622
Charges for Services	67,840	67,840	76,305	8,465
Interest Income	60,000	60,000	1,637	(58,363)
Miscellaneous Income	10,100	10,100	30,748	20,648
<b>Total Revenues</b>	<b>\$ 3,083,826</b>	<b>\$ 3,083,826</b>	<b>\$ 3,234,864</b>	<b>\$ 151,038</b>
<b>EXPENDITURES</b>				
General Government	\$ 763,141	\$ 763,141	\$ 717,935	\$ 45,206
Public Safety	2,133,639	2,133,639	2,122,834	10,805
Public Works	650,232	650,232	632,270	17,962
Culture and Recreation	129,700	129,700	176,146	(46,446)
Other	27,000	27,000	38,117	(11,117)
<b>Total Expenditures</b>	<b>\$ 3,703,712</b>	<b>\$ 3,703,712</b>	<b>\$ 3,687,302</b>	<b>\$ 16,410</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (619,886)	\$ (619,886)	\$ (452,438)	\$ 167,448
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 676,532	\$ 676,532	\$ 940,053	\$ 263,521
Transfers Out	(56,646)	(485,676)	(486,460)	(784)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 619,886</b>	<b>\$ 190,856</b>	<b>\$ 453,593</b>	<b>\$ 262,737</b>
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>\$ (429,030)</b>	<b>\$ 1,155</b>	<b>\$ 430,185</b>
Fund Balance - January 1	\$ 1,598,127	\$ 1,598,127	\$ 2,113,692	\$ 515,565
Fund Balance - December 31	\$ 1,598,127	\$ 1,169,097	\$ 2,114,847	\$ 945,750

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 682,272	\$ 682,272	\$ 777,852	\$ 95,580
Sales Taxes	660,000	660,000	892,301	232,301
Intergovernmental	35,500	35,500	77,648	42,148
Charges for Services	72,075	72,075	84,235	12,160
Miscellaneous	33,400	33,400	152,092	118,692
Total Revenues	<u>\$ 1,483,247</u>	<u>\$ 1,483,247</u>	<u>\$ 1,984,128</u>	<u>\$ 500,881</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 46,400	\$ 73,245	\$ 162,175	\$ (88,930)
Public Safety	54,000	129,750	180,832	(51,082)
Public Works/Highways & Streets	437,499	488,889	466,514	22,375
Culture and Recreation	353,518	389,483	367,791	21,692
Economic Development	732,456	1,055,116	936,710	118,406
Capital Outlay	-	284,205	-	284,205
Debt Service				
Principal	29,347	29,347	29,346	1
Interest	11,493	11,493	11,492	1
Total Expenditures	<u>\$ 1,664,713</u>	<u>\$ 2,461,528</u>	<u>\$ 2,154,860</u>	<u>\$ 306,668</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (181,466)</u>	<u>\$ (978,281)</u>	<u>\$ (170,732)</u>	<u>\$ 807,549</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 846,302	\$ 846,302	\$ 866,646	\$ 20,344
Transfers Out	(336,028)	(374,215)	(468,847)	(94,632)
Total Other Financing Sources and Uses	<u>\$ 510,274</u>	<u>\$ 472,087</u>	<u>\$ 397,799</u>	<u>\$ (74,288)</u>
<b>SPECIAL ITEMS</b>				
Revenue Related to Development Agreement Default	\$ -	\$ -	\$ 1,314,697	\$ 1,314,697
Expenditures Related to Development Agreement Default	-	1,196,628	(961,691)	(2,158,319)
Total Special Items	<u>\$ -</u>	<u>\$ 1,196,628</u>	<u>\$ 353,006</u>	<u>\$ (843,622)</u>
Net Change in Fund Balances	<u>\$ 328,808</u>	<u>\$ 690,434</u>	<u>\$ 580,073</u>	<u>\$ (110,361)</u>
Fund Balance - January 1	<u>\$ 7,143,236</u>	<u>\$ 7,143,236</u>	<u>\$ 7,143,236</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 7,472,044</u>	<u>\$ 7,833,670</u>	<u>\$ 7,723,309</u>	<u>\$ (110,361)</u>

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, 2021

**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
2021	0.232412%	\$ 2,422,432	\$ 2,631,808	92.04%	79.13%
2020	0.228753%	7,196,618	2,523,417	285.19%	48.91%
2019	0.224496%	-	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
2021	\$ 194,085	\$ 186,023	\$ 8,062	\$ 2,653,803	7.07%
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, 2021

**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
2021	0.233856%	\$ 130,064	\$ 2,549,632	5.10%	76.63%
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
2021	\$ 30,660	\$ 29,163	\$ 1,497	\$ 2,653,803	1.10%
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, 2021

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## 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 10<sup>th</sup>, 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 7<sup>th</sup> 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 7<sup>th</sup> in accordance with provisions outlined in detail in N.D.C.C. 40-40-08.
- After completing the final budget on or before October 7<sup>th</sup>, 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 10<sup>th</sup>, 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).

**CITY OF WAHPETON**

Notes to the Required Supplementary Information - Continued

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**NOTE 2 LEGAL COMPLIANCE – BUDGETS**

The City council amended the budget for 2021 as follows:

<b>EXPENDITURES, TRANSFERS OUT &amp; SPECIAL ITEMS</b>			
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
General Fund	\$ 3,760,358	\$ 429,030	\$ 4,189,388
Special Revenue Fund	2,000,741	2,031,630	4,032,371
Debt Service Fund	1,813,422	152,420	1,965,842
Capital Projects Fund	6,246,836	788,760	7,035,596

**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, information will be presented 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, 2021 (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 increased 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, 2020.

**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, 2020.

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

**Pension**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**OPEB**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.



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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***

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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, 2021, 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 December 14, 2022.

**Report on 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) as a basis for designing 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 identified a certain deficiency in internal control, described in the accompanying *schedule of audit findings* 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

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**Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Wahpeton's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. City of Wahpeton's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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  
December 14, 2022

**CITY OF WAHPETON**

Summary of Auditor's Results  
For the Year Ended December 31, 2021

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**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

**CITY OF WAHPETON**

Schedule of Audit Findings

For the Year Ended December 31, 2021

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**2021-001      AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

Various sections of City of Wahpeton’s financial statements were found to be incomplete or inaccurate. Sections included but were not limited to the *basic financial statements, fund financial statements, notes to the financial statements*, and the *required supplementary information*. Audit adjustments were proposed and accepted by the City of Wahpeton.

**Effect**

There is an increased risk of material misstatement to the City of Wahpeton’s financial statements even though the errors were corrected by management during the audit.

**Cause**

City of Wahpeton may not have a proper review process in place to ensure the financial statements are complete and accurate.

**Criteria**

City of Wahpeton is responsible to ensure its financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Repeat Finding**

No.

**Recommendation**

We recommend City of Wahpeton review its procedures for the preparation of the financial statements and update if necessary, to ensure the financial statements are complete and accurate in accordance with GAAP.

**City of Wahpeton’s Response**

We agree. The City of Wahpeton will review procedures for the preparation of the financial statements to ensure the information provided is complete and accurate in accordance with GAAP.

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## GOVERNANCE COMMUNICATION

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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 City of Wahpeton, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 17, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Wahpeton are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by City of Wahpeton during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

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

**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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

	<u>Debit</u>	<u>Credit</u>
<b>General Fund</b>		
Due From County	\$ 7,523	\$ -
Property Tax Revenue	-	7,523
Expenditures	\$ 39,472	\$ -
Salaries Payable	-	39,472
<b>Special Revenue Fund</b>		
Cash	\$ 59,535	\$ -
Gain on Investments	-	59,535
<b>Debt Service Fund</b>		
Due From County	\$ 6,979	\$ -
Property Tax Revenue	-	6,979

The following material misstatements detected as a result of audit procedures were corrected by management.

	<u>Debit</u>	<u>Credit</u>
<b>Special Revenue Fund</b>		
Miscellaneous Revenue	\$ 1,314,697	\$ -
Special Item Expense	961,691	-
Economic Development Expenditures	-	961,691
Special Item Revenue	-	1,314,697
<b>Government Wide</b>		
Capital Assets PPA	\$ 185,825	\$ -
Beginning Net Position	-	185,825
Capital Assets	\$ 105,569	\$ -
Capital Contribution	-	105,569

**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 December 14, 2022.

**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’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.

**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.

**Other Matters**

We applied certain limited procedures to the *budgetary comparison information, 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 notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restrictions on Use**

This information is intended solely for the use of the board of city commissioners and management of 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 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  
December 14, 2022



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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