



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, 2022

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Office of the
State Auditor

CITY OF WAHPETON

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CITY OF WAHPETON

City Officials

December 31, 2022

CITY OFFICIALS

Brett Lambrecht	Mayor
Jason Goltz	President at large
Kelly McNary	Vice-President
Chad Perdue	Board Member
Tiana Bohn	Board Member
David Woods, II	Board Member
Renata Fobb	Board Member
Shannon Schillinger	Board Member
Cory Unruh	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

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, 2022, 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 accompanying 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (Government Auditing Standards)*, 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 audit. 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 2021 financial statements have been restated to correct misstatements. 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 *Government Auditing Standards* 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 *Government Auditing Standards*, 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* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Wahpeton's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2024 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 solely 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 the effectiveness of City of Wahpeton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wahpeton's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 17, 2024

CITY OF WAHPETON

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and Investments	\$ 16,226,756	\$ 2,584,629	\$ 18,811,385
Accounts Receivable	27,488	-	27,488
Intergovernmental Receivable	380,806	-	380,806
Utility Billings Receivable	-	299,458	299,458
Taxes Receivable	51,928	-	51,928
Special Assessments Receivable	9,476,610	-	9,476,610
Loans Receivable, Net	1,513,653	-	1,513,653
Capital Assets, Net	62,155,076	11,412,507	73,567,583
Total Assets	\$ 89,832,317	\$ 14,296,594	\$ 104,128,911
DEFERRED OUTFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 3,454,771	\$ 1,094,901	\$ 4,549,672
LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 328,578	\$ 78,128	\$ 406,706
Salaries Payable and Accrued Benefits	91,314	-	91,314
RLF Payable	500	-	500
Retainages Payable	432,149	-	432,149
Accrued Interest Payable	158,312	2,517	160,829
Long Term Liabilities			
Due Within One Year			
Long Term Debt	1,394,224	151,000	1,545,224
Compensated Absences Payable	15,571	6,253	21,824
Due After One Year			
Long Term Debt	15,596,951	-	15,596,951
Compensated Absences Payable	140,139	56,277	196,416
Net Pension & OPEB Liability	5,206,851	1,650,177	6,857,028
Total Liabilities	\$ 23,364,589	\$ 1,944,352	\$ 25,308,941
DEFERRED INFLOWS OF RESOURCES:			
Derived from Pensions & OPEB	\$ 2,029,965	\$ 643,345	\$ 2,673,310
NET POSITION			
Net Investment in Capital Assets	\$ 44,573,440	\$ 11,258,990	\$ 55,832,430
Restricted			
Debt Service	13,115,834	-	13,115,834
Public Works	101,331	-	101,331
Economic/Job Development	3,191,729	-	3,191,729
Loans	1,513,653	-	1,513,653
Culture and Recreation	371,339	-	371,339
Capital Improvements	4,772,324	-	4,772,324
Other/General Government	145,124	-	145,124
Unrestricted	107,760	1,544,808	1,652,568
Total Net Position	\$ 67,892,534	\$ 12,803,798	\$ 80,696,332

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, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 932,936	\$ 112,761	\$ 19,174	\$ -	\$ (801,001)		\$ (801,001)
Public Safety	3,181,909	107,189	11,978	-	(3,062,742)		(3,062,742)
Public Works	3,169,425	571,929	4,148,538	7,033,415	8,584,457		8,584,457
Culture and Recreation	651,964	69,538	65,806	-	(516,620)		(516,620)
Economic Development	747,271	-	40,152	-	(707,119)		(707,119)
Other	22,447	1,989	-	-	(20,458)		(20,458)
Interest & Fees on Long-Term Debt	364,040	-	-	-	(364,040)		(364,040)
Total Governmental Activities	\$ 9,069,992	\$ 863,406	\$ 4,285,648	\$ 7,033,415	\$ 3,112,477		\$ 3,112,477
Business-Type Activities							
Water Operations	\$ 1,497,477	\$ 1,682,580	\$ -	\$ -	\$ -	\$ 185,103	\$ 185,103
Sewer Operations	1,112,257	1,340,940	-	-	-	228,683	228,683
Non-major Enterprise	663,305	868,790	-	-	-	205,485	205,485
Total Business-Type Activities	\$ 3,273,039	\$ 3,892,310	\$ -	\$ -	\$ -	\$ 619,271	\$ 619,271
Total Primary Government	\$ 12,343,031	\$ 4,755,716	\$ 4,285,648	\$ 7,033,415	\$ 3,112,477	\$ 619,271	\$ 3,731,748
General Revenues							
Taxes							
Property taxes					\$ 2,278,820	\$ -	\$ 2,278,820
Sales taxes					3,279,897	-	3,279,897
Unrestricted grants & contributions					764,657	-	764,657
Unrestricted Investment Earnings					90,109	-	90,109
Miscellaneous					309,657	744	310,401
Transfers					947,054	(947,054)	-
Proceeds from the Sale of Capital Assets					18,500	-	18,500
Loan Forgiveness					565,900	-	565,900
Bond Discount					(62,403)	-	(62,403)
Capital Asset Transfers					(23,053)	23,053	-
Total General Revenues and Transfers					\$ 8,169,138	\$ (923,257)	\$ 7,245,881
Change in Net Position					\$ 11,281,615	\$ (303,986)	\$ 10,977,629
Net Position - January 1					\$ 55,744,137	\$ 13,107,784	\$ 68,851,921
Prior Period Adjustments					\$ 866,782	\$ -	\$ 866,782
Net Position - January 1, as restated					\$ 56,610,919	\$ 13,107,784	\$ 69,718,703
Net Position - December 31					\$ 67,892,534	\$ 12,803,798	\$ 80,696,332

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

CITY OF WAHPETON

Balance Sheet – Governmental Funds
December 31, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash, and Investments	\$ 2,299,738	\$ 6,691,145	\$ 3,607,541	\$ 3,628,332	\$ 16,226,756
Accounts Receivable	27,488	-	-	-	27,488
Intergovernmental Receivable	101,030	113,336	-	166,440	380,806
Loans Receivable, Net	-	1,513,653	-	-	1,513,653
Taxes Receivable	17,236	2,109	32,583	-	51,928
Special Assessments Receivable	-	-	9,476,610	-	9,476,610
Total Assets	<u>\$ 2,445,492</u>	<u>\$ 8,320,243</u>	<u>\$ 13,116,734</u>	<u>\$ 3,794,772</u>	<u>\$ 27,677,241</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable & Accrued Expenses	\$ 42,019	\$ 63,144	\$ 900	\$ 222,515	\$ 328,578
Salaries Payable and Accrued Benefits	91,314	-	-	-	91,314
Retainage Payable	-	-	-	432,149	432,149
RLF Payable	-	500	-	-	500
Total Liabilities	<u>\$ 133,333</u>	<u>\$ 63,644</u>	<u>\$ 900</u>	<u>\$ 654,664</u>	<u>\$ 852,541</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 17,236	\$ 2,109	\$ 32,583	\$ -	\$ 51,928
Special Assessments Receivable	-	-	9,476,610	-	9,476,610
Total Deferred Inflows of Resources	<u>\$ 17,236</u>	<u>\$ 2,109</u>	<u>\$ 9,509,193</u>	<u>\$ -</u>	<u>\$ 9,528,538</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 150,569</u>	<u>\$ 65,753</u>	<u>\$ 9,510,093</u>	<u>\$ 654,664</u>	<u>\$ 10,381,079</u>
FUND BALANCES					
Non-Spendable					
Loans Receivable	\$ -	\$ 1,513,653	\$ -	\$ -	\$ 1,513,653
Restricted					
Debt Service	-	-	3,606,641	-	3,606,641
Capital Projects	-	1,200,067	-	3,140,108	4,340,175
Sales Tax Funds/Economic Development	-	3,385,009	-	-	3,385,009
Public Works	-	867,735	-	-	867,735
Culture & Recreation	-	591,327	-	-	591,327
Public Safety	-	530,777	-	-	530,777
Other/General Government	-	165,922	-	-	165,922
Unassigned					
General Fund	2,294,923	-	-	-	2,294,923
Total Fund Balances	<u>\$ 2,294,923</u>	<u>\$ 8,254,490</u>	<u>\$ 3,606,641</u>	<u>\$ 3,140,108</u>	<u>\$ 17,296,162</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,445,492</u>	<u>\$ 8,320,243</u>	<u>\$ 13,116,734</u>	<u>\$ 3,794,772</u>	<u>\$ 27,677,241</u>

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

CITY OF WAHPETON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2022

Total Fund Balances of Governmental Funds \$ 17,296,162

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 62,155,076

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	\$ 51,928	
Special Assessments Receivable	<u>9,476,610</u>	9,528,538

Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds. (5,206,851)

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	\$ (2,029,965)	
Pension & OPEB Deferred Outflows of Resources	<u>3,454,771</u>	1,424,806

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	\$ (16,991,175)	
Interest Payable	(158,312)	
Compensated Absences Payable	<u>(155,710)</u>	<u>(17,305,197)</u>

Total Net Position - Governmental Activities \$ 67,892,534

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, 2022

	General Fund	Special Revenue Fund	Debt Service Funds	Capital Projects Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,473,583	\$ 836,231	\$ 7,295	\$ -	\$ 2,317,109
Sales Taxes	-	1,147,964	-	2,131,933	3,279,897
Special Assessment Taxes	31,864	-	1,207,358	-	1,239,222
Licenses, Permits and Fees	587,270	-	-	-	587,270
Fines and Forfeits	100,255	-	-	-	100,255
Intergovernmental	1,225,178	102,314	-	3,722,813	5,050,305
Charges for Services	71,109	104,782	-	-	175,891
Interest Income	90,109	-	-	-	90,109
Miscellaneous	34,210	247,076	25,710	2,663	309,659
Total Revenues	\$ 3,613,578	\$ 2,438,367	\$ 1,240,363	\$ 5,857,409	\$ 13,149,717
EXPENDITURES					
Current					
General Government	\$ 762,998	\$ 48,798	\$ -	\$ -	\$ 811,796
Public Safety	2,220,724	454,486	-	-	2,675,210
Public Works/Highways & Streets	673,773	494,041	-	-	1,167,814
Culture and Recreation	176,286	428,138	-	-	604,424
Economic Development	-	719,805	-	-	719,805
Other	22,447	-	-	-	22,447
Capital Outlay	-	63,000	-	11,546,528	11,609,528
Debt Service					
Principal	-	30,241	1,266,678	-	1,296,919
Interest	-	10,597	218,107	-	228,704
Fees	-	-	34,358	-	34,358
Total Expenditures	\$ 3,856,228	\$ 2,249,106	\$ 1,519,143	\$ 11,546,528	\$ 19,171,005
Excess (Deficiency) of Revenues Over Expenditures	\$ (242,650)	\$ 189,261	\$ (278,780)	\$ (5,689,119)	\$ (6,021,288)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 720,092	\$ 1,028,180	\$ 950,976	\$ 400,256	\$ 3,099,504
Special Assessment Bond Proceeds	-	-	-	7,424,849	7,424,849
Proceeds from the Sale of Capital Assets	-	18,500	-	-	18,500
Bond Discount	-	-	-	(62,403)	(62,403)
Transfers Out	(297,366)	(704,760)	(15,000)	(1,135,324)	(2,152,450)
Total Other Financing Sources and Uses	\$ 422,726	\$ 341,920	\$ 935,976	\$ 6,627,378	\$ 8,328,000
Net Change in Fund Balances	\$ 180,076	\$ 531,181	\$ 657,196	\$ 938,259	\$ 2,306,712
Fund Balances - January 1	\$ 2,114,847	\$ 7,723,309	\$ 2,949,445	\$ 2,243,599	\$ 15,031,200
Prior Period Adjustments	\$ -	\$ -	\$ -	\$ (41,750)	\$ (41,750)
Fund Balances - Jan. 1, as restated	\$ 2,114,847	\$ 7,723,309	\$ 2,949,445	\$ 2,201,849	\$ 14,989,450
Fund Balances - December 31	\$ 2,294,923	\$ 8,254,490	\$ 3,606,641	\$ 3,140,108	\$ 17,296,162

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, 2022

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 2,306,712
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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	\$ 11,444,023	
Capital Contribution	1,636,853	
Transfers to Enterprise Funds	(23,053)	
Depreciation Expense	<u>(1,976,002)</u>	11,081,821

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

565,900

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	\$ 1,296,919	
Debt Proceeds	<u>(7,424,849)</u>	(6,127,930)

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	\$ (7,796)	
Net Change in Interest Payable	<u>(100,978)</u>	(108,774)

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	\$ (3,277,961)	
Change in Deferred Outflows of Resources for pensions & OPEB	1,162,616	
Change in Deferred Inflows of Resources for pensions & OPEB	<u>1,560,184</u>	(555,161)

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	\$ (38,289)	
Net Change in Special Assessments Receivable	<u>4,157,336</u>	4,119,047

Change in Net Position of Governmental Activities	<u>\$ 11,281,615</u>
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The notes to the financial statements are an integral part of this financial statement.

CITY OF WAHPETONStatement of Net Position – Proprietary Funds
December 31, 2022

	Water Operating	Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets				
Cash, and Investments	\$ 1,125,501	\$ 990,271	\$ 468,857	\$ 2,584,629
Utility Billings Receivable	119,144	104,153	76,161	299,458
Total Current Assets	\$ 1,244,645	\$ 1,094,424	\$ 545,018	\$ 2,884,087
Noncurrent Assets				
Capital Assets, Net	\$ 5,669,546	\$ 5,742,961	\$ -	\$ 11,412,507
Total Assets	\$ 6,914,191	\$ 6,837,385	\$ 545,018	\$ 14,296,594
DEFERRED OUTFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 665,459	\$ 391,290	\$ 38,152	\$ 1,094,901
Total Assets & Deferred Outflows of Resources	\$ 7,579,650	\$ 7,228,675	\$ 583,170	\$ 15,391,495
LIABILITIES				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$ 8,054	\$ 6,147	\$ 63,927	\$ 78,128
Accrued Interest Payable	2,100	417	-	2,517
Long Term Debt	126,000	25,000	-	151,000
Compensated Absences Payable	4,050	1,970	233	6,253
Total Current Liabilities	\$ 140,204	\$ 33,534	\$ 64,160	\$ 237,898
Noncurrent Liabilities				
Compensated Absences Payable	\$ 36,452	\$ 17,726	\$ 2,099	\$ 56,277
Net Pension & OPEB Liability	1,002,944	589,733	57,500	1,650,177
Total Noncurrent Liabilities	\$ 1,039,396	\$ 607,459	\$ 59,599	\$ 1,706,454
Total Liabilities	\$ 1,179,600	\$ 640,993	\$ 123,759	\$ 1,944,352
DEFERRED INFLOWS OF RESOURCES				
Derived from Pensions & OPEB	\$ 391,012	\$ 229,916	\$ 22,417	\$ 643,345
Total Liabilities & Deferred Inflows of Resources	\$ 1,570,612	\$ 870,909	\$ 146,176	\$ 2,587,697
NET POSITION				
Net Investment in Capital Assets	\$ 5,541,446	\$ 5,717,544	\$ -	\$ 11,258,990
Unrestricted	467,592	640,222	436,994	1,544,808
Total Net Position	\$ 6,009,038	\$ 6,357,766	\$ 436,994	\$ 12,803,798

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

CITY OF WAHPETONStatement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2022

	Water Operating	Sewer Operating	Other Enterprise Funds	Enterprise Total
OPERATING REVENUES				
Charges for Sales and Services	\$ 1,682,580	\$ 1,340,940	\$ 868,790	\$ 3,892,310
OPERATING EXPENSES				
Payroll Expenses	\$ 652,965	\$ 393,752	\$ 44,585	\$ 1,091,302
Repairs and Maintenance	136,529	224,173	11,894	372,596
Utilities	67,500	68,244	145,564	281,308
Office Expenses	18,783	17,914	435	37,132
Waste Removal	-	-	355,099	355,099
Chemicals	175,412	76,782	12,802	264,996
Storm Water Maintenance & Management	-	-	84,348	84,348
Equipment/Technology	67,613	-	-	67,613
Service Contract	11,252	-	-	11,252
Water Meters/Hydrants	32,739	-	-	32,739
Insurance	18,000	-	-	18,000
Miscellaneous	36,101	31,334	8,578	76,013
Professional Fees	9,492	26,954	-	36,446
Depreciation	263,903	271,666	-	535,569
Total Operating Expenses	\$ 1,490,289	\$ 1,110,819	\$ 663,305	\$ 3,264,413
Operating Income	\$ 192,291	\$ 230,121	\$ 205,485	\$ 627,897
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous Income	\$ 744	\$ -	\$ -	\$ 744
Interest Expense	(6,250)	(1,250)	-	(7,500)
Service Charges and Administration Fees	(938)	(188)	-	(1,126)
Total Nonoperating Revenue (Expenses)	\$ (6,444)	\$ (1,438)	\$ -	\$ (7,882)
Income Before Transfers	\$ 185,847	\$ 228,683	\$ 205,485	\$ 620,015
TRANSFERS				
Transfers Out	\$ (363,779)	\$ (510,530)	\$ (72,745)	\$ (947,054)
Capital Asset Transfers	23,053	-	-	23,053
Change in Net Position	\$ (154,879)	\$ (281,847)	\$ 132,740	\$ (303,986)
Total Net Position - January 1	\$ 6,163,917	\$ 6,639,613	\$ 304,254	\$ 13,107,784
Total Net Position - December 31	\$ 6,009,038	\$ 6,357,766	\$ 436,994	\$ 12,803,798

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, 2022

	Water Operating	Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,679,531	\$ 1,343,790	\$ 862,714	\$ 3,886,035
Payments to Suppliers	(572,181)	(451,802)	(562,247)	(1,586,230)
Payments to Employees	(555,001)	(345,461)	(37,729)	(938,191)
Net Cash Provided by Operating Activities	\$ 552,349	\$ 546,527	\$ 262,738	\$ 1,361,614
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers Out	\$ (363,779)	\$ (510,530)	\$ (72,746)	\$ (947,055)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (363,779)	\$ (510,530)	\$ (72,746)	\$ (947,055)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Capital Debt	\$ (123,000)	\$ (25,000)	\$ -	\$ (148,000)
Interest Paid on Capital Debt	(6,225)	(1,250)	-	(7,475)
Fees Paid on Capital Debt	(938)	(188)	-	(1,126)
Miscellaneous Income	743	-	-	743
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (129,420)	\$ (26,438)	\$ -	\$ (155,858)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 59,150	\$ 9,559	\$ 189,992	\$ 258,701
Cash and Cash Equivalents, January 1	\$ 1,066,351	\$ 980,712	\$ 278,865	\$ 2,325,928
Cash and Cash Equivalents, December 31	\$ 1,125,501	\$ 990,271	\$ 468,857	\$ 2,584,629
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income	\$ 192,291	\$ 230,121	\$ 205,485	\$ 627,897
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	263,903	271,666	-	535,569
Change in Assets and Liabilities				
Utility Billings Receivable	(3,049)	2,850	(6,076)	(6,275)
Changes in Pension Items	98,664	50,202	6,511	155,377
Accounts Payable & Accrued Expenses	1,240	(6,401)	56,473	51,312
Compensated Absences Payable	(700)	(1,911)	345	(2,266)
Net Cash Provided (Used) by Operating Activities	\$ 552,349	\$ 546,527	\$ 262,738	\$ 1,361,614

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

CITY OF WAHPETON

Statement of Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2022

	Custodial Funds
ASSETS	
Cash	<u>\$ 15,578</u>
LIABILITIES	
Funds Held for Other Governmental Units	\$ 7,263
Funds Held for Other Purposes	<u>5,211</u>
Total Liabilities	<u>\$ 12,474</u>
NET POSITION	
Total Net Position	<u>\$ 3,104</u>

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

CITY OF WAHPETONStatement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2022

	Custodial Funds
ADDITIONS	
Tax Collections for Other Governments	\$ 94,676
Golf Course Donations	5,634
Total Additions	<u>\$ 100,310</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 94,676
Golf Course Donations	2,530
Total Deductions	<u>\$ 97,206</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 3,104</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ 3,104</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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Wahpeton ("City") have been prepared in conformity with accounting principles generally accepted in the United States of America 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 it is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause its 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, the component unit discussed below is included within the City's reporting entity because of the significance of its operational or financial relationship with the City.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government, the City, and its component units. 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. 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. Separate statements for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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

The City reports the following major governmental funds:

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

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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund type:

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 and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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 certificates of deposit stated at cost with maturities in excess of three months as well as municipal bonds that are recorded at fair market value.

Capital Assets

Capital assets which include land, buildings and building improvements, equipment, vehicles, infrastructure assets (e.g., roads, bridges and similar items) and intangibles (e.g. easements and right-to-use leases), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, with the exception of land and right-to-use leases, are defined by the government as assets with an initial, individual cost of more than \$5,000. Land is capitalized regardless of cost. Right-to-use leases are amortized when the related lease liability is reported. Such assets, with the exception of right-to-use leases are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Right-to-use leases are valued at the present value of future lease payments, initial direct costs necessary to place the lease asset into service, and lease payments made before the commencement of the lease term. 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. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	50
Equipment	15
Vehicles	5
Office Equipment	3
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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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, and 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.

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

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

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

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.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net Position/Fund Balance of the City as of January 1, 2022 has been restated for adjustments to capital assets and special assessments receivable as shown below. The results of the adjustments increased Net Position Government Wide but decreased Fund Balance for the Capital Projects Fund for the City.

Governmental Activities	Government Wide	Capital Projects Fund
Beginning Net Position, As Previously Reported	\$ 55,744,137	\$ 2,243,599
Adjustments to Restate the January 1, 2022 Net Position		
Retainage Payable	-	(41,750)
Capital Assets, Net	112,147	-
Special Assessments Receivable	754,635	-
Net Position January 1, As Restated	\$ 56,610,919	\$ 2,201,849

NOTE 3 DEPOSITS**Custodial Credit Risk**

Custodial 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, 2022, the City's carrying amount of deposits totaled \$18,825,964 and the bank balances totaled \$18,834,350. Of the bank balances, \$3,687,667 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 4 INVESTMENTS

As of December 31, 2022, the City had the following investments:

2022 Investment Type	Moody's or S&P Rating	Investment Maturities				Fair Value	Percent of Investments	Fair Value Hierarchy
		Less than One Year	1-5 Years	6-10 Years	10 < Years			
US Treasury Notes	Not Rated	\$ 447,908	\$ -	\$ -	\$ -	\$ 447,908	14%	Level 2
US Government Agency	Aaa	-	1,517,028	233,431	-	1,750,460	55%	Level 2
US Government Agency	Not Rated	-	12,013	-	-	12,013	0%	Level 2
Mortgage Backed Securities	Not Rated	-	11,390	-	9,884	21,275	1%	Level 2
Municipal Bond	Aaa	-	-	297,264	-	297,264	9%	Level 2
Municipal Bond	Aa1	-	95,210	264,225	-	359,435	11%	Level 2
Municipal Bond	Not Rated	122,199	113,627	-	-	235,826	7%	Level 2
Money Market Fund	Not Rated	41,755	-	-	-	41,755	1%	Level 1
Total Investments		\$ 611,861	\$ 1,749,268	\$ 794,920	\$ 9,884	\$ 3,165,933	100%	

As authorized in North Dakota Statutes, idle funds may be invested as follows:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.
3. Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
4. Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions.
5. State and local securities:
 - a. Any security that is a general obligation of any state or local government with taxing powers and is rated in the highest three categories by a nationally recognized rating agency.
 - b. An obligation of the state housing finance agency that is rated in the highest two categories by a nationally recognized rating agency.
 - c. Any security that is a general obligation of a school district and is rated in the highest two categories by a nationally recognized rating agency.
 - d. Obligations of this state and general obligations of its political subdivisions.
6. 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 two hundred seventy days or less.

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 rate. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy that specifically addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

Fair Value Measurement

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.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The fair value leveling of the City's investment portfolio were as of December 31, 2022.

The Level 1 securities are valued using the quoted prices in active markets for identical assets. Level 2 and Level 3 securities are valued based on methodologies such as bid evaluations, market averages, and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

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, 2022:

	Beginning Balance	Additions	Deductions	Ending Balance
PACE Loans	\$ 347,397	\$ 150,825	\$ 108,584	\$ 389,638
RLF & FLEX Loans	452,083	823,050	151,118	1,124,015
Total Loans Receivable, Gross	\$ 799,480	\$ 973,875	\$ 259,702	\$ 1,513,653

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 7 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the City:

	Restated Balance Jan 1	Increases	Decreases	Transfers	Transfer to Business-Type Activities	Balance Dec 31
Capital Assets Not Being Depreciated						
Land	\$ 4,131,411	\$ 37,200	\$ -	\$ -	\$ -	\$ 4,168,611
Intangible Assets	805,180	-	-	-	-	805,180
Construction in Progress	4,495,806	12,925,345	-	(2,595,409)	(23,053)	14,802,689
Total Capital Assets Not Being Depreciated	9,432,397	12,962,545	-	(2,595,409)	(23,053)	19,776,480
Capital Assets Being Depreciated						
Buildings	\$ 5,646,073	\$ 6,074	\$ -	\$ -	\$ -	\$ 5,652,147
Equipment	6,365,095	49,689	211,426	-	-	6,203,358
Vehicles	574,786	57,436	-	-	-	632,222
Infrastructure	50,637,645	5,140	-	2,595,409	-	53,238,194
Total Capital Assets Being Depreciated	\$ 63,223,599	\$ 118,339	\$ 211,426	\$ 2,595,409	\$ -	\$ 65,725,921
Less Accumulated Depreciation						
Buildings	\$ 2,287,179	\$ 101,620	\$ -	\$ -	\$ -	\$ 2,388,799
Equipment	4,298,776	266,300	211,426	-	-	4,353,650
Vehicles	437,499	47,239	-	-	-	484,738
Infrastructure	14,559,295	1,560,843	-	-	-	16,120,138
Total Accumulated Depreciation	\$ 21,582,749	\$ 1,976,002	\$ 211,426	\$ -	\$ -	\$ 23,347,325
Total Capital Assets Being Depreciated, Net	\$ 41,640,850	\$ (1,857,663)	\$ -	\$ 2,595,409	\$ -	\$ 42,378,596
Governmental Activities Capital Assets, Net	\$ 51,073,247	\$ 11,104,882	\$ -	\$ -	\$ (23,053)	\$ 62,155,076

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

General Government	\$ 93,639
Public Safety	186,234
Public Works	119,041
Culture and Recreation	16,244
Infrastructure	1,560,844
Total Depreciation Expense	\$ 1,976,002

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 2022:

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	2,089,856	-	-	-	-	2,089,856
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	4,505,182	-	-	-	23,053	4,528,235
Total Capital Assets Being Depreciated	\$ 10,240,204	\$ -	\$ -	\$ -	\$ 23,053	\$ 10,263,257
Less Accumulated Depreciation						
Buildings	\$ 1,358,127	\$ 67,145	\$ -	\$ -	\$ -	\$ 1,425,272
Equipment	1,526,608	53,236	-	-	-	1,579,844
Vehicles	55,902	-	-	-	-	55,902
Infrastructure	1,389,171	143,522	-	-	-	1,532,693
Total Accumulated Depreciation	\$ 4,329,808	\$ 263,903	\$ -	\$ -	\$ -	\$ 4,593,711
Water Fund Capital Assets, Net	\$ 5,910,396	\$ (263,903)	\$ -	\$ -	\$ 23,053	\$ 5,669,546

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	2,909,833	-	-	-	-	2,909,833
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	7,713,445	-	-	-	-	7,713,445
Total Capital Assets Being Depreciated	\$ 10,754,019	\$ -	\$ -	\$ -	\$ -	\$ 10,754,019
Less Accumulated Depreciation						
Buildings	\$ 21,802	\$ 1,659	\$ -	\$ -	\$ -	\$ 23,461
Equipment	2,568,529	24,953	-	-	-	2,593,482
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	2,101,262	245,054	-	-	-	2,346,316
Total Accumulated Depreciation	\$ 4,739,392	\$ 271,666	\$ -	\$ -	\$ -	\$ 5,011,058
Sewer Fund Capital Assets, Net	\$ 6,014,627	\$ (271,666)	\$ -	\$ -	\$ -	\$ 5,742,961

Depreciation expense was charged to the Sewer function.

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 8 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2022, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Restated Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Special Assessment Bonds	\$ 10,921,684	\$ 7,424,849	\$ 1,812,240	\$ 16,534,293	\$ 1,342,275
Notes Payable	347,478	-	30,241	317,237	31,163
Leases Payable	159,696	-	20,051	139,645	20,786
Total Long Term Debt	\$ 11,428,858	\$ 7,424,849	\$ 1,862,532	\$ 16,991,175	\$ 1,394,224
Compensated Absences	\$ 147,914	\$ 235,882	\$ 228,086	\$ 155,710	\$ 15,571
Net Pension & OPEB Liability	1,928,890	3,277,961	-	5,206,851	-
Total Governmental Activities	\$ 13,505,662	\$ 10,938,692	\$ 2,090,618	\$ 22,353,736	\$ 1,409,795

Business-Type Activities

Water Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Revenue Bonds	\$ 249,000	\$ -	\$ 123,000	\$ 126,000	\$ 126,000
Compensated Absences	\$ 41,202	\$ 41,538	\$ 42,238	\$ 40,502	\$ 4,050
Net Pension & OPEB Liability	376,486	626,458	-	1,002,944	-
Total Water Fund	\$ 666,688	\$ 667,996	\$ 165,238	\$ 1,169,446	\$ 130,050

Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Revenue Bonds	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Compensated Absences	\$ 21,608	\$ 24,055	\$ 25,967	\$ 19,696	\$ 1,970
Net Pension & OPEB Liability	226,046	363,687	-	589,733	-
Total Sewer Fund	\$ 297,654	\$ 387,742	\$ 50,967	\$ 634,429	\$ 26,970

Nonmajor Enterprise Funds	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences	\$ 1,987	\$ 2,315	\$ 1,970	\$ 2,332	\$ 233
Net Pension & OPEB Liability	21,073	36,427	-	57,500	-
Total Other Funds	\$ 23,060	\$ 38,742	\$ 1,970	\$ 59,832	\$ 233

CITY OF WAHPETON

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending Dec. 31st	Spec. Assmt. Bonds		Leases Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 1,342,275	\$ 342,812	\$ 20,786	\$ 4,924	\$ 31,163	\$ 9,675
2024	1,289,428	429,136	21,547	4,163	32,114	8,725
2025	1,303,355	398,254	97,312	3,598	33,093	7,745
2026	949,361	370,595	-	-	34,103	6,736
2027	820,386	350,837	-	-	35,143	5,696
2028 - 2032	4,061,534	1,454,068	-	-	151,621	11,734
2033 - 2037	2,669,532	1,046,121	-	-	-	-
2038 - 2042	2,414,251	687,325	-	-	-	-
2043 - 2047	1,658,017	268,783	-	-	-	-
2048 - 2052	26,154	1,034	-	-	-	-
Total	\$ 16,534,293	\$ 5,348,965	\$ 139,645	\$ 12,685	\$ 317,237	\$ 50,311

BUSINESS-TYPE ACTIVITIES						
Year Ending Dec. 31st	Revenue Bonds				Total	
	Water Fund		Sewer Fund			
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 126,000	\$ 3,150	\$ 25,000	625	\$ 151,000	\$ 3,775

The City issued various bonds and warrants during 2022 with unused portions as of December 31, 2022. The issuance amounts, amounts used, and unused portions can be seen at:

Issuance	Issuance Amount	Amount Used	Unused Portion
Series 2021A Improvement Bond	\$ 4,086,000	\$ 2,850,000	\$ 1,236,000
Series 2021B Improvement Bond	1,964,000	540,698	1,423,302
Series 2021C Improvement Bond	1,103,000	858,246	244,754
Definitive Improvement Warrant, Series 2021	209,931	150,587	59,344
Total	\$ 7,362,931	\$ 4,399,531	\$ 2,963,400

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

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit 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, 2022, the City reported a liability of \$6,582,133 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .228541 percent, which was a decrease of .003871 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized pension expense of \$869,829. On December 31, 2022 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	\$ 34,335	\$ 125,730
Changes of Assumptions	3,936,212	2,440,234
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	240,905	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	69,764	98,157
Employer Contributions Subsequent to the Measurement Date	125,307	-
Total	\$ 4,406,523	\$ 2,664,121

\$125,307 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, 2023.

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

2023	464,501
2024	543,187
2025	13,295
2026	596,112

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, Net of Investment Expenses
Cost-of-Living Adjustments	None

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

CITY OF WAHPETON

Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic 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 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%

Sensitivity of the Employer's 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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
Proportionate Share of the Net Pension Liability	\$ 8,687,963	\$ 6,582,133	\$ 4,853,320

Pension Plan Fiduciary Net Position

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

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)**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, 2022, City reported a liability of \$274,895 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the City's proportion was .229020 percent, which was a decrease of .004836 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022 the City recognized OPEB expense of \$48,668. On December 31, 2022 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	\$ 6,517	\$ 2,364
Changes of Assumptions	69,243	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	37,014	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12,832	6,825
Employer Contributions Subsequent to the Measurement Date	17,543	-
Total	\$ 143,149	\$ 9,189

\$17,543 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, 2023.

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

2023	31,734
2024	29,654
2025	24,570
2026	30,459

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 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 or return	5.75%, 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	35%	0.50%
International Equities	26%	6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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 Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Proportionate Share of the Net OPEB Liability	\$ 350,887	\$ 274,895	\$ 211,102

NOTE 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions 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 \$3,839,870 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 one million dollars 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 ND Workforce Safety and Insurance

CITY OF WAHPETON

Notes to the Financial Statements – Continued

NOTE 12 TRANSFERS

The following table shows amounts reported for transfers in and transfers out as reported in the basic financial statements in the governmental funds for the year ended December 31, 2022:

	Transfers In	Transfer Outs
Major Funds		
General Fund	\$ 720,092	\$ 297,366
Special Revenue Fund	1,028,180	704,760
Debt Service Fund	950,976	15,000
Capital Projects Fund	400,256	1,135,324
Proprietary Funds		
Water Fund	\$ -	\$ 363,779
Sewer Fund	-	510,530
Non Major Funds	-	72,745
<i>Total</i>	<i>\$ 3,099,504</i>	<i>\$ 3,099,504</i>

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 CONSTRUCTION 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 - Construction	6,390,304	5,607,879	782,425	173,440
Eastside Sanitary Sewer Phase B, Part 2 - Electrical	363,265	18,450	344,815	2,050
Eastside Sanitary Sewer Phase B, Part 2 - Engineering	1,188,071	474,985	713,086	-
Loy Ave. & 12th St. N. Imp. Proj. - Construction	2,948,732	2,336,259	612,473	122,956
Loy Ave. & 12th St. N. Imp. Proj. - Engineering	522,931	491,889	31,042	-
8th Ave. N. Reconstruction	330,033	287,483	42,550	-
Downtown Side Streets - Construction	1,145,859	1,011,910	133,949	12,463
Downtown Side Streets - Engineering	160,205	150,755	9,450	-
Downtown Side Streets Part 2 - Engineering	167,071	151,180	15,891	-
Downtown Side Streets Part 2 - Construction	2,421,662	-	2,421,662	-
Downtown Side Streets Part 2 Non Fed - Engineering	127,495	33,092	94,403	-
Homestead Addition Proj. ST21-263 Ph A	169,970	152,332	17,638	-
Sanitary Sewer LNo. 8 Generator Proj. SS21-265 - Engineering	18,932	15,499	3,433	-
Sanitary Sewer LNo. 8 Generator Proj. SS21-265 - Electrical	108,605	-	108,605	-
Praire Flats 1st	1,260,000	1,096,055	163,945	121,240
VFD's for Flood Lift Stations 2, 3, 4, 5, & 6	54,656	44,189	10,467	-
Flood Lift Station Facility Plan Category 2 & 3	223,631	125,004	98,627	-
VFD's for Flood Lift Stations 2, 3, 4, 5, & 6 - Eletrical	468,110	-	468,110	-
Total	\$ 18,069,532	\$ 11,996,961	\$ 6,072,571	\$ 432,149

NOTE 14 SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the City issued various bonds and warrants to fund various projects. The Issuances and amounts can be seen below:

Issuance	Amount
Series 2021A Improvement Bond	\$ 1,425,000
Series 2021B Improvement Bond	447,678
Loy Ave Street Improvement Bond	952,719
Series 2023A Improvement Bond	826,662
Total	<u>\$ 2,825,397</u>

CITY OF WAHPETON

Budgetary Comparison Schedule - General Fund
December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,481,984	\$ 1,481,984	\$ 1,473,583	\$ (8,401)
Special Assessment Taxes	-	-	31,864	31,864
Licenses, Permits and Fees	474,390	474,390	587,270	112,880
Fines and Forfeits	80,000	80,000	100,255	20,255
Intergovernmental	1,064,900	1,064,900	1,225,178	160,278
Charges for Services	70,078	70,078	71,109	1,031
Interest Income	5,000	5,000	90,109	85,109
Miscellaneous Income	10,100	10,100	34,210	24,110
Total Revenues	\$ 3,186,452	\$ 3,186,452	\$ 3,613,578	\$ 427,126
EXPENDITURES				
General Government	\$ 783,016	\$ 783,016	\$ 762,998	\$ 20,018
Public Safety	2,249,193	2,249,193	2,220,724	28,469
Public Works	694,706	694,706	673,773	20,933
Culture and Recreation	138,000	138,000	176,286	(38,286)
Other	26,800	26,800	22,447	4,353
Total Expenditures	\$ 3,891,715	\$ 3,891,715	\$ 3,856,228	\$ 35,487
Excess (Deficiency) of Revenues Over Expenditures	\$ (705,263)	\$ (705,263)	\$ (242,650)	\$ 462,613
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 798,945	\$ 798,945	\$ 720,092	\$ (78,853)
Transfers Out	(93,682)	(293,682)	(297,366)	(3,684)
Total Other Financing Sources and Uses	\$ 705,263	\$ 505,263	\$ 422,726	\$ (82,537)
Net Change in Fund Balances	\$ -	\$ (200,000)	\$ 180,076	\$ 380,076
Fund Balance - January 1	\$ 1,598,127	\$ 1,598,127	\$ 2,114,847	\$ 516,720
Fund Balance - December 31	\$ 1,598,127	\$ 1,398,127	\$ 2,294,923	\$ 896,796

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

CITY OF WAHPETONBudgetary Comparison Schedule - Special Revenue Fund
December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 712,481	\$ 712,481	\$ 836,231	\$ 123,750
Sales Taxes	822,500	822,500	1,147,964	325,464
Intergovernmental	35,500	35,500	102,314	66,814
Charges for Services	67,072	67,072	104,782	37,710
Miscellaneous	51,150	51,150	247,076	195,926
Total Revenues	\$ 1,688,703	\$ 1,688,703	\$ 2,438,367	\$ 749,664
EXPENDITURES				
Current				
General Government	\$ 30,373	\$ 31,628	\$ 48,798	\$ (17,170)
Public Safety	-	-	454,486	(454,486)
Public Works/Highways & Streets	756,578	759,053	494,041	265,012
Culture and Recreation	364,911	364,911	428,138	(63,227)
Economic Development	496,419	496,419	719,805	(223,386)
Capital Outlay	63,000	1,433,170	63,000	1,370,170
Debt Service				
Principal	30,241	30,241	30,241	-
Interest	10,597	10,597	10,597	-
Total Expenditures	\$ 1,752,119	\$ 3,126,019	\$ 2,249,106	\$ 876,913
Excess (Deficiency) of Revenues Over Expenditures	\$ (63,416)	\$ (1,437,316)	\$ 189,261	\$ 1,626,577
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,090,234	\$ 1,090,234	\$ 1,028,180	\$ (62,054)
Proceeds from the Sale of Capital Assets	-	-	18,500	18,500
Transfers Out	(418,008)	(418,008)	(704,760)	(286,752)
Total Other Financing Sources and Uses	\$ 672,226	\$ 672,226	\$ 341,920	\$ (330,306)
Net Change in Fund Balances	\$ 608,810	\$ (765,090)	\$ 531,181	\$ 1,296,271
Fund Balance - January 1	\$ 7,723,309	\$ 7,723,309	\$ 7,723,309	\$ -
Fund Balance - December 31	\$ 8,332,119	\$ 6,958,219	\$ 8,254,490	\$ 1,296,271

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

CITY OF WAHPETON

Schedule of Employer's Share of Net Pension and Employer Contributions
For the Year Ended December 31, 2022

**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
2022	0.228541%	\$ 6,582,133	\$ 2,813,751	248.10%	55.03%
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%	2,631,256	2,335,145	112.68%	71.66%
2018	0.234370%	3,955,249	2,407,727	164.27%	62.80%
2017	0.211301%	3,396,301	2,157,055	157.45%	61.98%
2016	0.239829%	2,337,367	2,416,910	96.71%	70.46%
2015	0.665753%	1,746,890	2,288,686	76.33%	77.15%
2014	0.655469%	1,636,591	2,172,028	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 195,247	\$ 198,463	\$ 25,281	\$ 2,742,236	6.58%
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%

The notes to the required supplementary information are an integral part of this statement.

CITY OF WAHPETON

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2022

**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
2022	0.229020%	\$ 274,895	\$ 2,364,409	11.63%	56.28%
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
2022	\$ 28,046	\$ 28,045	\$ 3,226	\$ 2,460,141	1.08%
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%

The notes to the required supplementary information are an integral part of this statement.

CITY OF WAHPETON

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (N.D.C.C.) Chapter 40-40 for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

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

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB**Pension**

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NOTE 5: LEGAL COMPLIANCE - BUDGETS**Budget Amendments**

The City council amended the budget for 2022 as follows:

EXPENDITURES & TRANSFERS OUT			
	Original Budget	Amendment	Amended Budget
General Fund	\$ 3,985,397	\$ 200,000	\$ 4,185,397
Special Revenue Fund	2,170,127	1,373,900	3,544,027
Debt Service Fund	1,547,244	-	1,547,244
Capital Projects Fund	12,607,421	-	12,607,421

CITY OF WAHPETONSchedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Assistance Listing Number	Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<u>Passed through North Dakota Forest Service & North Dakota State University:</u>			
10.664	Cooperative Forestry Assistance	N/A	\$ 10,000
	Total U.S. Department of Agriculture		\$ 10,000
U.S. DEPARTMENT OF TRANSPORTATION:			
<u>Passed Through State Highway Department:</u>			
20.600	State and Community Highway Safety	HSPOP2205, HSPOP2305, HSPSC2207	\$ 3,885
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	HSPID2210	1,882
20.616	National Priority Safety Programs	HSPID2210	4,254
	Total U.S. Department of Transportation		\$ 10,022
U.S. DEPARTMENT OF THE TREASURY:			
<u>Direct Program</u>			
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds	N/A	\$ 1,222,813
	Total U.S. Department of the Treasury		\$ 1,222,813
Total Expenditures of Federal Awards			\$ 1,242,835
See notes to the Schedule of Expenditures of Federal Awards			

CITY OF WAHPETON

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2022. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City. Expenditures represent only the federally funded portions of the program. City records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for the City's federal grant activity. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

NOTE 3 PASS-THROUGH GRANT NUMBER

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

NOTE 4 INDIRECT COST RATE

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate

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

Independent Auditor's Report

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City basic financial statements, and have issued our report thereon dated May 17, 2024.

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 and questioned costs* as item 2022-001 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

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 financial statements. 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 and questions costs*. 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
May 17, 2024

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

Independent Auditor's Report

Board of City Commissioners
City of Wahpeton
Wahpeton, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Wahpeton's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Wahpeton's major federal programs for the year ended December 31, 2022. City of Wahpeton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Wahpeton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Wahpeton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Wahpeton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Wahpeton's federal programs.

CITY OF WAHPETON

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Wahpeton's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Wahpeton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City of Wahpeton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Wahpeton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Wahpeton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 17, 2024

CITY OF WAHPETON

Summary of Auditor's Results

For the Year Ended December 31, 2022

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

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

Federal AwardsInternal Control Over Major Programs

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

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

CITY OF WAHPETON

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION I – FINANCIAL STATEMENT FINDINGS

2022-001 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries related to payables, special assessment receivables, and capital assets were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

Effect

The financial statements may have been misstated if the payables, special assessment receivables, and capital assets, had not been adjusted 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

The City of Wahpeton is responsible to ensure the financial statements are reliable, free of material misstatements, and in accordance with GAAP.

Repeat Finding

Yes. The issue was identified in the previous audit as 2021-001.

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

See Corrective Action Plan.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF WAHPETON

Management's Corrective Action Plan
For the Year Ended December 31, 2022

CITY OF WAHPETON ADMINISTRATION

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



Date: May 10, 2024
To: Joshua C. Gallion, ND State Auditor
From: Darcie Huwe, City Auditor
RE: City of Wahpeton – FY2022 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Darcie Huwe, City Auditor

Section I – Financial Statement Findings:

2022-001 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition:

Auditor-identified adjusting entries related to payables, special assessment receivables, and capital assets were proposed to properly reflect the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements reflect the adjustments and were approved by management.

Corrective Action Plan:

Agree. We will review the adjustments needed for presentation in the financial statements.

Anticipated Completion Date:

FY2023

Sincerely,

A handwritten signature in blue ink that reads "Darcie E. Huwe".

Darcie Huwe
Finance Director/Auditor

CITY OF WAHPETON

Status of Prior Year Recommendations
For the Year Ended December 31, 2022

CITY OF WAHPETON ADMINISTRATION

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



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.

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.

Current Status of Recommendation:

Partially Implemented - We have implemented a review of the financial statements to ensure its accuracy in accordance with Uniform Guidance and GAAP respectively.

Sincerely,

A handwritten signature in blue ink that reads "Darcie E. Huwe".

Darcie Huwe
Finance Director/Auditor

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

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

ndsao@nd.gov

GOVERNANCE COMMUNICATION

May 17, 2024

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally 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 March 21, 2023. 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 2022. 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 of capital assets in determining that it 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 schedule below lists all misstatements detected as a result of audit procedures that were corrected by management.

Corrected Misstatements	Audit Adjustments	
	Debit	Credit
Governmental Activities		
Debt Service Fund		
<u>To record adjustment for Certified Special Assessment Receivable</u>		
Special Assessments Receivable	890,675	-
Deferred Inflows - Special Assessments Receivable	-	890,675
Capital Projects Fund		
<u>To Adjust Retainage Payable for City Share</u>		
Retainage Payable	33,421	-
Expenditures	-	33,421
<u>To record Prior Period Adjustment for Retainage Payable</u>		
Expenditures	41,750	-
Fund Balance	-	41,750
<u>To Accrue Accounts Payable</u>		
Expenditures	111,862	-
Accounts Payable	-	111,862
Enterprise Funds		
Water Fund		
<u>To remove Capital Asset Transfers</u>		
Net Position - Water Fund	472,663	-
Capital Assets	-	472,663
Sewer Fund		
<u>To remove Capital Asset Transfers</u>		
Net Position - Sewer Fund	356,160	-
Capital Assets	-	356,160
Government Wide		
<u>To record Prior Period Adjustment for Capital Assets</u>		
Capital Assets, Net	112,147	-
Net Position	-	112,147
<u>To record Prior Period Adjustment for Special Assessment Receivable</u>		
Net Position	754,635	-
Revenue	-	754,635
<u>To record change in Certified Special Assessment Receivable</u>		
Special Assessments Receivable	136,040	-
Net Position	-	136,040
<u>To record Capital Contribution and Adjustment for Capital Assets</u>		
Capital Assets, Net - Capital Contribution	1,636,853	-
Capital Assets, Net	872,935	-
Capital Assets, Water Fund Transfer	472,663	-
Capital Assets, Sewer Fund Transfer	356,160	-
Expenditures	-	872,935
Net Position	-	2,465,676

CITY OF WAHPETON

Governance Communication – Continued

The below schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's 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 judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

Passed Misstatements**Governmental Activities**

	<u>Debit</u>	<u>Credit</u>
General Fund		
<u>To record Salaries and Benefits Payable</u>		
Expenditures	43,880	-
Salaries Payable	-	43,880
<u>To record unrealized loss on investments</u>		
Fund Balance - General Fund	31,820	-
Cash and Investments	-	31,820
Enterprise Funds		
Water Fund		
<u>To record Salaries and Benefits Payable</u>		
Expenditures	9,576	-
Salaries Payable	-	9,576
Sewer Fund		
<u>To record Salaries and Benefits Payable</u>		
Expenditures	5,683	-
Salaries Payable	-	5,683
Non Major Enterprise Funds		
<u>To record Salaries and Benefits Payable</u>		
Expenditures	8,392	-
Salaries Payable	-	8,392

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 May 17, 2024.

Management Consultations with Other Independent Accountants

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

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 district’s share of net pension liability and district contributions, schedule of district’s share of net OPEB liability and district 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.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of City of Wahpeton board members 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 City of Wahpeton.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
May 17, 2024



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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