

CITY OF WAHPETON

**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

WITH INDEPENDENT AUDITOR'S REPORT

CITY OF WAHPETON
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FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

City Commission
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, business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton** (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton**, as of December 31, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **City of Wahpeton's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **City of Wahpeton's** ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Budgetary Comparison Schedule – Special Revenue Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Pension Contributions, Schedule of Share of Net OPEB Liability, Schedule of Employer's OPEB Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, on our consideration of the **City of Wahpeton's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City'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.

A handwritten signature in black ink, appearing to read "Widmer Poel" followed by a stylized flourish or initial.

Fargo, North Dakota
May 27, 2025

CITY OF WAHPETON
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 14,734,895	\$ 2,769,671	\$ 17,504,566
Due from other government	326,848	-	326,848
Utility billings receivable	-	376,077	376,077
Accounts receivable	85,163	546	85,709
Taxes receivable	66,695	-	66,695
Special assessment receivable	12,471,484	-	12,471,484
Loans receivable	2,114,793	-	2,114,793
Capital assets, not being depreciated			
Land	4,168,611	-	4,168,611
Intangible assets	805,180	-	805,180
Construction in progress	15,045,375	-	15,045,375
Capital assets, net of accumulated depreciation			
Buildings	3,180,966	2,154,670	5,335,636
Equipment	2,520,392	767,243	3,287,635
Vehicles	318,925	-	318,925
Infrastructure	<u>43,436,621</u>	<u>14,209,609</u>	<u>57,646,230</u>
Total assets	<u>99,275,948</u>	<u>20,277,816</u>	<u>119,553,764</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from pensions	2,307,800	765,169	3,072,969
Derived from OPEB	<u>80,314</u>	<u>35,082</u>	<u>115,396</u>
Total deferred outflows of resources	<u>2,388,114</u>	<u>800,251</u>	<u>3,188,365</u>
Total assets and deferred outflows of resources	<u>\$ 101,664,062</u>	<u>\$ 21,078,067</u>	<u>\$ 122,742,129</u>

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 537,146	\$ 79,073	\$ 616,219
Accrued expenses	184,274	19,938	204,212
Interest payable	224,234	-	224,234
Retainage payable	353,565	-	353,565
Non current liabilities			
Due within one year			
Compensated absences	18,107	6,890	24,997
Special assessment bonds payable	1,387,266	-	1,387,266
Notes payable	78,843	-	78,843
Leases payable	32,557	-	32,557
Due in more than one year			
Compensated absences	162,965	62,004	224,969
Special assessment bonds payable	18,799,553	-	18,799,553
Notes payable	408,198	-	408,198
Leases payable	133,017	-	133,017
Net pension liability	3,434,892	1,138,866	4,573,758
Net OPEB liability	192,634	63,870	256,504
Total liabilities	25,947,251	1,370,641	27,317,892
Derived from pensions	2,670,861	885,546	3,556,407
Derived from OPEB	21,893	7,259	29,152
Total deferred inflows of resources	2,692,754	892,805	3,585,559
NET POSITION			
Net investment in fixed assets	48,636,636	17,131,522	65,768,158
Restricted			
Debt service	4,143,401	-	4,143,401
Capital projects	1,529,772	-	1,529,772
Economic development	3,662,618	-	3,662,618
Public works	1,140,681	-	1,140,681
Culture and recreation	714,711	-	714,711
Public safety	652,522	-	652,522
General government	177,980	-	177,980
Unrestricted	12,365,736	1,683,099	14,048,835
Total net position	73,024,057	18,814,621	91,838,678
Total liabilities, deferred inflows of resources and net position	\$ 101,664,062	\$ 21,078,067	\$ 122,742,129

CITY OF WAHPETON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 993,527	\$ 252,651	\$ 124	\$ 177,786	\$ (562,966)	\$ -	\$ (562,966)
Public safety	3,026,355	4,064	138,369	-	(2,883,922)	-	(2,883,922)
Public works	3,274,130	502,116	2,176,799	9,323,465	8,728,250	-	8,728,250
Culture and recreation	581,884	71,524	55,636	-	(454,724)	-	(454,724)
Economic development	676,180	301	28,060	-	(647,819)	-	(647,819)
Other	239,516	-	-	-	(239,516)	-	(239,516)
Interest and other	528,358	-	-	-	(528,358)	-	(528,358)
Total governmental activities	<u>9,319,950</u>	<u>830,656</u>	<u>2,398,988</u>	<u>9,501,251</u>	<u>3,410,945</u>	<u>-</u>	<u>3,410,945</u>
BUSINESS-TYPE ACTIVITIES							
Water operations	1,656,192	1,843,901	-	-	-	187,709	187,709
Sewer operations	1,124,213	1,484,386	-	-	-	360,173	360,173
Nonmajor enterprise	845,168	915,288	-	-	-	70,120	70,120
Total business-type activities	<u>3,625,573</u>	<u>4,243,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,002</u>	<u>618,002</u>
Total primary government	<u>\$ 12,945,523</u>	<u>\$ 5,074,231</u>	<u>\$ 2,398,988</u>	<u>\$ 9,501,251</u>	<u>3,410,945</u>	<u>618,002</u>	<u>4,028,947</u>
GENERAL REVENUES							
Taxes							
Property taxes					2,194,060	-	2,194,060
Sales taxes					3,324,256	-	3,324,256
Unrestricted grants and contributions					846,247	-	846,247
Capital asset transfers					(6,269,867)	6,269,867	-
Transfers					917,743	(917,743)	-
Investment income and other revenue					530,423	-	530,423
Miscellaneous revenues					187,185	40,697	227,882
Loss on disposal of capital assets					(9,469)	-	(9,469)
Total general revenues					<u>1,720,578</u>	<u>5,392,821</u>	<u>7,113,399</u>
Change in net position					<u>5,131,523</u>	<u>6,010,823</u>	<u>11,142,346</u>
Net position - January 1					<u>67,892,534</u>	<u>12,803,798</u>	<u>80,696,332</u>
Net position - December 31					<u>\$ 73,024,057</u>	<u>\$ 18,814,621</u>	<u>\$ 91,838,678</u>

See Notes to Financial Statements

CITY OF WAHPETON
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 2,452,609	\$ 7,407,031	\$ 4,144,301	\$ 730,954	\$ 14,734,895
Due from other government	96,644	95,924	-	134,280	326,848
Accounts receivable	17,163	68,000	-	-	85,163
Taxes receivable	15,452	3,491	47,752	-	66,695
Special assessment receivable	-	-	12,471,484	-	12,471,484
Loans receivable	-	1,530,021	-	584,772	2,114,793
	<u>-</u>	<u>1,530,021</u>	<u>-</u>	<u>584,772</u>	<u>2,114,793</u>
Total assets	\$ <u>2,581,868</u>	\$ <u>9,104,467</u>	\$ <u>16,663,537</u>	\$ <u>1,450,006</u>	\$ <u>29,799,878</u>
LIABILITIES					
Accounts payable	\$ 13,305	\$ 28,907	\$ 900	\$ 494,034	\$ 537,146
Accrued expenses	149,311	34,963	-	-	184,274
	<u>162,616</u>	<u>63,870</u>	<u>900</u>	<u>494,034</u>	<u>721,420</u>
Total liabilities	<u>162,616</u>	<u>63,870</u>	<u>900</u>	<u>494,034</u>	<u>721,420</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes receivable	15,452	3,491	47,752	-	66,695
Unavailable revenue - special assessment receivable	-	-	12,471,484	-	12,471,484
	<u>15,452</u>	<u>3,491</u>	<u>12,519,236</u>	<u>-</u>	<u>12,538,179</u>
Total deferred inflows of resources	<u>15,452</u>	<u>3,491</u>	<u>12,519,236</u>	<u>-</u>	<u>12,538,179</u>
FUND BALANCES					
Nonspendable	-	1,530,022	-	584,772	2,114,794
Restricted for					
Debt service	-	-	4,143,401	-	4,143,401
Capital projects	-	1,158,572	-	371,200	1,529,772
Economic development	-	3,662,618	-	-	3,662,618
Public works	-	1,140,681	-	-	1,140,681
Culture and recreation	-	714,711	-	-	714,711
Public safety	-	652,522	-	-	652,522
General government	-	177,980	-	-	177,980
Unassigned	2,403,800	-	-	-	2,403,800
	<u>2,403,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403,800</u>
Total fund balances	<u>2,403,800</u>	<u>9,037,106</u>	<u>4,143,401</u>	<u>955,972</u>	<u>16,540,279</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>2,581,868</u>	\$ <u>9,104,467</u>	\$ <u>16,663,537</u>	\$ <u>1,450,006</u>	\$ <u>29,799,878</u>

CITY OF WAHPETON
RECONCILIATION OF GOVERNMENTAL FUNDS –
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total fund balances for governmental funds \$ 16,540,279

Total net position reported for government 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

Cost of capital assets	94,731,833	
Less accumulated depreciation	<u>(25,255,763)</u>	69,476,070
Net capital assets		

Property taxes and special assessments will be collected after year-end, but not available soon enough to pay for the current period's expenditures and are reported as deferred inflows in the funds. Uncertified special assessments are reported on the statement of net position.

12,538,179

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

Deferred outflows		2,388,114
Deferred inflows		<u>(2,692,754)</u>

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. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31, 2023 are:

Interest payable	(224,234)	
Compensated absences	(181,072)	
Retainage payable	(353,565)	
Special assessment bonds payable	(20,186,819)	
Notes payable	(487,041)	
Leases payable	(165,574)	
Net pension liability	(3,434,892)	
Total OPEB liability	<u>(192,634)</u>	<u>(25,225,831)</u>
Total long-term liabilities		

Total net position of governmental activities \$ 73,024,057

CITY OF WAHPETON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Government Funds
REVENUES					
Property taxes	\$ 1,437,704	\$ 749,641	\$ 7,117	\$ -	\$ 2,194,462
Sales taxes	-	1,162,713	-	2,159,323	3,322,036
Special assessment taxes	-	-	1,401,877	-	1,401,877
Licenses, permits and fees	526,781	-	-	-	526,781
Intergovernmental revenues	1,333,902	511,633	-	1,405,156	3,250,691
Charges for services	79,548	151,313	-	35,680	266,541
Fines and forfeits	123,682	5,110	-	-	128,792
Interest income	517,142	5,670	-	7,609	530,421
Miscellaneous revenue	8,542	44,727	39,229	-	92,498
	<u>4,027,301</u>	<u>2,630,807</u>	<u>1,448,223</u>	<u>3,607,768</u>	<u>11,714,099</u>
EXPENDITURES					
Current					
General government	796,932	363	-	1,331	798,626
Public safety	2,532,028	221,287	-	-	2,753,315
Public works	754,009	1,712,348	-	60,025	2,526,382
Culture and recreation	202,379	367,646	-	-	570,025
Economic development	-	668,793	-	-	668,793
Other	-	207,997	58,920	-	266,917
Debt service					
Principal	-	87,646	1,410,223	-	1,497,869
Interest and fees	-	9,675	518,683	-	528,358
Capital outlay	-	-	-	9,123,567	9,123,567
	<u>4,285,348</u>	<u>3,275,755</u>	<u>1,987,826</u>	<u>9,184,923</u>	<u>18,733,852</u>
Excess (deficiency) of revenues over expenditures	<u>(258,047)</u>	<u>(644,948)</u>	<u>(539,603)</u>	<u>(5,577,155)</u>	<u>(7,019,753)</u>
Other financing sources and uses					
Transfers in	793,669	1,613,057	1,032,743	5,529,786	8,969,255
Debt proceeds	-	257,450	58,620	5,030,057	5,346,127
Transfers out	(426,745)	(442,943)	(15,000)	(7,166,824)	(8,051,512)
	<u>366,924</u>	<u>1,427,564</u>	<u>1,076,363</u>	<u>3,393,019</u>	<u>6,263,870</u>
Total other financing sources and uses	<u>366,924</u>	<u>1,427,564</u>	<u>1,076,363</u>	<u>3,393,019</u>	<u>6,263,870</u>
Net change in fund balances	<u>108,877</u>	<u>782,616</u>	<u>536,760</u>	<u>(2,184,136)</u>	<u>(755,883)</u>
FUND BALANCES - January 1	<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>
FUND BALANCES - December 31	<u>\$ 2,403,800</u>	<u>\$ 9,037,106</u>	<u>\$ 4,143,401</u>	<u>\$ 955,972</u>	<u>\$ 16,540,279</u>

CITY OF WAHPETON

RECONCILIATION OF THE GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

Net change in fund balances - total governmental funds \$ (755,883)

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. This is the amount by which capital outlays exceeded depreciation in the current year.

Loss on disposal	(9,469)	
Transfers to enterprise funds	(6,269,867)	
Capital outlay	15,816,341	
Depreciation expense	<u>(2,216,010)</u>	7,320,995

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 interest payable	(65,923)	
Net change in compensated absences	(25,362)	
Net change in retainage payable	(353,565)	
Net change in net pension liability	1,563,219	
Net change in total OPEB liability	<u>16,106</u>	1,134,475

Changes to pension and OPEB related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net change in deferred outflows	(1,066,657)	
Net change in deferred inflows	<u>(662,789)</u>	(1,729,446)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

1,497,868

Government funds report liability from debt proceeds as debt proceeds and repayments on principal as expenditures. Issuances and repayment of long term debt are increases or decreases in liabilities on the statement of net position.

(5,346,127)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes and special assessments receivable.

3,009,641

Change in net position of governmental activities \$ 5,131,523

CITY OF WAHPETON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business Type Activities - Enterprise Funds			
	Water Operating	Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current assets				
Cash	\$ 1,164,705	\$ 1,151,714	\$ 453,252	\$ 2,769,671
Utility billings receivable	154,296	133,639	88,142	376,077
Accounts receivable	546	-	-	546
Total current assets	<u>1,319,547</u>	<u>1,285,353</u>	<u>541,394</u>	<u>3,146,294</u>
Noncurrent assets				
Capital assets (net of accumulated depreciation)				
Buildings	2,096,848	57,822	-	2,154,670
Equipment	475,845	291,398	-	767,243
Infrastructure	<u>4,765,539</u>	<u>9,444,070</u>	<u>-</u>	<u>14,209,609</u>
Total noncurrent assets	<u>7,338,232</u>	<u>9,793,290</u>	<u>-</u>	<u>17,131,522</u>
Total assets	<u>8,657,779</u>	<u>11,078,643</u>	<u>541,394</u>	<u>20,277,816</u>
DEFERRED OUTFLOWS OF RESOURCES				
Derived from pensions	457,872	279,640	27,657	765,169
Derived from OPEB	<u>20,993</u>	<u>12,821</u>	<u>1,268</u>	<u>35,082</u>
Total deferred outflows of resources	<u>478,865</u>	<u>292,461</u>	<u>28,925</u>	<u>800,251</u>
Total assets and deferred outflows	<u>\$ 9,136,644</u>	<u>\$ 11,371,104</u>	<u>\$ 570,319</u>	<u>\$ 21,078,067</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 5,003	\$ 24,039	\$ 50,031	\$ 79,073
Accrued expenses	11,760	7,367	811	19,938
Compensated absences	<u>4,397</u>	<u>2,215</u>	<u>278</u>	<u>6,890</u>
Total current liabilities	<u>21,160</u>	<u>33,621</u>	<u>51,120</u>	<u>105,901</u>
Noncurrent liabilities				
Compensated absences	39,568	19,932	2,504	62,004
Net pension liability	681,490	416,212	41,164	1,138,866
Net OPEB liability	<u>38,219</u>	<u>23,342</u>	<u>2,309</u>	<u>63,870</u>
Total noncurrent liabilities	<u>759,277</u>	<u>459,486</u>	<u>45,977</u>	<u>1,264,740</u>
Total liabilities	<u>780,437</u>	<u>493,107</u>	<u>97,097</u>	<u>1,370,641</u>
DEFERRED INFLOWS OF RESOURCES				
Derived from pensions	529,905	323,633	32,008	885,546
Derived from OPEB	<u>4,344</u>	<u>2,653</u>	<u>262</u>	<u>7,259</u>
Total deferred inflows of resources	<u>534,249</u>	<u>326,286</u>	<u>32,270</u>	<u>892,805</u>
NET POSITION				
Net investment in capital assets	7,338,232	9,793,290	-	17,131,522
Unrestricted	<u>483,726</u>	<u>758,421</u>	<u>440,952</u>	<u>1,683,099</u>
Total net position	<u>7,821,958</u>	<u>10,551,711</u>	<u>440,952</u>	<u>18,814,621</u>
Total liabilities, deferred inflows, and net position	<u>\$ 9,136,644</u>	<u>\$ 11,371,104</u>	<u>\$ 570,319</u>	<u>\$ 21,078,067</u>

CITY OF WAHPETON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business Type Activities - Enterprise Funds			
	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,843,901	\$ 1,484,386	\$ 915,288	\$ 4,243,575
OPERATING EXPENSES				
Payroll expenses	690,000	452,579	51,609	1,194,188
Repairs and maintenance	106,019	145,726	178,577	430,322
Utilities	63,091	71,717	152,055	286,863
Office expenses	19,526	17,505	412	37,443
Waste removal	-	-	385,807	385,807
Chemicals	217,980	85,534	17,300	320,814
Storm water maintenance and management	-	-	20,784	20,784
Equipment	139,130	-	661	139,791
Service contract	10,802	-	23,189	33,991
Water meters	27,402	12,862	-	40,264
Insurance	26,823	6,817	-	33,640
Miscellaneous	61,510	29,425	10,686	101,621
Professional fees	5,672	2,553	4,088	12,313
Depreciation	286,872	299,224	-	586,096
Total operating expenses	1,654,827	1,123,942	845,168	3,623,937
Operating income (loss)	189,074	360,444	70,120	619,638
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous revenue	27,150	6,962	6,585	40,697
Interest expense and service charges	(1,365)	(271)	-	(1,636)
Total nonoperating revenues (expenses)	25,785	6,691	6,585	39,061
Net income (loss) before transfers	214,859	367,135	76,705	658,699
Capital asset transfers	1,920,314	4,349,553	-	6,269,867
Transfers out	(322,253)	(522,743)	(72,747)	(917,743)
Change in net position	1,812,920	4,193,945	3,958	6,010,823
Net position - January 1	6,009,038	6,357,766	436,994	12,803,798
Net position - December 31	\$ 7,821,958	\$ 10,551,711	\$ 440,952	\$ 18,814,621

CITY OF WAHPETON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business Type Activities - Enterprise Funds			
	Water Operating	Sewer Operating	Other Enterprise Funds	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 1,808,204	\$ 1,454,900	\$ 903,307	\$ 4,166,411
Cash paid to suppliers	(634,410)	(309,227)	(802,402)	(1,746,039)
Cash paid to employees	(674,777)	(442,761)	(50,348)	(1,167,886)
Net cash provided by operating activities	<u>499,017</u>	<u>702,912</u>	<u>50,557</u>	<u>1,252,486</u>
Cash flows from noncapital financing activities				
Transfers to other funds	(322,253)	(522,743)	(72,747)	(917,743)
Net cash (used) by noncapital financing activities	<u>(322,253)</u>	<u>(522,743)</u>	<u>(72,747)</u>	<u>(917,743)</u>
Cash flows from capital and related financing activities				
Principal payments on notes payable	(126,000)	(25,000)	-	(151,000)
Interest payments	(3,465)	(688)	-	(4,153)
Purchase of capital assets	(35,245)	-	-	(35,245)
Miscellaneous revenue	27,150	6,962	6,585	40,697
Net cash provided (used) by capital and related financing activities	<u>(137,560)</u>	<u>(18,726)</u>	<u>6,585</u>	<u>(149,701)</u>
Net change in cash and cash equivalents	<u>39,204</u>	<u>161,443</u>	<u>(15,605)</u>	<u>185,042</u>
Cash and cash equivalents				
Cash - January 1	<u>1,125,501</u>	<u>990,271</u>	<u>468,857</u>	<u>2,584,629</u>
Cash and cash equivalents				
Cash -December 31	<u>\$ 1,164,705</u>	<u>\$ 1,151,714</u>	<u>\$ 453,252</u>	<u>\$ 2,769,671</u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating income	\$ 189,074	\$ 360,444	\$ 70,120	\$ 619,638
Adjustment to reconcile operating loss to net cash provided by operating activities				
Depreciation expense	286,872	299,224	-	586,096
Change in assets and liabilities				
Receivables	(35,697)	(29,486)	(11,981)	(77,164)
Accounts payable	(3,051)	17,892	(13,896)	945
Accrued expenses	11,760	7,367	811	19,938
Compensated absences payable	3,463	2,451	450	6,364
Pension and OPEB liabilities, inflows and outflows	<u>46,596</u>	<u>45,020</u>	<u>5,053</u>	<u>96,669</u>
Net cash provided by operating activities	<u>\$ 499,017</u>	<u>\$ 702,912</u>	<u>\$ 50,557</u>	<u>\$ 1,252,486</u>

CITY OF WAHPETON
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ <u><u>15,111</u></u>
LIABILITIES	
Due to other parties	\$ <u><u>12,007</u></u>
NET POSITION	
Net position	\$ <u><u>3,104</u></u>

CITY OF WAHPETON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Custodial Funds</u>
Additions	
Tax collections for other governments	\$ <u>110,249</u>
Total additions (deductions)	<u>110,249</u>
Deductions	
Tax disbursements to other governments	<u>110,249</u>
Total deductions	<u>110,249</u>
Change in net position	<u>-</u>
Net position - January 1	<u>3,104</u>
Net position - December 31	\$ <u><u>3,104</u></u>

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wahpeton (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government 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.

Financial Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board 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 imposed specific financial burdens on the City.

Based on these criteria, there are no component units discussed below that are included within the City's reporting entity.

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government, except for financial 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 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, 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*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

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

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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

Capital Projects Fund: This fund accounts for the costs of paying for the City's construction projects. The major sources of revenue 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 held by the City in a custodial capacity as an agent on behalf of others.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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. Exchange transactions include primarily fees for water, sewer, and garbage services. Revenues primarily are recognized when services are rendered.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted components of net position available to finance the problem. 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.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, and money market accounts and with an original maturity of three months or less.

The investments of the City during the year ended December 31, 2023, consisted of municipal bonds, and certificates of deposit stated at fair value.

Accounts Receivable

Accounts receivable consist of amounts on open accounts from individuals for goods and services furnished by the City. Management has determined all accounts receivable are collectable as of December 31, 2023 and accordingly, no allowance for uncollectable accounts has been recorded.

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Building	50 years
Equipment	15 years
Vehicles	5 years
Office Equipment	3 years
Infrastructure	15-50 years

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 parttime 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position and proprietary fund financial statements, respectively.

In the governmental fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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”); 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 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Non-spendable – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, contributors, or law or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a board motion of the City commission through the adoption of a resolution. The City commission also may modify or rescind the commitment with a board motion.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has not spent) for acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

Interfund Transactions

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

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reporting amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, results could differ from those estimates.

NOTE 2 – DEPOSITS

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

Deposits must either be deposited with the Bank of North Dakota or in another 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 of 110% of the deposits not covered by insurance or bonds.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 other securities approved by the banking board.

At year ended December 31, 2023, the City's carrying amount of deposits was \$6,852,491 and the bank balances were \$8,101,810. Of the bank balance, \$4,621,292 was covered by Federal Depository Insurance. The remaining balance of \$3,480,518 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

The City does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

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

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

At December 31, 2023 the City did not hold certificates of deposit.

Concentration of Credit Risk

The City does not have a policy limiting the amount the City may invest in any one issuer.

The City invests in fixed income investments which included fixed income securities as part of its portfolios. The average maturities of the fixed income holdings of the investments are as follows:

Maturity	
Less than 1 year	\$ 8,142,539
1-5 years	2,169,543
5-10 years	402,617
>10 years	<u>7,522</u>
Market Value	\$ <u><u>10,722,221</u></u>

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 3 – FAIR VALUE OF INVESTMENTS

The three levels of the fair value hierarchy in accordance with Fair Value Measurements are described below:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in the active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Mutual Funds – Valued at the NAV of interest held by the Plan at year-end. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient would not be used if it is determined to be probable that the account will sell the investment for an amount different than the reported NAV.

Corporate and Government Bonds – Valued at the most recent traded prices reported on the active market on which the individual securities are traded. When the held asset is infrequently traded, valuations are based on various market and industry inputs including a combination of the relative changes in market interest rates, changes in the credit quality of bonds, and the relative supply of and demand for bonds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the City's investments measured at fair value at December 31, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Mutual Funds	\$ 7,434,071	\$ 7,434,071	\$ -	\$ -
Corporate and Government Bonds	<u>3,288,150</u>	<u>-</u>	<u>3,288,150</u>	<u>-</u>
Total assets in the fair value hierarchy	\$ <u>10,722,221</u>	\$ <u>7,434,071</u>	\$ <u>3,288,150</u>	\$ <u>-</u>

NOTE 4 – TAXES AND SPECIAL ASSESSMENTS RECEIVABLE

Taxes and special assessments receivable represent the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes and special assessments receivable.

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

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and 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 5.0% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent, and penalties are assessed.

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

NOTE 5 – 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, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
PACE loans	\$ 389,638	\$ 373,087	\$ 60,500	\$ 702,225
RLF & FLEX loans	<u>1,124,015</u>	<u>668,431</u>	<u>379,878</u>	<u>1,412,568</u>
Total	<u>\$ 1,513,653</u>	<u>\$ 1,041,518</u>	<u>\$ 440,378</u>	<u>\$ 2,114,793</u>

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers to Business Type</u>	<u>Ending Balance</u>
Capital assets not being depreciated						
Land	\$ 4,168,611	\$ -	\$ -	\$ -	\$ -	\$ 4,168,611
Intangible assets	805,180	-	-	-	-	805,180
Construction in progress	<u>14,802,689</u>	<u>14,566,179</u>	<u>-</u>	<u>(8,053,626)</u>	<u>(6,269,867)</u>	<u>15,045,375</u>
Total capital assets not being depreciated	<u>19,776,480</u>	<u>14,566,179</u>	<u>-</u>	<u>(8,053,626)</u>	<u>(6,269,867)</u>	<u>20,019,166</u>
Capital assets, being depreciated						
Buildings	5,652,147	19,546	-	-	-	5,671,693
Equipment	6,203,358	961,908	(231,603)	-	-	6,933,663
Vehicles	632,222	268,708	(85,439)	-	-	815,491
Infrastructure	<u>53,238,194</u>	<u>-</u>	<u>-</u>	<u>8,053,626</u>	<u>-</u>	<u>61,291,820</u>
Total capital assets, being depreciated	<u>65,725,921</u>	<u>1,250,162</u>	<u>(317,042)</u>	<u>8,053,626</u>	<u>-</u>	<u>74,712,667</u>
Less accumulated depreciation for						
Buildings	2,388,799	101,928	-	-	-	2,490,727
Equipment	4,353,650	281,754	(222,133)	-	-	4,413,271
Vehicles	484,738	97,267	(85,439)	-	-	496,566
Infrastructure	<u>16,120,138</u>	<u>1,735,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,855,199</u>
Total accumulated depreciation	<u>23,347,325</u>	<u>2,216,010</u>	<u>(307,572)</u>	<u>-</u>	<u>-</u>	<u>25,255,763</u>

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CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers to Business Type</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	42,378,596	(965,848)	(9,470)	8,053,626	-	49,456,904
Governmental activities capital assets, net	<u>\$ 62,155,076</u>	<u>\$ 13,600,331</u>	<u>\$ (9,470)</u>	<u>\$ -</u>	<u>\$ (6,269,867)</u>	<u>\$ 69,476,070</u>

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

General government	\$ 105,013
Public safety	208,854
Public works	1,883,926
Culture and recreation	<u>18,217</u>
Total depreciation expense - governmental activities	<u>\$ 2,216,010</u>

Business-type Activities

Water Fund

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, being depreciated						
Buildings	\$ 3,589,266	\$ -	\$ -	\$ -	\$ -	\$ 3,589,266
Equipment	2,089,856	17,144	-	-	-	2,107,000
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	<u>4,528,235</u>	<u>18,100</u>	<u>-</u>	<u>-</u>	<u>1,920,314</u>	<u>6,466,649</u>
Total capital assets, being depreciated	<u>10,263,257</u>	<u>35,244</u>	<u>-</u>	<u>-</u>	<u>1,920,314</u>	<u>12,218,815</u>
Less accumulated depreciation for						
Buildings	1,425,272	67,146	-	-	-	1,492,418
Equipment	1,579,844	51,309	-	-	-	1,631,153
Vehicles	55,902	-	-	-	-	55,902
Infrastructure	<u>1,532,693</u>	<u>168,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,110</u>
Total accumulated depreciation	<u>4,593,711</u>	<u>286,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,880,583</u>
Business-type activities - capital assets, net	<u>\$ 5,669,546</u>	<u>\$ (251,628)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,920,314</u>	<u>\$ 7,338,232</u>

Depreciation expense was charged to the Water Function.

Sewer Fund

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, being depreciated						
Buildings	\$ 82,942	\$ -	\$ -	\$ -	\$ -	\$ 82,942
Equipment	2,909,833	-	-	-	-	2,909,833
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	<u>7,713,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349,553</u>	<u>12,062,998</u>
Total capital assets, being depreciated	<u>10,754,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349,553</u>	<u>15,103,572</u>

(Continued)

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Less accumulated depreciation for						
Buildings	23,461	1,659	-	-	-	25,120
Equipment	2,593,482	24,953	-	-	-	2,618,435
Vehicles	47,799	-	-	-	-	47,799
Infrastructure	2,346,316	272,612	-	-	-	2,618,928
Total accumulated depreciation	5,011,058	299,224	-	-	-	5,310,282
Business-type activities - capital assets, net	\$ 5,742,961	\$ (299,224)	\$ -	\$ -	\$ 4,349,553	\$ 9,793,290

Depreciation expense was charged to the Sewer Function.

NOTE 7 – LONG-TERM DEBT

Government Activities

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the long-term liabilities for governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Special assessment bonds	\$ 16,534,293	\$ 5,030,057	\$ 1,377,531	\$ 20,186,819	\$ 1,387,266
Notes payable	317,237	257,450	87,646	487,041	78,843
Loans payable	139,645	58,620	32,691	165,574	32,557
Compensated absences*	155,710	25,362	-	181,072	18,107
Net pension and OPEB liability*	5,206,851	-	1,579,325	3,627,526	-
Total	\$ 22,353,736	\$ 5,371,489	\$ 3,077,193	\$ 24,648,032	\$ 1,516,773

*The change in compensated absences and net pension and OPEB liability is shown as a net change.

The following represent the required payments on the long-term debt:

Special Assessment Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,387,266	\$ 473,778	\$ 1,861,044
2025	1,394,413	441,729	1,836,142
2026	1,046,346	413,399	1,459,745
2027	923,319	391,707	1,315,026
2028	935,331	370,387	1,305,718
2029-2033	4,299,039	1,522,392	5,821,431
2034-2038	3,451,547	1,090,953	4,542,500
2039-2043	3,842,638	660,210	4,502,848
2044-2048	2,906,920	177,158	3,084,078
	\$ 20,186,819	\$ 5,541,713	\$ 25,728,532

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CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Notes Payable

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 78,843	\$ 18,478	\$ 97,321
2025	82,090	15,231	97,321
2026	85,477	11,843	97,320
2027	89,011	8,310	97,321
2028	36,215	4,624	40,839
2029-2033	<u>115,405</u>	<u>7,110</u>	<u>122,515</u>
	<u>\$ 487,041</u>	<u>\$ 65,596</u>	<u>\$ 552,637</u>

Loans Payable

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 32,557	\$ 6,371	\$ 38,928
2025	108,516	5,613	114,129
2026	11,888	1,330	13,218
2027	<u>12,613</u>	<u>604</u>	<u>13,217</u>
	<u>\$ 165,574</u>	<u>\$ 13,918</u>	<u>\$ 179,492</u>

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the long-term liabilities for business-type activities:

Water Fund

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 126,000	\$ -	\$ 126,000	\$ -	\$ -
Compensated absences*	40,502	3,463	-	43,965	4,397
Net pension and OPEB liability*	<u>1,002,944</u>	<u>-</u>	<u>283,235</u>	<u>719,709</u>	<u>-</u>
Total	<u>\$ 1,169,446</u>	<u>\$ 3,463</u>	<u>\$ 409,235</u>	<u>\$ 763,674</u>	<u>\$ 4,397</u>

*The change in compensated absences and net pension and OPEB liability is shown as a net change.

Sewer Fund

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Compensated absences*	19,696	2,451	-	22,147	2,215
Net pension and OPEB liability*	<u>589,733</u>	<u>-</u>	<u>150,179</u>	<u>439,554</u>	<u>-</u>
Total	<u>\$ 634,429</u>	<u>\$ 2,451</u>	<u>\$ 175,179</u>	<u>\$ 461,701</u>	<u>\$ 2,215</u>

*The change in compensated absences and net pension and OPEB liability is shown as a net change.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Nonmajor Enterprise Funds

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences*	\$ 2,332	\$ 450	\$ -	\$ 2,782	\$ 278
Net pension and OPEB liability*	<u>57,500</u>	<u>-</u>	<u>14,027</u>	<u>43,473</u>	<u>-</u>
Total	<u>\$ 59,832</u>	<u>\$ 450</u>	<u>\$ 14,027</u>	<u>\$ 46,255</u>	<u>\$ 278</u>

*The change in compensated absences and net pension and OPEB liability is shown as a net change.

NOTE 8 – TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2023:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 793,669	\$ 426,745
Special revenue fund	1,613,057	442,943
Debt service fund	1,032,743	15,000
Capital projects fund	5,529,786	7,166,824
Water fund	-	322,253
Sewer fund	-	522,743
Nonmajor enterprise funds	<u>-</u>	<u>72,747</u>
Total	<u>\$ 8,969,255</u>	<u>\$ 8,969,255</u>

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 9 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability and automobiles; and \$4,756,730 for public assets.

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.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The City has worker's compensation with the Department of Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 – 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 North Dakota Century Code ("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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 to be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.0% 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 2.0% 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.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 percentage of salaries and wages. Member contribution rates are 7.0% and employer contribution rates are 7.12% of compensation covered. For members hired on or after January 1, 2020, member contribution rates are 7.0% and employer contribution rates are 8.26% of compensation covered.

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

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

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

At December 31, 2023, the City reported a liability of \$4,573,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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 participation Main System employers. At June 30, 2023, the City's proportion was 0.237197 percent, which was an increase of 0.008656 from its proportion measured as of June 30, 2022.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

For the year ended December 31, 2023, the City recognized pension expense of \$414,875. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 148,891	\$ 25,224
Changes of assumptions	2,522,023	3,471,597
Net difference between projected and actual earnings on pension plan investments	120,007	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	167,330	59,586
Employer contributions subsequent to measurement date	<u>114,719</u>	<u>-</u>
	\$ <u><u>3,072,970</u></u>	\$ <u><u>3,556,407</u></u>

\$114,719 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, 2024.

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

Year Ended June 30:

2024	\$ 47,516
2025	(502,110)
2026	102,776
2027	(249,338)
2028	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2023, 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	6.50%, net of investment expenses
Cost-of-living adjustments	None

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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.

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 weighing 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	31.00%	6.25%
International equity	20.00%	6.95%
Private equity	7.00%	9.45%
Domestic fixed income	23.00%	2.51%
Global real assets	19.00%	4.33%

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 3.86%; and the resulting Single Discount Rate is 6.50%.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of net pension liability	\$ <u>6,306,112</u>	\$ <u>4,573,757</u>	\$ <u>3,136,634</u>

Pension Plan Fiduciary Net Position

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

NOTE 11 – OPEB PLAN

North Dakota Public Employees Retirement System OPEB Plan

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 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 the compensation covered. 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.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 credit toward their monthly health insurance premium under the state health plan.

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

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

At December 31, 2023, the City reported a liability of \$256,503 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 Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the City's proportion was 0.256567 percent, which was an increase of 0.027547 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized OPEB expense of \$56,344. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,825	\$ 2,935
Changes of assumptions	54,706	21,242
Net difference between projected and actual earnings on pension plan investments	18,527	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,050	4,975
Employer contributions subsequent to measurement date	<u>15,290</u>	<u>-</u>
	\$ <u><u>115,398</u></u>	\$ <u><u>29,152</u></u>

\$15,290 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024.

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR 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:

Year Ended June 30:	
2024	\$ 26,696
2025	21,193
2026	28,010
2027	(4,943)
2028	-
Thereafter	-

Actuarial Assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	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.

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 weighing 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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.10%
Domestic Fixed Income	35.00%	2.59%
International Equities	26.00%	6.50%

CITY OF WAHPETON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
City's proportionate share of net pension liability	\$ <u>337,108</u>	\$ <u>256,503</u>	\$ <u>188,644</u>

NOTE 12 – CONSTRUCTION COMMITMENTS

The City had the following construction commitments as of December 31, 2023:

	Total Contract	Total Completed	Retainage Payable	Remaining
Eastside Sanitary Sewer Phase B Part II	\$ 363,265	\$ 363,265	\$ 36,327	\$ 36,327
8th Avenue North	6,609,991	5,852,674	117,053	874,370
Downtown Side Streets	2,473,995	2,521,251	48,996	1,740
Downtown Side Streets	2,429,712	2,321,626	44,669	152,755
Rosewood Third Addition	1,378,408	1,065,201	106,520	419,727
Total	\$ <u>13,255,371</u>	\$ <u>12,124,017</u>	\$ <u>353,565</u>	\$ <u>1,484,919</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the City issued refunding improvement bonds in the amount of \$3,680,000 for the purpose of paying the costs of improvements in the City. Future bond principal payments are due annually and range from \$45,000 to \$230,000 with an interest rate of 4.0%.

CITY OF WAHPETON

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

CITY OF WAHPETON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Property taxes	\$ 1,487,912	\$ 1,487,912	\$ 1,437,704	\$ (50,208)
Licenses, permits, and fees	587,591	587,591	526,781	(60,810)
Intergovernmental revenues	1,231,800	1,231,800	1,333,902	102,102
Charges for services	76,981	76,981	79,548	2,567
Fines and forfeits	81,000	81,000	123,682	42,682
Interest income	40,000	40,000	517,142	477,142
Miscellaneous revenues	10,100	10,100	8,542	(1,558)
	<u>3,515,384</u>	<u>3,515,384</u>	<u>4,027,301</u>	<u>511,917</u>
EXPENDITURES				
Current				
General government	851,162	851,162	796,932	(54,230)
Public safety	2,522,858	2,522,858	2,532,028	9,170
Public works	784,084	784,084	754,009	(30,075)
Culture and recreation	150,059	150,059	202,379	52,320
Economic development	-	-	-	-
	<u>4,308,163</u>	<u>4,308,163</u>	<u>4,285,348</u>	<u>(22,815)</u>
Excess (deficiency) of revenues over expenditures	<u>(792,779)</u>	<u>(792,779)</u>	<u>(258,047)</u>	<u>534,732</u>
Other financing sources (uses)				
Transfers in	873,281	873,281	793,669	(79,612)
Transfers out	(80,502)	(359,002)	(426,745)	(67,743)
	<u>792,779</u>	<u>514,279</u>	<u>366,924</u>	<u>(147,355)</u>
Net change in fund balance	<u>-</u>	<u>(278,500)</u>	<u>108,877</u>	<u>387,377</u>
FUND BALANCE, January 1	<u>2,294,923</u>	<u>2,294,923</u>	<u>2,294,923</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 2,294,923</u>	<u>\$ 2,016,423</u>	<u>\$ 2,403,800</u>	<u>\$ 387,377</u>

CITY OF WAHPETON

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Property taxes	\$ 668,029	\$ 668,029	\$ 749,641	\$ 81,612
Sales taxes	910,000	910,000	1,162,713	252,713
Intergovernmental revenues	121,144	121,144	511,633	390,489
Charges for services	66,325	66,325	151,313	84,988
Fines and forfeits	3,560	3,560	5,110	1,550
Interest income	30,000	30,000	5,670	(24,330)
Miscellaneous revenues	26,000	26,000	44,727	18,727
	<u>1,825,058</u>	<u>1,825,058</u>	<u>2,630,807</u>	<u>805,749</u>
EXPENDITURES				
Current				
General government	300	380	363	(17)
Public safety	67,500	224,200	221,287	(2,913)
Public works	1,023,585	1,519,390	1,454,898	(64,492)
Culture and recreation	343,884	408,084	367,646	(40,438)
Economic development	361,373	820,623	668,793	(151,830)
Other	163,691	242,676	207,997	(34,679)
Debt service				
Interest and fees	9,675	9,675	9,675	-
Capital outlay	-	-	-	-
	<u>1,970,008</u>	<u>3,225,028</u>	<u>2,930,659</u>	<u>(294,369)</u>
Excess (deficiency) of revenues over expenditures	<u>(144,950)</u>	<u>(1,399,970)</u>	<u>(299,852)</u>	<u>1,100,118</u>
Other financing sources (uses)				
Transfers in	906,290	906,290	1,613,057	706,767
Transfers out	(304,854)	(304,854)	(442,943)	(138,089)
	<u>601,436</u>	<u>601,436</u>	<u>1,170,114</u>	<u>568,678</u>
Total other financing sources and uses	<u>601,436</u>	<u>601,436</u>	<u>1,170,114</u>	<u>568,678</u>
Net change in fund balance	<u>456,486</u>	<u>(798,534)</u>	<u>870,262</u>	<u>1,668,796</u>
FUND BALANCE, JANUARY 1	<u>8,254,490</u>	<u>8,254,490</u>	<u>8,254,490</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 8,710,976</u>	<u>\$ 7,455,956</u>	<u>\$ 9,124,752</u>	<u>\$ 1,668,796</u>

CITY OF WAHPETON
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND PERS	6/30/2023	0.237197%	\$ 4,573,757	\$ 2,900,609	157.68%	65.31%
ND PERS	6/30/2022	0.228541%	\$ 6,582,133	\$ 2,813,751	233.93%	55.03%
ND PERS	6/30/2021	0.232412%	\$ 2,422,432	\$ 2,631,808	92.04%	79.13%
ND PERS	6/30/2020	0.228753%	\$ 7,196,618	\$ 2,523,417	285.19%	48.91%
ND PERS	6/30/2019	0.224496%	\$ 2,631,253	\$ 2,335,145	112.68%	71.66%
ND PERS	6/30/2018	0.234370%	\$ 3,955,249	\$ 2,407,727	164.27%	62.80%
ND PERS	6/30/2017	0.211301%	\$ 3,396,301	\$ 2,157,055	157.45%	61.98%
ND PERS	6/30/2016	0.239829%	\$ 2,337,367	\$ 2,416,910	96.71%	70.46%
ND PERS	6/30/2015	0.665753%	\$ 1,746,890	\$ 2,288,686	76.33%	77.15%
ND PERS	6/30/2014	0.655469%	\$ 1,636,591	\$ 2,172,028	75.35%	78.00%

CITY OF WAHPETON
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS

Schedule of Employer's Pension Contributions

Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND PERS	6/30/2023	\$ 219,433	\$ 208,000	\$ 11,433	2,900,609	7.17%
ND PERS	6/30/2022	\$ 195,247	\$ 198,463	\$ (3,216)	\$ 2,742,236	7.24%
ND PERS	6/30/2021	\$ 194,085	\$ 186,023	\$ 8,062	\$ 2,653,803	7.01%
ND PERS	6/30/2020	\$ 178,680	\$ 179,174	\$ (494)	\$ 2,523,417	7.10%
ND PERS	6/30/2019	\$ 170,011	\$ 193,992	\$ (23,981)	\$ 2,335,145	8.31%
ND PERS	6/30/2018	\$ 177,339	\$ 154,725	\$ 22,614	\$ 2,407,727	6.43%
ND PERS	6/30/2017	\$ 156,413	\$ 167,969	\$ (11,556)	\$ 2,157,055	7.79%
ND PERS	6/30/2016	\$ 174,980	\$ 187,909	\$ (12,929)	\$ 2,416,910	7.77%
ND PERS	6/30/2015	\$ 173,844	\$ 163,725	\$ 10,119	\$ 2,288,686	7.15%
ND PERS	6/30/2014	\$ 154,648	\$ 154,648	\$ -	\$ 2,172,028	7.12%

CITY OF WAHPETON
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension Liability - OPEB

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS - OPEB	6/30/2023	0.256567%	\$ 256,503	\$ 2,578,963	9.95%	62.74%
NDPERS - OPEB	6/30/2022	0.229020%	\$ 274,895	\$ 2,364,409	11.63%	56.28%
NDPERS - OPEB	6/30/2021	0.233856%	\$ 130,064	\$ 2,549,632	5.10%	76.63%
NDPERS - OPEB	6/30/2020	0.217418%	\$ 182,891	\$ 2,478,497	7.38%	63.38%
NDPERS - OPEB	6/30/2019	0.209269%	\$ 168,082	\$ 2,335,145	7.20%	63.13%
NDPERS - OPEB	6/30/2018	0.220041%	\$ 173,297	\$ 2,407,727	7.20%	61.89%
NDPERS - OPEB	6/30/2017	0.199387%	\$ 157,717	\$ 2,157,055	7.31%	59.78%

* Complete data for this schedule is not available prior to 2017.

CITY OF WAHPETON
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTION
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions - OPEB

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2023	\$ 31,141	\$ 29,275	\$ 1,866	\$ 2,578,963	1.14%
NDPERS - OPEB	6/30/2022	\$ 28,046	\$ 28,045	\$ 1	\$ 2,460,141	1.14%
NDPERS - OPEB	6/30/2021	\$ 30,660	\$ 29,163	\$ 1,497	\$ 2,653,803	1.10%
NDPERS - OPEB	6/30/2020	\$ 29,117	\$ 28,393	\$ 724	\$ 2,478,497	1.15%
NDPERS - OPEB	6/30/2019	\$ 27,158	\$ 31,055	\$ (3,897)	\$ 2,335,145	1.33%
NDPERS - OPEB	6/30/2018	\$ 28,241	\$ 24,773	\$ 3,468	\$ 2,407,727	1.03%
NDPERS - OPEB	6/30/2017	\$ 25,074	\$ 26,875	\$ (1,801)	\$ 2,157,055	1.25%

* Complete data for this schedule is not available prior to 2017.

CITY OF WAHPETON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

- a) On or before September 10th of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- b) The governing board holds a public hearing where any taxpayer may testify in favor or against and proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1st, the board adopts the final budget.
- c) The final budget must be filed with the county auditor by October 10th.
- d) No disbursement shall be made, or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- e) All appropriations lapse at year-end.

NOTE 2 – CHANGES OF ASSUMPTIONS

North Dakota Employees Retirement System Pension:

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

OPEB:

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NOTE 3 – CHANGES OF BENEFIT TERMS

North Dakota Employees Retirement System Pension:

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025, and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026, and ending June 30, 2056.

CITY OF WAHPETON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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, 2022.

NOTE 4 – BUDGET AMENDMENTS

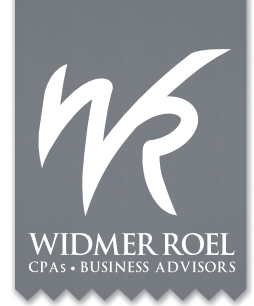
The city council amended the budget for 2023 as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>
General fund transfers out	\$ 80,502	\$ 278,500	\$ 359,002
Special revenue fund expenditures	1,970,008	1,255,020	3,225,028

NOTE 5 – BUDGET TO ACTUAL RECONCILIATION

Debt issued that are paid by the special revenue fund are not included in the budgetary comparison schedule expenditures, but are included in the statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	<u>Income Statement</u>	<u>Adjustment</u>	<u>Budget to Actual Statement</u>
Expenditures	\$ 3,275,755	\$ (345,096)	\$ 2,930,659
Debt proceeds	257,450	(257,450)	-



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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

Governing Board
City of Wahpeton
Valley City, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) 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** (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise **City of Wahpeton's** basic financial statements, and have issued our report thereon dated May 27, 2025.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

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 the 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 the **City of Wahpeton's** response to the findings identified in our audit and describe in the accompanying Schedule of Findings and Responses. **City of Wahpeton's** response was not subjected to 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.

A handwritten signature in black ink, appearing to read "Widmer Poel" followed by a stylized flourish or initial.

Fargo, North Dakota
May 27, 2025

CITY OF WAHPETON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 (MATERIAL WEAKNESS) – AUDIT ADJUSTMENTS

Condition

During the audit of City of Wahpeton, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements

Criteria

City of Wahpeton is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

City of Wahpeton did not have procedures in place to reconcile financial statements and account balances to ensure the financial statements are complete and accurate.

Effect

There is an increased risk of material misstatement to the City of Wahpeton’s financial statements whether due to error of fraud.

Recommendation

We recommend the City of Wahpeton review its procedures for reconciling the financial statement and account balances to ensure the financial statements are complete and accurate in accordance with GAAP.

Views of Responsible Officials

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