City of Wahpeton

Wahpeton, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

CITY OF WAHPETON
Wahpeton, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2017

	Page(s)
City Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Assets and Liabilities - Agency Funds	13
Notes to the Financial Statements	14 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
General Fund	44
Sales Tax Economic Development Fund	45
Revolving Loan Fund	46
Pension & OPEB Schedules	47 - 48
Notes to the Required Supplementary Information	49 - 50
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	51 - 52
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	53 - 54
Schedule of Findings and Questioned Costs	55

CITY OF WAHPETON
Wahpeton, North Dakota

December 31, 2017

CITY OFFICIALS

Steven Dale	Mayor
Don Bajumpaa	President Ward 4
Renelle Bertsch	Vice-President W
Rory McCann	Board Member -
Brett Lambrecht	Board Member -
Tiana Bohn	Board Member -
Perry Miller	Board Member -
Martin Schmidt	Board Member -
Lane Wateland	Board Member -
Darcie Huwe	City Finance Dir
Carla J. Broadland	City Assessor
Dennis Miranowski	Public Works Dir
Steven J. Lies	City Attorney
Scott Thorsteinson	Police Chief

STATE AUDITOR PERSONNEL

David Mix	Audit Manager
David Mix	In-Charge
Heath Erickson	Staff Auditor
Alex Bakken	Staff Auditor

STATE AUDITOR
JOSHUA C. GALLION
Phone (701) 328-2241

Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

City Council
City of Wahpeton
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 28 to the financial statements, the City of Wahpeton adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension & OPEB schedules, and notes to the required supplementary information* on pages 44-50 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wahpeton's basic financial statements. The *schedule of fund activity* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2018 on our consideration of the City of Wahpeton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wahpeton's internal control over financial reporting and compliance.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 3, 2018

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents, and Investments	$ 11,378,168	$ 1,997,438	$ 13,375,606
Accounts Receivable	4,798	-	4,798
Intergovernmental Receivable	1,426,961	-	1,426,961
Utility Billings Receivable	-	234,661	234,661
Taxes Receivable	70,711	-	70,711
Special Assessments Receivable	72,990	-	72,990
Loans Receivable	2,157,110	-	2,157,110
Long-Term Receivable:			
Uncertified Special Assessments Receivable	5,020,262	-	5,020,262
Capital Assets (not being depreciated):			
Land	3,966,442	-	3,966,442
Construction in Progress	1,728,256	-	1,728,256
Capital Assets (being depreciated):			
Buildings	3,490,744	1,627,762	5,118,506
Equipment	1,910,949	687,933	2,598,882
Vehicles	86,411	41,460	127,871
Infrastructure	35,824,569	5,394,674	41,219,243
Total Capital Assets	$ 47,007,371	$ 7,751,829	$ 54,759,200
Total Assets	$ 67,138,371	$ 9,983,928	$ 77,122,299
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions & OPEB	$ 1,192,326	$ 399,959	$ 1,592,285
Total Assets & Deferred Outflows of Resources	$ 68,330,697	$ 10,383,887	$ 78,714,584
LIABILITIES			
Current Liabilities:			
Accounts Payable & Accrued Expenses	$ 64,387	$ 91,979	$ 156,366
Salaries Payable and Accrued Benefits	73,849	-	73,849
Gifts/Grants Payable	17,251	-	17,251
RLF Payable	500	-	500
Accrued Interest Payable	54,769	7,191	61,960
Total Current Liabilities	$ 210,756	$ 99,170	$ 309,926
Non-Current Liabilities:			
Portion Due or Payable Within One Year:			
Leases Payable	$ 43,240	$ -	$ 43,240
Special Assessment Bonds Payable	1,370,249	-	1,370,249
Revenue Bonds Payable	-	151,000	151,000
Compensated Absences Payable	16,748	5,878	22,626
Portion Due or Payable After One Year:			
Leases Payable	551,545	-	551,545
Special Assessment Bonds Payable	10,258,798	-	10,258,798
Revenue Bonds Payable	-	712,000	712,000
Compensated Absences Payable	150,728	52,910	203,638
Retainages Payable	269,771	-	269,771
Net Pension & OPEB Liability	2,661,301	892,717	3,554,018
Total Noncurrent Liabilities	$ 15,322,380	$ 1,814,505	$ 17,136,885
Total Liabilities	$ 15,533,136	$ 1,913,675	$ 17,446,811
DEFERRED INFLOWS OF RESOURCES:			
Pensions & OPEB	$ 270,317	$ 90,677	$ 360,994
Total Liabilities & Deferred Inflows of Resources	$ 15,803,453	$ 2,004,352	$ 17,807,805
NET POSITION			
Net Investment in Capital Assets	$ 34,783,539	$ 6,888,829	$ 41,672,368
Restricted for:			
Debt Service	8,218,909	-	8,218,909
Public Works	507,555	-	507,555
Economic/Job Development	2,817,081	-	2,817,081
Loans	2,157,110	-	2,157,110
Culture and Recreation	199,385	-	199,385
Capital Improvements	2,945,260	-	2,945,260
Unrestricted	898,405	1,490,706	2,389,111
Total Net Position	$ 52,527,244	$ 8,379,535	$ 60,906,779

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:							
Governmental Activities:							
General Government	$ 788,548	$ 55,075	$ 65,240	$ -	$ (668,233)		$ (668,233)
Public Safety	2,339,635	130,520	1,108,663	-	(1,100,452)		(1,100,452)
Public Works	2,366,878	495,253	693,930	1,945,916	768,221		768,221
Culture and Recreation	427,225	15,523	136,199	-	(275,503)		(275,503)
Economic Development	1,134,892	976	23,294	-	(1,110,622)		(1,110,622)
Other	171,880	-	-	-	(171,880)		(171,880)
Interest & Fees on Long-Term Debt	216,502	-	-	-	(216,502)		(216,502)
Total Governmental Activities	$ 7,445,560	$ 697,347	$ 2,027,326	$ 1,945,916	$ (2,774,971)		$ (2,774,971)
Business-Type Activities:							
Water Operations	$ 1,103,022	$ 1,605,617	$ -	$ -	$ -	$ 502,595	$ 502,595
Sanitary Sewer Operations	893,137	858,888	-	-	-	(34,249)	(34,249)
Garbage & Other Enterprise	541,162	592,812	2,000	-	-	53,650	53,650
Total Business-Type Activities	$ 2,537,321	$ 3,057,317	$ 2,000	$ -	$ -	$ 521,996	$ 521,996
Total Primary Government	$ 9,982,881	$ 3,754,664	$ 2,029,326	$ 1,945,916	$ (2,774,971)	$ 521,996	$ (2,252,975)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 1,154,713	$ -	$ 1,154,713
Property taxes, levied for special purposes					791,798	-	791,798
Property taxes, levied for debt service purposes					19,960	-	19,960
Sales taxes					2,219,474	-	2,219,474
State aid distribution, other unrestricted grants & contributions					541,231	-	541,231
Unrestricted Investment Earnings					45,878	-	45,878
Miscellaneous					218,211	-	218,211
Transfers					23,739	(23,740)	(1)
Total General Revenues and Transfers					$ 5,015,004	$ (23,740)	$ 4,991,264
Change in Net Position					$ 2,240,033	$ 498,256	$ 2,738,289
Net Position - January 1					$ 50,432,060	$ 7,909,675	$ 58,341,735
Prior Period Adjustments					(144,849)	(28,396)	(173,245)
Net Position - January 1, as restated					$ 50,287,211	$ 7,881,279	$ 58,168,490
Net Position - December 31					$ 52,527,244	$ 8,379,535	$ 60,906,779

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

CITY OF WAHPETON
Wahpeton, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	Major Funds						
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash, Cash Equivalents, & Investments	$1,427,674	$1,673,353	$ 524,948	$3,154,884	$ 1,254,313	$ 3,342,996	$ 11,378,168
Accounts Receivable	4,798	-	-	-	-	-	4,798
Intergovernmental Receivable	182,713	35,680	-	-	1,208,568	-	1,426,961
Loans Receivable	-	1,109,549	987,575	-	-	59,986	2,157,110
Taxes Receivable	34,218	-	-	26,442	-	10,051	70,711
Special Assessments Receivable	-	-	-	72,990	-	-	72,990
Long-Term Uncertified Special Assmts. Rec.	-	-	-	5,020,262	-	-	5,020,262
Total Assets	$1,649,403	$2,818,582	$1,512,523	$8,274,578	$ 2,462,881	$ 3,413,033	$ 20,131,000
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts Payable & Accrued Expenses	$ 49,058	$ -	$ -	$ 900	$ 7,965	$ 6,464	$ 64,387
Salaries Payable and Accrued Benefits	73,849	-	-	-	-	-	73,849
Gifts/Grants Payable	-	-	-	-	-	17,251	17,251
RLF Payable	-	-	500	-	-	-	500
Total Liabilities	$ 122,907	$ -	$ 500	$ 900	$ 7,965	$ 23,715	$ 155,987
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes	$ 34,218	$ -	$ -	$ 26,442	$ -	$ 10,051	$ 70,711
Unavailable Revenue - Special Assessments	-	-	-	72,990	-	-	72,990
Unavailable Revenue - Long-Term Uncertified Special Assmts.	-	-	-	5,020,262	-	-	5,020,262
Total Deferred Inflows of Resources	$ 34,218	$ -	$ -	$5,119,694	$ -	$ 10,051	$ 5,163,963
Total Liabilities & Deferred Inflows of Resources	$ 157,125	$ -	$ 500	$5,120,594	$ 7,965	$ 33,766	$ 5,319,950
Fund Balances:							
Non-Spendable:							
Loans Receivable	$ -	$1,109,549	$ 987,575	$ -	$ -	$ 59,986	$ 2,157,110
Restricted:							
Debt Service	-	-	-	3,153,984	-	-	3,153,984
Capital Project Funds	-	-	-	-	2,454,916	-	2,454,916
Sales Tax Funds/Economic Development	-	1,709,033	-	-	-	723,340	2,432,373
Public Works	-	-	-	-	-	664,758	664,758
Culture & Recreation	-	-	-	-	-	291,166	291,166
Public Safety	-	-	-	-	-	367,096	367,096
Other/General Government	-	-	-	-	-	219,113	219,113
Committed:							
Sales Tax Funds/Economic Development	-	-	524,448	-	-	-	524,448
Equipment Replacement/Capital Projects	-	-	-	-	-	760,115	760,115
Public Safety	-	-	-	-	-	15,529	15,529
Public Works	-	-	-	-	-	278,164	278,164
Unassigned:							
General Fund	1,492,278	-	-	-	-	-	1,492,278
Total Fund Balances	$1,492,278	$2,818,582	$1,512,023	$3,153,984	$ 2,454,916	$ 3,379,267	$ 14,811,050
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$1,649,403	$2,818,582	$1,512,523	$8,274,578	$ 2,462,881	$ 3,413,033	$ 20,131,000

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total *Fund Balances* of Governmental Funds		$ 14,811,050
Total *Net Position* reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	$ 61,505,845	
Less Accumulated Depreciation	(14,498,474)	47,007,371
Property taxes & special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows in the funds.		
Taxes Receivable	$ 70,711	
Special Assessments Receivable	72,990	143,701
Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		5,020,262
Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(2,661,301)
Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Pension Deferred Inflows of Resources	$ (270,317)	
Pension Deferred Outflows of Resources	1,192,326	922,009
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31st are made up of the following liabilities:		
Special Assessment Bonds Payable	$ (11,629,047)	
Leases Payable	(594,785)	
Interest Payable	(54,769)	
Retainages Payable	(269,771)	
Compensated Absences Payable	(167,476)	(12,715,848)
Total Net Position - Governmental Activities		$ 52,527,244

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Major Funds						
	General Fund	Sales Tax Economic Develop.	Revolving Loan Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 1,141,671	$ -	$ -	$ 19,738	$ -	$ 787,363	$ 1,948,772
Sales Taxes	-	714,622	-	-	1,392,628	112,224	2,219,474
Special Assessment Taxes	-	-	-	1,598,992	-	-	1,598,992
Licenses, Permits and Fees	516,668	-	-	-	-	-	516,668
Fines and Forfeits	127,921	-	-	-	-	-	127,921
Intergovernmental	1,074,796	-	-	-	1,434,480	59,281	2,568,557
Charges for Services	12,389	-	-	-	-	40,369	52,758
Interest Income	36,478	6,908	618	-	-	1,874	45,878
Miscellaneous	4,738	6,920	18,497	25,147	87,342	75,567	218,211
Total Revenues	$ 2,914,661	$ 728,450	$ 19,115	$ 1,643,877	$ 2,914,450	$ 1,076,678	$ 9,297,231
Expenditures:							
Current:							
General Government	$ 633,243	$ -	$ -	$ -	$ -	$ 36,774	$ 670,017
Public Safety	1,758,475	-	-	-	-	53,616	1,812,091
Public Works/Highways & Streets	611,569	-	-	-	-	365,628	977,197
Culture and Recreation	148,666	-	-	-	-	260,301	408,967
Economic Development	-	775,958	2,439	-	-	347,080	1,125,477
Other	16,240	-	-	155,640	-	-	171,880
Capital Outlay	-	-	-	-	3,815,048	-	3,815,048
Debt Service:							
Principal	-	-	-	1,634,867	-	77,083	1,711,950
Interest	-	-	-	202,883	-	1,483	204,366
Fees	-	-	-	9,594	-	-	9,594
Total Expenditures	$ 3,168,193	$ 775,958	$ 2,439	$ 2,002,984	$ 3,815,048	$ 1,141,965	$ 10,906,587
Excess (Deficiency) of Revenues Over Expenditures	$ (253,532)	$ (47,508)	$ 16,676	$ (359,107)	$ (900,598)	$ (65,287)	$ (1,609,356)
Other Financing Sources (Uses):							
Transfers In	$ 849,961	$ -	$ -	$ 964,545	$ 1,118,663	$ 637,521	$ 3,570,690
Bond Proceeds	-	-	-	-	3,230,000	-	3,230,000
Lease Issuance	-	-	-	153,945	500,000	-	653,945
Transfers Out	(361,574)	(504,285)	(5,000)	(795,534)	(1,210,944)	(315,460)	(3,192,797)
Total Other Financing Sources and Uses	$ 488,387	$ (504,285)	$ (5,000)	$ 322,956	$ 3,637,719	$ 322,061	$ 4,261,838
Net Change in Fund Balances	$ 234,855	$ (551,793)	$ 11,676	$ (36,151)	$ 2,737,121	$ 256,774	$ 2,652,482
Fund Balances - January 1	$ 1,257,423	$ 3,370,375	$ 1,500,347	$ 3,190,135	$ (282,205)	$ 3,122,493	$ 12,158,568
Fund Balances - December 31	$ 1,492,278	$ 2,818,582	$ 1,512,023	$ 3,153,984	$ 2,454,916	$ 3,379,267	$ 14,811,050

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

CITY OF WAHPETON
Wahpeton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds		$ 2,652,482
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 and capital contributions exceeded depreciation and transfers to enterprise activtiies in the current year.		
Capital Asset Additions (Outlays)	$ 3,839,003	
Capital Asset Contributions	25,000	
Capital Asset Capital Transfers to Enterprise Funds	(354,154)	
Current Year Depreciation Expense	(1,643,329)	1,866,520
In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.		
Loss on Disposals of Capital Assets		(3,522)
Repayment reduces long-term liabilities in the statement of net position, while the issuance of debt increases long-term liabilities in the statement of net position. This is the amount by which debt issuance exceeded debt repayments.		
Repayment of Bonds	$ 1,615,953	
Repayment of Leases	95,997	
Lease Issuance	(653,945)	
Issuance of Bonds	(3,230,000)	(2,171,995)
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 Compensated Absences	$ (13,081)	
Net Change in Retainages Payable	(269,771)	
Net Change in Interest Payable	(2,542)	(285,394)
The Net & OPEB Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.		
Change in Net Pension & OPEB Liability	$ (768,137)	
Change in Deferred Outflows of Resources for pensions & OPEB	671,824	
Change in Deferred Inflows of Resources for pensions & OPEB	(86,369)	(182,682)
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 increase in taxes and special assessments receivable.		
Net Change in Taxes Receivable	$ 17,700	
Net Change in Special Assessments Receivable	42,703	
Net Change in Long-Term Uncertified Special Assessments Receivable	304,221	364,624
Change in Net Position of Governmental Activities		$ 2,240,033

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash, Cash Equivalents, and Investments	$ 1,273,764	$ 442,477	$ 281,197	$ 1,997,438
Utility Billings Receivable	117,655	65,144	51,862	234,661
Total Current Assets	$ 1,391,419	$ 507,621	$ 333,059	$ 2,232,099
Noncurrent Assets:				
Capital Assets (Being Depreciated):				
Buildings	$ 1,581,186	$ 46,576	$ -	$ 1,627,762
Equipment	285,038	402,895	-	687,933
Vehicles	23,562	17,898	-	41,460
Infrastructure	2,057,417	3,337,257	-	5,394,674
Total Noncurrent Assets	$ 3,947,203	$ 3,804,626	$ -	$ 7,751,829
Total Assets	$ 5,338,622	$ 4,312,247	$ 333,059	$ 9,983,928
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions & OPEB	$ 240,120	$ 147,400	$ 12,439	$ 399,959
Total Assets & Deferred Outflows of Resources	$ 5,578,742	$ 4,459,647	$ 345,498	$ 10,383,887
LIABILITIES				
Current Liabilities:				
Accounts Payable & Accrued Expenses	$ 14,310	$ 23,741	$ 53,928	$ 91,979
Accrued Interest Payable	6,108	1,083	-	7,191
Revenue Bonds Payable	131,000	20,000	-	151,000
Compensated Absences Payable	3,923	1,866	89	5,878
Total Current Liabilities	$ 155,341	$ 46,690	$ 54,017	$ 256,048
Noncurrent Liabilities:				
Revenue Bond Payable	$ 602,000	$ 110,000	$ -	$ 712,000
Compensated Absences Payable	35,310	16,796	804	52,910
Net Pension & OPEB Liability	535,953	329,000	27,764	892,717
Total Noncurrent Liabilities	$ 1,173,263	$ 455,796	$ 28,568	$ 1,657,627
Total Liabilities	$ 1,328,604	$ 502,486	$ 82,585	$ 1,913,675
DEFERRED INFLOWS OF RESOURCES:				
Pensions & OPEB	$ 54,439	$ 33,418	$ 2,820	$ 90,677
Total Liabilities & Deferred Inflows of Resources	$ 1,383,043	$ 535,904	$ 85,405	$ 2,004,352
NET POSITION				
Net Investment in Capital Assets	$ 3,214,203	$ 3,674,626	$ -	$ 6,888,829
Unrestricted	981,496	249,117	260,093	1,490,706
Total Net Position	$ 4,195,699	$ 3,923,743	$ 260,093	$ 8,379,535

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Enterprise Total
Operating Revenues:				
Charges for Sales and Services	$ 1,605,617	$ 858,888	$ 592,812	$ 3,057,317
Operating Expenses:				
Salaries and Wages	$ 411,360	$ 257,603	$ 41,250	$ 710,213
Benefits	121,357	77,893	7,023	206,273
Heating Fuel, Gas and Oil	6,299	5,064	1,754	13,117
Utilities - Electricity and Telephone	66,336	63,808	128,760	258,904
Streetlight Maintenance	-	-	459	459
Attorneys	2,400	1,200	-	3,600
Service Contracts	10,432	10,132	-	20,564
Waste Removal Contract	-	-	269,684	269,684
Supplies & Postage	14,012	12,310	5,159	31,481
Repairs and Maintenance	8,766	103,480	2,461	114,707
Equipment & Maintenance/Repairs	21,186	3,807		24,993
Wells/Testing Fees	4,214	-	-	4,214
Insurance and Safety	15,323	5,236	-	20,559
Chemicals	146,844	70,484	32,287	249,615
Mosquito Control/Spraying	-	-	3,000	3,000
Professional Fees and Other Service Charges	-	7,161	-	7,161
Meters/Hydrants/Wells/Lagoons/Manholes	15,819	2,988	-	18,807
Manhole Maintenance	-	46,154	-	46,154
Employee safety/uniforms	1,258	-	-	1,258
Utility Main/Water Main Valve Repairs	16,511	-	-	16,511
Audit Fees	7,150	7,150	-	14,300
Yard Waste Collections	-	-	30,424	30,424
Schools/Training	1,674	1,206	123	3,003
Lagoons & Water Storage	-	21,512	-	21,512
Memberships	2,302	-	-	2,302
Miscellaneous Operating	1,821	2,626	5,464	9,911
Processing Fees	6,949	7,077	-	14,026
Worker's Compensation	375	-	-	375
Curbstop Repairs	8,352	-	-	8,352
Equipment Repairs	9,000	10,095	13,314	32,409
Uncollectible Accounts / refunded accounts	116	116	-	232
Depreciation	178,723	171,752	-	350,475
Total Operating Expenses	$ 1,078,579	$ 888,854	$ 541,162	$ 2,508,595
Operating Income	$ 527,038	$ (29,966)	$ 51,650	$ 548,722
Nonoperating Revenues (Expenses):				
Grant Income	$ -	$ -	$ 2,000	$ 2,000
Interest Expense	(20,458)	(3,583)	-	(24,041)
Service Charges and Administration Fees	(3,985)	(700)	-	(4,685)
Total Nonoperating Revenue (Expenses)	$ (24,443)	$ (4,283)	$ 2,000	$ (26,726)
Income Before Transfers	$ 502,595	$ (34,249)	$ 53,650	$ 521,996
Transfers In - from Governmental Activities	$ 141,508	$ 212,646	$ -	$ 354,154
Transfers Out	(359,843)	(9,718)	(8,333)	(377,894)
Change in Net Position	$ 284,260	$ 168,679	$ 45,317	$ 498,256
Total Net Position - January 1	$ 3,934,835	$ 3,769,378	$ 205,462	$ 7,909,675
Prior Period Adjustments	(23,396)	(14,314)	9,314	(28,396)
Total Net Position - January 1, as restated	$ 3,911,439	$ 3,755,064	$ 214,776	$ 7,881,279
Total Net Position - December 31	$ 4,195,699	$ 3,923,743	$ 260,093	$ 8,379,535

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Water Operating	Sanitary Sewer Operating	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:				
Receipts from Customers and Users	$ 1,610,503	$ 861,589	$ 591,495	$ 3,063,587
Payments to Suppliers	(678,842)	(346,573)	(476,068)	(1,501,483)
Payments to Employees	(168,385)	(334,178)	(36,667)	(539,230)
Net Cash Provided by Operating Activities	$ 763,276	$ 180,838	$ 78,760	$ 1,022,874
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds	$ (359,843)	$ (9,718)	$ (8,333)	$ (377,894)
Cash Flows from Capital and Related Financing Activities:				
Miscellaneous Income	$ -	$ -	$ 2,000	$ 2,000
Principal Paid on Capital Debt	(128,000)	(20,000)	-	(148,000)
Interest Paid on Capital Debt	(21,525)	(3,750)	-	(25,275)
Fees Paid on Capital Debt	(3,985)	(700)	-	(4,685)
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (153,510)	$ (24,450)	$ 2,000	$ (175,960)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 249,923	$ 146,670	$ 72,427	$ 469,020
Cash and Cash Equivalents, January 1	$ 1,023,841	$ 295,807	$ 208,770	$ 1,528,418
Cash and Cash Equivalents, December 31	$ 1,273,764	$ 442,477	$ 281,197	$ 1,997,438
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income	$ 527,038	$ (29,966)	$ 51,650	$ 548,722
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	178,723	171,752	-	350,475
Change in Assets and Liabilities:				
Utility Billings Receivable	4,886	2,701	(1,317)	6,270
Changes in Pension Items	47,028	29,483	11,519	88,030
Payables	2,235	5,550	16,821	24,606
Compensated Absences Payable	3,366	1,318	87	4,771
Net Cash Provided (Used) by Operating Activities	$ 763,276	$ 180,838	$ 78,760	$ 1,022,874

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

CITY OF WAHPETON
Wahpeton, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2017

	Agency Funds
Assets:	
Cash and Cash Equivalents	$ 11,898
Liabilities:	
Benefits Payable	$ 4,195
Due to Other Entities	7,703
Total Liabilities	$ 11,898

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wahpeton, North Dakota operates under a Home Rule Charter adopted in 1988. The home rule charter enables the city to enact ordinances. Additionally, the city operates under the modern city council form of government as outlined in North Dakota Century Code chapter 40-04.1. The financial statements of the city have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Wahpeton. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Wahpeton to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of Wahpeton.

Based on these criteria, the component unit discussed below is included within the city's reporting entity because of the significance of its operational or financial relationships with the city.

Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component unit have been included in the financial reporting entity as a discretely presented component unit. GASB 61 is the standard applicable to the proper determination of component units.

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

City of Wahpeton Economic Development Commission / Job Development Authority – The City of Wahpeton Economic Development Commission governing board consists of two City Council members and five additional members appointed by the City Council. The Economic Development Commission is reported as if it were part of the city's operations. The Economic Development Commission activity is reported in various special revenue funds, some of which are major funds.

Related Organizations

The City of Wahpeton is accountable for the Bois de Sioux Golf Club, a legally separate entity because it appoints a voting majority to its governing board. The city also owns the land used by the golf club, and the building. The city cannot and does not control the operations of the club.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the City of Wahpeton and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines 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 and interest, are presented as general revenues.

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

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

The city reports the following major governmental funds:

General Fund. This is the city's primary operating fund. It accounts for all financial resources of the general government (including various city departments), except those required to be accounted for in another fund.

Sales Tax Economic Development Fund (special revenue fund). This fund accounts for the use of city sales tax for various purposes within the city, primarily to make capital improvements and to make economic development grants and loans. The primary revenue source in this fund includes restricted sales tax dollars.

Revolving Loan Fund (special revenue fund). This fund accounts for the use of the money set aside for various types of economic development loans. The primary source of revenue is sales tax funds committed by action of the city council at the highest decision level of authority.

Debt Service Funds. Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital Projects Funds. Capital projects funds are used to account for financial resources, including special assessments, to be used for the acquisition or construction of major capital facilities, (other than those financed by proprietary funds and trust funds).

The City reports the following major enterprise funds:

Water Operating Fund. This fund accounts for the activities of the Water Department. This department is responsible for raw water treatment and operates the water distribution system to citizens in the City of Wahpeton.

Sanitary Sewer Operating Fund. This fund accounts for the activities of the Sanitary Sewer Department. This department operates the Sewer system to citizens in the City of Wahpeton.

C. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered 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 long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts, and certificates of deposit with maturity of less than 90 days.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

E. Capital Assets

Capital assets include property, plant and equipment. Capital Assets are reported in the governmental activities and business-type activities columns of the government-wide financial statements. Additionally, capital assets and capital asset activity are reported in the applicable proprietary statements of net position and revenues, expenses and changes in proprietary net position. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more with useful lives of greater than one fiscal year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets are reported for that acquired and constructed after July 1, 1980 and are reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as infrastructure projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized in the governmental funds.

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

Governmental and Business-Type Activities:	Years
Buildings	50
Equipment	15
Office Equipment	3
Vehicles	5
Infrastructure	10 - 50

F. Compensated Absences

Full-time and permanent part-time employees are granted vacation benefits at a specified rate per calendar month of full-time service. Other part-time, hourly, temporary and seasonal employees are excluded from earning vacation. Beginning with a new policy approved November 15, 2004; full-time employees earn sick leave benefits at the rate of one working day per month. Part-time and hourly employees do not earn sick leave benefits. Permanent part-time employees earn sick leave benefits at the rate of ½ working day per month.

Four separate computations and credit will be utilized in determining the vacation hours credited each pay period based on longevity.

Police Officers and Sergeants:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	170
1st day of 2nd year - 3rd year	225
1st day of 4th year - 5th year	280
1st day of 6th year - 19th year	335
1st day of 20th year and after	395

Water Plant Personnel:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	150
1st day of 2nd year - 3rd year	200
1st day of 4th year - 5th year	250
1st day of 6th year - 19th year	300
1st day of 20th year and after	350

Other Full-Time City Employees:

Years of Service	Maximum Hours Credited
Introductory Period	20
Six Month Anniversary	40
1st day of 7th month - 1 year	50
1st day of 2nd year - 3rd year	100
1st day of 4th year - 5th year	150
1st day of 6th year - 19th year	200
1st day of 20th year and after	250

Permanent Part-Time City Employees:

Years of Service	Maximum Hours Credited
Introductory Period	10
Six Month Anniversary	20
1st day of 7th month – 1 year	50
1st day of 2nd year - 5th year	100
1st day of 6th year and after	150

G. Pensions

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

H. Other Post-Employment Benefits (OPEB)

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

I. Fund Balances / Net Position

Fund Balance

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

The City of Wahpeton finance committee established a 15% - 20% general fund carryover balance target to help with financial stability. The 15% - 20% fund balance range is a part of the city's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the city. Unassigned general fund balance of $1,529,843 at December 31, 2017 represented 49% of annual 2017 expenditures.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (capital improvements funds, sales tax economic development fund, and revolving loan fund) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	***DEFINITION***	***EXAMPLES***
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

City of Wahpeton has non-spendable, restricted, committed, and unassigned fund balances reported in the balance sheet at December 31, 2017.

Non-spendable Fund Balances (additional detail):

Non-spendable fund balances are reported for long term loans receivable in one major fund for the revolving loan fund.

Restricted Fund Balances – consist of the following items at December 31, 2017:

Restricted fund balances are shown by primary function on the balance sheet for debt service, capital projects, public safety, public works, sales tax/economic development, culture & recreation, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

(a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
   - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
   - Restricted grants/reimbursements – primarily includes disaster type grants in various special revenue funds, and other grant funds.

(b) Committed fund balances (special revenue funds) – committed by governing board city council action;
   - Committed in special revenue funds for various sales tax reserve funds, other reserve funds, and police department funds;

Net Position

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

Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position shown in the statement of net position are due to restricted tax levies, restricted Federal & State grants/reimbursements, and restricted amounts for unspent bond proceeds reported in debt service and capital projects funds. Additionally, restricted net position is shown in the statement of net position by primary function as fund balances are shown in the balance sheet, and is restricted for debt service, capital projects, public works, public safety, loans, job/economic development, culture & recreation, and other purposes.

Unrestricted net position consists of activity primarily related to the general fund and negative capital projects fund amounts at year-end. The unrestricted net position is available to meet the City's ongoing obligations.

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 other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

At year ended December 31, 2017, the city's carrying amount of deposits was $13,387,004 and the bank balances were $13,547,236. Of the bank balances, $1,748,915 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

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 fully insured by the federal deposit insurance corporation.
(d) Obligations of the state.

The City's latest bond rating was A1 as received from Moody's Investment Services for the refunding improvement bonds of 2017 issued.

NOTE 3: UTILITY BILLINGS RECEIVABLE

Utility billings receivable consists of amounts due from citizens on open account for water, sewer and garbage services furnished by the city. No allowance has been established for estimated uncollectible utility billings receivable.

NOTE 4: INTERGOVERMENTAL RECEIVABLE

Intergovernmental receivable consists of amounts due from the state government for sales tax, highway tax, and state revenue sharing collected and not yet distributed but owed to the city at year-end.

NOTE 5: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 6: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due the City at December 31 for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

NOTE 7: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due the City at December 31 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible long-term special assessments receivable.

NOTE 8: LOANS RECEIVABLE

Loans receivable consist of loans for the promotion of economic development within the city through various Wahpeton sales tax and loan funds. The loans receivable activity for the year ended December 31, 2017 is as follows:

City Fund:	Beginning Balance	Additions	Deductions	Ending Balance
Sales Tax Loans	$ 872,000	$ -	$ 79,000	$ 793,000
PACE Loans	344,523	57,440	30,271	371,692
Help Loans	-	5,000	157	4,843
RLF & FLEX Loans	991,566	265,238	269,229	987,575
Total Loans Receivable	$ 2,208,089	$ 327,678	$ 378,657	$ 2,157,110

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Governmental Activities

Governmental Activities:	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
Capital assets not being depreciated					
Land	$ 3,161,410	$ -	$ -	$ 805,032	$ 3,966,442
Construction in Progress	1,993,791	3,755,099	3,522	(4,017,112)	1,728,256
Total capital assets not being depreciated	5,155,201	3,755,099	3,522	(3,212,080)	5,694,698
Capital assets being depreciated:					
Buildings	$ 5,313,305	$ 18,189	$ -	$ 65,866	$ 5,397,360
Equipment	5,141,619	29,645	24,000	79,033	5,226,297
Vehicles	482,774	10,490	51,172	-	442,092
Infrastructure	41,981,791	50,580	-	2,713,027	44,745,398
Total Capital Assets, Being Depreciated	$ 52,919,489	$ 108,904	$ 75,172	$ 2,857,926	$ 55,811,147
Less Accumulated Depreciation for:					
Buildings	$ 1,813,213	$ 93,404	$ -	$ -	$ 1,906,617
Equipment	3,047,602	291,745	24,000	-	3,315,347
Vehicles	363,490	43,363	51,172	-	355,681
Infrastructure	7,706,012	1,214,817	-	-	8,920,829
Total Accumulated Depreciation	$ 12,930,317	$ 1,643,329	$ 75,172	$ -	$ 14,498,474
Total Capital Assets Being Depreciated, Net	$ 39,989,172	$ (1,534,425)	$ -	$ 2,857,926	$ 41,312,673
Governmental Activities Capital Assets, Net	$ 45,144,373	$ 2,220,674	$ 3,522	$ (354,154)	$ 47,007,371

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

Governmental Activities:	Amounts
General Government	$ 92,953
Public Safety	154,226
Public Works	173,333
Culture and Recreation	8,000
Infrastructure	1,214,817
Total Depreciation Expense-Governmental Activities	$ 1,643,329

Business-Type Activities:

Business-Type Activities (Water Fund):	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
Capital assets being depreciated:					
Buildings	$ 2,693,790	$ -	$ -	$ -	$ 2,693,790
Equipment	1,815,526	-	-	-	1,815,526
Vehicles	55,900	-	-	-	55,900
Infrastructure	2,862,383	-	-	141,509	3,003,892
Total Capital Assets, Being Depreciated	$ 7,427,599	$ -	$ -	$ 141,509	$ 7,569,108
Less Accumulated Depreciation for:					
Buildings	$ 1,058,728	$ 53,876	$ -	$ -	$ 1,112,604
Equipment	1,489,341	41,147	-	-	1,530,488
Vehicles	26,447	5,891	-	-	32,338
Infrastructure	868,665	77,810	-	-	946,475
Total Accumulated Depreciation	$ 3,443,181	$ 178,724	$ -	$ -	$ 3,621,905
Water Fund Capital Assets, Net	$ 3,984,418	$ (178,724)	$ -	$ 141,509	$ 3,947,203

Business-Type Activities (Sewer Fund):	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
Capital assets being depreciated:					
Buildings	$ 62,942	$ -	$ -	$ -	$ 62,942
Equipment	2,807,454	-	-	29,645	2,837,099
Vehicles	47,799	-	-	-	47,799
Infrastructure	4,610,700	-	-	183,001	4,793,701
Total Capital Assets, Being Depreciated	$ 7,528,895	$ -	$ -	$ 212,646	$ 7,741,541
Less Accumulated Depreciation for:					
Buildings	$ 15,107	$ 1,259	$ -	$ -	$ 16,366
Equipment	2,390,621	43,583	-	-	2,434,204
Vehicles	23,935	5,966	-	-	29,901
Infrastructure	1,335,500	120,944	-	-	1,456,444
Total Accumulated Depreciation	$ 3,765,163	$ 171,752	$ -	$ -	$ 3,936,915
Sewer Fund Capital Assets, Net	$ 3,763,732	$ (171,752)	$ -	$ 212,646	$ 3,804,626

Business-Type Activities (Total):	Balance 1/1/17	Increases	Decreases	Transfers	Balance 12/31/17
Capital assets being depreciated:					
Buildings	$ 2,756,732	$ -	$ -	$ -	$ 2,756,732
Equipment	4,622,980	-	-	29,645	4,652,625
Vehicles	103,699	-	-	-	103,699
Infrastructure	7,473,083	-	-	324,510	7,797,593
Total Capital Assets, Being Depreciated	$ 14,956,494	$ -	$ -	$ 354,155	$ 15,310,649
Less Accumulated Depreciation for:					
Buildings	$ 1,073,835	$ 55,135	$ -	$ -	$ 1,128,970
Equipment	3,879,962	84,730	-	-	3,964,692
Vehicles	50,382	11,857	-	-	62,239
Infrastructure	2,204,165	198,754	-	-	2,402,919
Total Accumulated Depreciation	$ 7,208,344	$ 350,476	$ -	$ -	$ 7,558,820
Business-Type Capital Assets, Net	$ 7,748,150	$ (350,476)	$ -	$ 354,155	$ 7,751,829

NOTE 10: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	$ 849,961	$ 361,573
Sales Tax Econ. Dev. Fund	-	504,285
Revolving Loan Fund	-	5,000
Debt Service Funds	964,545	795,534
Capital Projects Funds	1,118,663	1,210,944
Total Non-Major Govt. Funds	637,521	315,460
Business-Type Funds		
Water Operating (Major)	-	359,843
Sewer Operating (Major)	-	9,718
Non-Major Enterprise Fund	-	8,333
Total Transfers	$ 3,570,690	$ 3,570,690

Transfers are used to 1) move unrestricted general fund revenues to finance various programs, 2) move sales tax revenues to fund programs and projects and 3) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.

Government-wide Transfers:

Transfers of capital assets were done from governmental activities to business-type activities totaling $354,154.

NOTE 11: DEFERRED OUTFLOWS

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions and other post-employment benefits related to differences between actual & expected experience, changes of assumptions, net difference between projected and actual investment earnings, and the changes in proportion and differences between employer contributions and proportionate share of contributions.

NOTE 12: DEFERRED INFLOWS

Government Wide Statements:

Deferred inflows of resources at the government-wide level consist of amounts related to pensions and other post-employment benefits for the calculation by the actuary of the expected and actual experience differences, changes in assumptions, net difference between employer contributions and proportionate share of contributions, and for contributions made after the measurement date.

Deferred inflows of resources in the fund financial statements balance sheet consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met for unavailable property taxes and special assessments.

Deferred inflows of resources in the governmental fund modified accrual basis balance sheet as of December 31, 2017 for the city consisted of the following:

Delinquent property taxes receivable (general fund)	$ 34,218
Delinquent property taxes receivable (debt service fund- major)	26,442
Delinquent property taxes receivable (non-major funds)	10,051
Delinquent special assessments receivable (debt service funds)	72,990
Long-Term Uncertified Special Assessments Receivable (debt service)	5,020,262
Total Deferred Inflows of Resources	$ 5,163,963

NOTE 13: ACCOUNTS PAYABLE

Accounts payable and accrued expenses consists of amounts due and payable at year-end for various goods and services but not paid until after year-end. It also consists of accrued payroll benefits due and payable for amounts withheld from employee paychecks at year-end but not paid until after year-end.

NOTE 14: SALARIES PAYABLE & BENEFITS

Salaries payable and accrued benefits represent employee compensation withholding amounts for state and federal taxes, social security, retirement, cafeteria benefits, and child support.

NOTE 15: RLF PAYABLE

The City has obtained Community Development Block Grant (CBDG) revolving loan fund (RLF) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by property financed and are payable solely from the payments received on the underlying mortgage grants. Upon repayment of the grants, ownership of the acquired facilities transfers to the private-sector entity served by the grant.

As of December 31, 2017, there was one CDBG revolving loan fund outstanding with an aggregate principal amount payable of $500. The City receives reimbursement for payments made on this loan payable.

NOTE 16: GIFT / GRANT PAYABLE

The City has gifts and grants payable totaling $17,251 in the fire department fund.

NOTE 17: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2017.

NOTE 18: LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities of the city (including compensated absences and net pension and OPEB liabilities):

Governmental Activities

Governmental Activities:	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Special Assessment Bonds	$10,015,000	$3,230,000	$1,615,953	$11,629,047	$1,370,249
Leases Payable	36,838	653,945	95,997	594,786	43,240
Net OPEB Liability *	120,093	-	1,992	118,101	-
Net Pension Liability *	1,773,071	770,129	-	2,543,200	-
Compensated Absences *	154,396	13,080	-	167,476	16,748
Total Governmental Activities	$12,099,398	$4,667,154	$1,713,942	$15,052,610	$1,430,237

* - The change in compensated absences, net pension liability, and net OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Special Assessment Bonds

The city has issued special assessment bonds to provide funds for the cost of various improvement districts within the city. Special assessments on benefited property are used to pay for the cost of these improvements. The city is required to levy a special assessment deficiency tax in the event that collections of special assessments and other revenues are insufficient for the repayment of the bonds.

Special assessment bonds at December 31, 2017 is comprised of the following individual issues:

$1,815,000 Series A 2012 Refunding Improvement Bonds #11212, due in annual installments of $60,000 to $225,000 through 2021, with interest at 1.25 to 1.8%.	$ 725,000
$3,230,000 Series 2017 Refunding Improvement Bonds #11617, due in annual installments of $190,000 to $245,000, with interest at 2.2% to 2.3%.	3,230,000
$3,305,000 2017 Refunding Improvement Bonds of 2017 (#11516), due in annual installments of $320,000 to $405,000 through 2025, with interest at 1.5% to 2.0%. This issue refunded series 2010 called in May 2017.	2,880,000
$460,000 2017 Refunding Improvement Bonds #11415, due in annual installments of $45,000 to $50,000 through 2025, with interest at 2.1% to 3.3%.	375,000
$1,850,000 2008 Refunding Improvement Bonds #10708, due in annual installments of $180,000 to $195,000 through 2020, with interest at 4.5%.	560,000

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Continued:

$600,000 2017 Definitive Improvement Warrants #11716, due in annual installments totaling $46,687 through 2031, with interest at 2.0%.	$ 564,047
$1,120,000 2011 Refunding Improvement Bonds #11011, due in annual installments of $130,000 through 2019, with interest at 2.5%. This issue refunded series 2003D.	260,000
$3,290,000 Series B 2011 Refunding Improvement Bonds #11111, due in annual installments of $135,000 to $285,000 through 2026, with interest at 1.4% to 2.8%. This issue refunded series 2007 to be called in February 2013.	1,920,000
$1,390,000 Series 2014 Refunding Improvement Bonds #11314, due in annual installments of $90,000 to $100,000 through 2029, with interest at 1.25% to 3.0%.	1,115,000
Total Special Assessment Bonds	$ 11,629,047

Capital Leases

The city entered into lease agreements as lessee with Kinetic Leasing by the police department for a police department building and land, and with CapFirst Equipment Finance to purchase a fleet of thirty-three golf carts. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Capital leases at December 31, 2017 is comprised of the following individual issues:

$500,000 capital lease for police station, due in annual installments of $40,839 through February 1, 2031	$ 459,755
$153,945 capital lease for golf carts, due in monthly installments of $3,499 through September 15, 2021.	135,031
Total Capital Leases	$ 594,786

Debt Refunding – Prior Year (2016)

On May 10, 2016, the remaining principal amount of the refunding improvement bonds of 2010 totaling $3,310,000 was advance refunded (defeased). Refunding Improvement Bonds of 2016 were issued with a principal amount of $3,305,000 with interest rates ranging from 1.5% to 2.0% to acquire a net present value savings of $193,837, and a cash flow savings of $210,126.

Governmental activities debt service requirements to maturity (excluding compensated absences payable) at December 31, 2017 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending	Spec. Assmt. Bonds		Capital Leases	
Dec. 31st	Principal	Interest	Principal	Interest
2018	$ 1,590,249	$ 253,076	$ 43,240	$ 18,592
2019	1,570,964	223,653	44,633	17,200
2020	1,426,666	189,092	46,070	15,763
2021	1,072,436	160,650	113,364	14,469
2022	1,018,196	137,555	30,241	10,597
2023 - 2027	3,422,895	394,350	165,616	38,577
2028 - 2032	1,527,641	104,056	151,621	11,734
Total	$ 11,629,047	$ 1,462,432	$ 594,785	$ 126,932

Business-Type Activities

Business-Type Activities: Water Fund	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Revenue Bonds	$ 861,000	$ -	$ 128,000	$ 733,000	$ 131,000
Compensated Absences *	35,867	3,366	-	39,233	3,923
Net OPEB Liability *	23,395	389	-	23,784	-
Net Pension Liability *	345,416	166,753	-	512,169	-
Total Water Fund	$ 1,265,678	$ 170,508	$ 128,000	$ 1,308,186	$ 134,923

Business-Type Activities: Sewer Fund	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Revenue Bonds	$ 150,000	$ -	$ 20,000	$ 130,000	$ 20,000
Compensated Absences *	17,344	1,318	-	18,662	1,866
Net OPEB Liability *	14,314	286	-	14,600	-
Net Pension Liability *	211,334	103,066	-	314,400	-
Total Sewer Fund	$ 392,992	$ 104,670	$ 20,000	$ 477,662	$ 21,866

Business-Type Activities: Other Funds	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Compensated Absences *	$ 806	$ 89	$ -	$ 895	$ 89
Net OPEB Liability *	511	721	-	1,232	-
Net Pension Liability *	7,548	18,984	-	26,532	-
Total Other Funds	$ 8,865	$ 19,794	$ -	$ 28,659	$ 89

Total Business-Type Activities:	Balance 1/1/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Revenue Bonds	$ 1,011,000	$ -	$ 148,000	$ 863,000	$ 151,000
Compensated Absences *	54,017	4,773	-	58,790	5,878
Net OPEB Liability *	38,220	1,396	-	39,616	-
Net Pension Liability *	564,298	288,803	-	853,101	-
Total Business-Type Activities	$ 1,667,535	$ 294,972	$ 148,000	$1,814,507	$ 156,878

* - The change in compensated absences, net pension liability, and net OPEB liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Revenue Bonds

The city issues bonds where the city pledges income derived from the operations to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. The Refunding Revenue Bonds are special obligations of the city payable solely from, and secured as to payment of principal and interest by a pledge of, the receipts from revenues of the water, sewer and garbage utility systems.

The general taxing power of the city is not pledged to the payment of these bonds either as to principal or interest. The bonds do not constitute a general obligation of the city, nor will they exceed the debt limit of the city within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Revenue bonds at December 31, 2017 is comprised of the following individual issues:

Water Fund:

$520,000 of 1999 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund; due in annual installments of $20,000 through 2018, with interest at 2.5%.	$ 20,000
$1,890,000 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of $108,000 to $126,000 through 2023, with interest at 2.5%.	713,000
Total Water Fund	$ 733,000

Sewer Fund:

$374,065 of 2003 Revenue Bonds with the North Dakota Municipal Bond Bank State Revolving Fund Program. Due in annual installments of $20,000 to $25,000 through 2023, with interest at 2.5%.	$ 130,000
Total Enterprise Revenue Bonds	$ 863,000

Revenue bond debt service requirements with set payment schedules to maturity are as follows:

BUSINESS-TYPE ACTIVITIES - REVENUE BONDS						
Year Ending	WATER FUND		SEWER FUND		TOTAL	
Dec. 31st	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 131,000	$ 18,325	$ 20,000	$ 3,250	$ 151,000	$ 21,575
2019	115,000	15,050	20,000	2,750	135,000	17,800
2020	118,000	12,175	20,000	2,250	138,000	14,425
2021	120,000	9,225	20,000	1,750	140,000	10,975
2022	123,000	6,225	25,000	1,250	148,000	7,475
2023 - 2027	126,000	3,150	25,000	625	151,000	3,775
Total	$ 733,000	$ 64,150	$ 130,000	$ 11,875	$ 863,000	$ 76,025

NOTE 19: CONDUIT DEBT

Industrial Development Revenue Bonds:

From time to time, the city has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount outstanding of these types of bonds is not known at December 31, 2017.

Economic Development Loans / Governor's Revolving Fund Loans:

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

The total principal balance of the CDBG loans issued to various industries with balances outstanding totaled $1,215,982 at December 31, 2017. The outstanding principal balance on those loans was $197,649 at December 31, 2017.

NOTE 20: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions 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, auto, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability, one million dollars per occurrence for automobile coverage and up to $2,921,766 for public assets (inland marine/mobile equipment and portable property) coverage.

The City of Wahpeton 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 political subdivisions with blanket fidelity bond coverage in the amount of $2,000,000 for the city employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides employees with health insurance. Contributions to the insurance plan are based on family, single or no coverage selections made by the employees.

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

NOTE 21: PENSION PLAN

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision 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 after January 1, 2016 the Rule of 85 will be replaced with a rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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, 2017, the Employer reported a liability of $3,396,301 (Governmental - $2,543,200, Business-Type - $853,101) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the Employer's proportion was .211301 percent, which was a decrease of .028528 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the Employer recognized pension expense of $453,704. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Governmental	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 15,116	$ 12,391
Changes of Assumptions	1,042,883	57,361
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	34,204	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	193,220
City Contributions Subsequent to the Measurement Date	75,439	-
Total Governmental	$ 1,167,642	$ 262,972

Business-Type - Water	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 3,044	$ 2,495
Changes of Assumptions	210,024	11,552
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	6,888	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	38,912
City Contributions Subsequent to the Measurement Date	15,193	-
Total Water Fund	$ 235,149	$ 52,959

Business-Type - Sewer	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 1,869	$ 1,532
Changes of Assumptions	128,925	7,091
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,228	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	23,887
City Contributions Subsequent to the Measurement Date	9,326	-
Total Sewer Fund	$ 144,348	$ 32,510

Business-Type - Nonmajor	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 158	$ 129
Changes of Assumptions	10,880	598
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	357	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	2,016
City Contributions Subsequent to the Measurement Date	787	-
Total Nonmajor Business-Type Funds	$ 12,182	$ 2,744

Total Business-Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 5,071	$ 4,156
Changes of Assumptions	349,829	19,241
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	11,473	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	64,815
City Contributions Subsequent to the Measurement Date	25,306	-
Total Business-Type	$ 391,679	$ 88,212

$100,745 (Governmental - $75,439, Business-Type - $25,306) reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

		Business-Type		
	Governmental	Water Fund	Sewer Fund	Nonmajor Business-Type
2018	$ 176,490	$ 35,543	$ 21,818	$ 1,841
2019	223,422	44,994	27,620	2,331
2020	187,899	37,840	23,229	1,960
2021	151,069	30,423	18,676	1,576
2022	90,353	18,196	11,170	943
Thereafter	-	-	-	-

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	Service at Beginning of year: Increase Rate: 0 15.00% 1 10.00% 2 8.00% Age* Under 36 8.00% 36 – 40 7.50% 41 – 49 6.00% 50+ 5.00% * Age-based salary increase rates apply for employees with three or more years of service
Investment rate of return	7.75%, net of investment expenses
Cost–of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45)%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through the year of 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the current discount rate of 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Governmental	$ 3,452,471	$ 2,543,200	$ 1,786,723
Business-Type			
Water Fund	695,285	512,169	359,824
Sewer Fund	426,808	314,400	220,882
Nonmajor Business-Type Funds	36,019	26,532	18,640

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the July 1, 2017, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E. Broadway Ave., Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 22: OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision, and long-term care plan and any other health insurance plan. 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, 2017, the Employer reported a liability of $157,717 (Governmental - $118,101, Business-Type - $39,616) for its proportionate share of the net liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer'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, 2017 the Employer's proportion was .199387 percent.

For the year ended December 31, 2017 the Employer recognized OPEB expense of $19,255. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Governmental	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 2,881
Changes of Assumptions	11,439	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	4,465
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,166	-
City Contributions Subsequent to the Measurement Date	12,079	-
Total Governmental	$ 24,684	$ 7,346

Business-Type - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 580
Changes of Assumptions	2,304	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	899
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	235	-
City Contributions Subsequent to the Measurement Date	2,433	-
Total Water Fund	$ 4,971	$ 1,479

Business-Type - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 356
Changes of Assumptions	1,414	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	552
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	144	-
City Contributions Subsequent to the Measurement Date	1,493	-
Total Sewer Fund	$ 3,051	$ 908

Business-Type - Nonmajor	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 30
Changes of Assumptions	119	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	47
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12	-
City Contributions Subsequent to the Measurement Date	126	-
Total Nonmajor Business-Type Funds	$ 258	$ 77

Total Business-Type	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 966
Changes of Assumptions	3,837	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	1,498
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	391	-
City Contributions Subsequent to the Measurement Date	4,052	-
Total Business-Type	$ 8,280	$ 2,464

$16,131 (Governmental - $12,709, Business-Type - $4,502) reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

		Business-Type		
	Governmental	Water Fund	Sewer Fund	Nonmajor Business-Type
2018	$ 406	$ 82	$ 50	$ 4
2019	406	82	50	4
2020	406	82	50	4
2021	406	82	50	4
2022	1,522	307	188	16
2023	1,522	307	188	16
Thereafter	591	119	73	6

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017 and July 1, 2016 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on RHIC plan 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, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Governmental	$ 147,848	$ 118,101	$ 92,602
Business-Type			
Water Fund	29,775	23,784	18,649
Sewer Fund	18,278	14,600	11,448
Nonmajor Business-Type Funds	1,542	1,232	966

NOTE 23: TAX ABATEMENTS

The City of Wahpeton negotiates property tax abatement agreements on an individual basis with certain individuals and various commercial entities/businesses. The City has the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2017.

North Dakota Century Code (NDCC) section 40-57-.1-03 (tax exemptions for new and expanding businesses), and as approved in City Council resolutions #3210, #3587, and #3598, authorizes the City to grant a partial or complete exemption from ad valorem taxes on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period of not exceeding five years operating in the retail sector. The City of Wahpeton did vote the question in the statewide general election held on November 4, 2014, at which election the voters approved the City Council being empowered to grant property tax exemptions upon application of a new or expanding retail sector business.

Additionally, NDCC chapter 57-02.2 (exemptions of improvements to buildings) allows for the exemption from taxation for such improvements as required by state law and approved by City Council resolution #3539 (resolution approving exemption from taxation of improvements to commercial and residential buildings).

To qualify for tax abatements for improvements to residential or commercial buildings under resolution #3539 and NDCC chapter 57-02.2, the following conditions must be met:

- Meet definition of an improvement as outlined in NDCC 57-02.2-02 – means renovation, remodeling, alteration or addition to an existing building or structure for use for use for commercial or residential purposes
- Residential building – must be 25 years or older on the assessment date
- Commercial building – qualifies regardless of the age of the building
- Improvements may be exempt in whole or part from assessment and taxation for up to 5 years for commercial exemptions and up to 2 years for commercial exemptions from the date of the commencement of making the improvements, as determined by the City Council on each application
- Exemption applies only to that part of the assessed valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed on the building or structure for the last assessment period immediately preceding the date of the commencement of the improvements
- Completed improvement must add a minimum of the lesser of $25,000 or 25% of the pre-improvement assessed value of the building. The maximum increased assessed that commercial building is eligible for is $250,000; and the maximum increased assessed value that a single family residential building is eligible for is $150,000
- To be eligible for an exemption, pursuant to this resolution, an applicant shall not participate in the City's Renaissance Zone Program or a Tax Increment Financing District

Furthermore, NDCC section 57-02-08 (property exempt from taxation), and as approved in City Council resolution #3171 and #3405 approving exemptions of property for new single family construction, allows for the granting of exemptions from real estate taxes for construction of new single-family residential property of owners of up to $150,000 of true and full value for two taxable years, and allowing new home builder exemption from real estate taxes for builders (for taxable year in which construction began and the next taxable year), subject to limitations and conditions imposed by the City.

To qualify for tax abatements under this state law and city resolution, the following conditions must be met for property owners and contractors/builders by resolution #3171:

- Individuals – exempt for two taxable years subsequent to the taxable year in which the construction is completed and the residence is owned and occupied for the first time
- Builders – exempt for taxable year in which construction began and the next taxable year
- Construction of the single-family dwelling, condominium or townhouse residential unit is commenced after November 16, 2009
- Special assessments and taxes on the property upon which the residence is situated are not delinquent
- The first owner after the builder resides on the property
- Individuals - exemption from taxation shall not apply to any land, but only the building, and the exemption shall just apply to the first $150,000 of the true and full value of the residential property
- Builders – each building contractor will receive the exemption on a maximum of ten properties within Wahpeton

Renaissance Zone:

Under authority of the Renaissance Zone Act created by the North Dakota State Legislature as outlined in NDCC Chapter 40-63, any taxpaying entity in good standing with the State and the City may be eligible for tax incentives when they:

- Construct a new building within the Zone;
- Rehabilitate a building in the Zone;
- Buy a building or primary residence in the Zone and make significant improvements;
- Lease space in the Zone for a new or expanding business;
- Continue a lease in a building being rehabilitated as a Zone project;

The minimum level of investment to qualify as a Renaissance Zone Project varies based on the type of project. Designation as a Renaissance Zone Project is necessary to be eligible for any incentives. Potential projects must be approved by the Renaissance Zone Authority, City Council and the North Dakota Department of Commerce/Division of Community Services prior to any work being completed or any lease signed.

Incentives are in the form of 5-year property tax exemptions, 5-year state income tax exemptions, and historic tax credits. The tax abatements are offered primarily to stimulate new home and business construction, and to stimulate home and business improvements within city limits.

Current Residential Property: If the owner makes all necessary improvements to eliminate poor conditions and meets the greater of: 20% of true and full value prior to improvements OR $20,000 of capital investment, then the city *may offer* a 5-year property tax exemption on improvements only.

New Residential Property: a 5-year declining partial property tax exemption may be offered. However, if the owner opts for the standard 2-year property tax exemption on the first $150,000 value of the home, then there is no zone project.

New Commercial Construction or Additions: A 5-year declining partial property tax exemption *may* be offered if there is a minimum investment of $20 per square foot in capital improvements.

Current Commercial Property: Property owner must make capital improvements equal to the greater of: 50% of true and full value prior to improvements, or $10,000 in capital investment. The City *may* offer a 100% tax exemption for 5 years on the improvements only.

The City of Wahpeton had negotiated tax abatement agreements with the following individuals/entities as of December 31, 2017.

- Renaissance Zone: abatements of property taxes totaling $1,386 for three individual taxpaying entities with varying 5-year property tax exemption that qualified under the current residential property guidelines, as allowable under NDCC chapter 40-63 and NDCC section 40-57.1-03, and approved as updated in city council resolution number 3598.
- PILOT New Industry Program: abatements of property taxes totaling $40,841 for the six commercial entities in the PILOT program for new industry with declining partial property tax exemption over 5 years for most commercial entities, or 10 years for senior housing, as allowable under NDCC section 40-57.1-03 and NDCC chapter 40-63, and approved in city council resolution number 3598.
- 2-Year Exemptions (individuals) -- abatements of property taxes totaling $9,588 for the 13 taxpayers under new residential property guidelines that elected the option to take the 2-year property tax exemption on the first $150,000 true and full value of the home, as allowable under NDCC Chapter 57.02.2 and NDCC section 57-02-08 subsection 35, and approved as updated in city council in resolution numbers 3405 and 3539.
- 5-Year Exemptions (builders) -- abatements of property taxes totaling $3,940 for the three builders on four parcels under new residential property guidelines that elected the option to take the 2-year builder tax exemption of up to $250,000 true and full value of the home, as allowable under NDCC Chapter 57.02.2, and approved as updated in city council in resolution number 3539.

NOTE 24: FUND DEFICITS

The following funds were in a deficit cash fund balance position at December 31, 2017:

Fund Name	Balance
Governmental Funds	
Capital Project Funds:	
5-2-97 Flood Phase II	$ (278,596)
Alley Construction ST17-234	(45,040)
3rd Ave. N. Recon. Proj. #ST11-180	(389,976)
E. Central Streets	(393)
N. Central Streets	(253)
E. Sanitary Sewer 13-02-02	(939,607)
Westdale Project	(11,641)
Water Treatment Plant Facility Plan	(64,875)
WTP Lime Silo & Slaker	(119,271)
Culvert Replacement 16th Ave. TIF	(161)
Westside Master Plan	(27,950)

The City will relieve the deficits in the construction funds with future special assessment collections. The remaining fund deficits will be relieved with future tax collections, transfers, debt issuances and/or fees collected.

NOTE 25: FRANCHISE AGREEMENTS

The City of Wahpeton has various franchise fees owed to them from various companies. The franchise fees are based on services provided and fees collected at 5% of cable television revenues, 3% of natural gas revenues and 3% of the electric rate revenues. The Electric and Natural Gas Franchise fees are limited not to exceed $200 per month per account by Council

Resolution biennially. Remaining payments on franchise contracts owed to the City of Wahpeton as of December 31, 2017 are estimated at current rates as follows:

Payments to Wahpeton	Contract Term	Contract Start	Renewal or Term. Date	Total Original Contract Amount	Received 2017	Remaining at 12-31-17
Midcontinent Communications	10 years	9/1/14	9/1/24	$940,000	$114,517	$626,000
Great Plains Natural Gas	10 years	11/13/07	5/17/17	900,000	64,344	-
Ottertail Power Company	10 years	10/5/09	10/16/19	1,960,000	212,596	359,333

NOTE 26: COMMITMENTS

The City of Wahpeton had various commitments to vendors outstanding longer than one year as of December 31, 2017. The larger of these commitments are as follows:

Other commitments/contracts:

Other Commitments-Contracts	Contract Term	Contract Start	Renewal or Term. Date	Total Contract Amount	Paid 2017	Remaining at 12-31-16
Waste Management - Garbage Contract	120 months	7/1/13	6/30/18	$ 2,528,880	$ 268,620	$ 133,403
702 Communications-WTP Telephone/Internet	36 months	8/16/16	8/16/19	10,908	4,065	6,060
Midcontinent Com. - T1/Telephone/Internet	60 months	8/5/15	8/5/20	52,239	10,448	27,861

The Waste Management contract increases 3% each July 1st.

The City did not invoke a change in the natural gas franchise ordinance prior to May 17, 2017 leading to an automatic 10-year renewal with Great Plains Natural Gas.

Capital Improvements

Project - 2017	Project Amount	Retainages	Total Project	Total Completed	Remaining Project
Capital Improvements					
ST17-236 Elm Court Addition Mill & Overlay	$ 54,002	$ -	$ 54,002	$ -	$ 54,002
Levee Encroachments	194,060	-	194,060	176,570	17,490
Levee Encroachments - Phase I	739,069	56,899	739,069	568,994	170,075
Levee Encroachments - Phase II	1,450,490	135,154	1,450,490	1,351,539	98,951
Mill & Overlay 16th Ave. N.	90,462	-	90,462	-	90,462
2017 Seal Coat Project	38,969	-	38,969	38,969	-
2017 Alley Reconstruction Project	43,975	-	43,975	43,975	-
Waste Water Odor Control Study	28,655	-	28,655	-	28,655
Library Boiler Replacement/HVAC Updates	62,365	-	62,365	62,355	10
Environmental Investigation - Old City Hall	25,000	-	25,000	25,000	-
Leach Library Interior Renovation	42,600	-	42,600	42,600	-
Replace Roof at Sewer Shop	18,000	-	18,000	18,000	-
Reconstruction of 3rd Ave.	251,798	-	251,798	212,230	39,568
Fire Department SCBA Equipment	191,720	-	191,720	-	191,720
Eastside Sanitary Sewer Phase A	1,589,465	77,717	1,589,465	699,457	890,008
Eastside Sanitary Sewer Phase I	293,557	-	293,557	108,494	185,063
WTP Improvements Phase I	1,071,236	-	1,071,236	-	1,071,236
WTP Limehandling Project	156,106	-	156,106	113,390	42,716
PD Relocation - Funiture, Fixtures, & Equip.	60,867	-	60,867	60,867	-
West Side Master Planning Study	77,892	-	77,892	27,295	50,597
Total Capital Improvements	$ 6,480,288	$ 269,770	$ 6,480,288	$ 3,549,735	$ 2,930,553

Operating Leases – Equipment:

City of Wahpeton is engaged in various operating leases which include copiers, and a postage machine. Total operating lease payments made during 2017 totaled $3,635.

Remaining operating lease payment commitments to Pitney Bowes for the postage machine, and to Toshiba for the copier are as follows at December 31, 2017:

Year	Pitney	Toshiba	Total
2018	$ 1,668	$ 1,967	$ 3,635
2019	1,667	1,967	3,634
Totals	$ 3,335	$ 3,934	$ 7,269

NOTE 27: SUBSEQUENT EVENTS

At the February 5, 2018 city council meeting, the council approved resolution #3677 – Eastside Sanitary Sewer Improvement District No. 13-02-02 that included providing for and appropriating assessments which is financed by the following: Drinking Water State Revolving Fund - $452,000 from state drinking water revolving loan fund; $1,046,000 from state clean water revolving loan fund: $286,000 from Bank of North Dakota; and $456,000 from City's sales tax fund for infrastructure fund.

NOTE 28: PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustment – Due to Change in Accounting Principle:

Due to the provisions of GASB Statement No. 75 'Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions', the beginning balance of the liability related to the retiree health insurance credit fund.

Prior Period Adjustment – Due to Errors:

Prior period adjustments were necessary to properly state the beginning balance of the equipment accumulated depreciation of governmental activities, and to properly report the beginning balance of the net pension liability in the governmental activities and in the business-type activities due to an improper allocation done in the prior year.

The net effect of all prior period adjustments as follows:

Governmental Activities

Governmental Activities	Amounts
Beginning Net Position, as previously reported	$ 50,432,060
Adjustments to restate the January 1, 2017 Net Position:	
Report Beginning Balance of OPEB Liability - retiree health	(120,093)
Error correction of prior net pension liability	(12,127)
Error correction of prior DO's and DI's	2,302
Capital Assets - Equipment - Accumulated Depreciation	(14,931)
Net Position January 1, as restated	$ 50,287,211

Business-Type Activities

Business-Type Activities **Water Fund**	**Amounts**
Beginning Net Position, as previously reported	$ 3,934,835
Adjustments to restate the January 1, 2017 Net Position:	
Report Beginning Balance of OPEB Liability - retiree health	(23,396)
Net Position January 1, as restated	$ 3,911,439

Business-Type Activities **Sewer Fund**	**Amounts**
Beginning Net Position, as previously reported	$ 3,769,378
Adjustments to restate the January 1, 2017 Net Position:	
Report Beginning Balance of OPEB Liability - retiree health	(14,314)
Net Position January 1, as restated	$ 3,755,064

Business-Type Activities **Non-Major Enterprise Funds**	**Amounts**
Beginning Net Position, as previously reported	$ 205,462
Adjustments to restate the January 1, 2017 Net Position:	
Report Beginning Balance of OPEB Liability - retiree health	(511)
Error correction of prior net pension liability & DI's & DO's	9,825
Net Position January 1, as restated	$ 214,776

Business-Type Activities - Total	**Amounts**
Beginning Net Position, as previously reported	$ 7,909,675
Adjustments to restate the January 1, 2017 Net Position:	
Report Beginning Balance of OPEB Liability - retiree health	(38,221)
Error correction of prior net pension liability & DI's & DO's	9,825
Net Position January 1, as restated	$ 7,881,279

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 1,141,838	$ 1,141,838	$ 1,141,671	$ (167)
Licenses, Permits and Fees	487,150	487,150	516,668	29,518
Fines and Forfeits	97,000	97,000	127,921	30,921
Intergovernmental	1,081,925	1,081,925	1,074,796	(7,129)
Charges for Services	1,300	1,300	12,389	11,089
Interest Income	11,000	11,000	36,478	25,478
Miscellaneous Income	4,300	4,300	4,738	438
Total Revenues	$ 2,824,513	$ 2,824,513	$ 2,914,661	$ 90,148
Expenditures:				
Current:				
General Government	$ 664,327	$ 631,279	$ 633,243	$ (1,964)
Public Safety	1,715,368	1,757,819	1,758,475	(656)
Public Works	632,013	611,175	611,569	(394)
Culture and Recreation	173,224	146,950	148,666	(1,716)
Other	26,000	16,240	16,240	-
Total Expenditures	$ 3,210,932	$ 3,163,463	$ 3,168,193	$ (4,730)
Excess (Deficiency) of Revenues Over Expenditures	$ (386,419)	$ (338,950)	$ (253,532)	$ 85,418
Other Financing Sources (Uses):				
Transfers In	$ 457,043	$ 457,043	$ 849,961	$ 392,918
Transfers Out	(70,625)	(361,587)	(361,574)	13
Total Other Financing Sources and Uses	$ 386,418	$ 95,456	$ 488,387	$ 392,931
Net Change in Fund Balances	$ (1)	$ (243,494)	$ 234,855	$ 478,349
Fund Balance - January 1	$ 1,148,284	$ 1,148,284	$ 1,257,423	$ 109,139
Fund Balance - December 31	$ 1,148,283	$ 904,790	$ 1,492,278	$ 587,488

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
SALES TAX ECONOMIC DEVELOPMENT FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Sales taxes	$ 672,000	$ 672,000	$ 714,622	$ 42,622
Interest income	2,000	2,000	6,908	4,908
Miscellaneous income	7,110	7,110	6,920	(190)
Total Revenues	$ 681,110	$ 681,110	$ 728,450	$ 47,340
Expenditures:				
Current:				
Economic Development	$ 460,545	$ 775,965	$ 775,958	$ 7
Excess (Deficiency) of Revenues Over Expenditures	$ 220,565	$ (94,855)	$ (47,508)	$ 47,347
Other Financing Sources (Uses):				
Transfers Out	$ (211,455)	$ (504,285)	$ (504,285)	$ -
Net Change in Fund Balances	$ 9,110	$ (599,140)	$ (551,793)	$ 47,347
Fund Balance - January 1	$ 3,370,375	$ 3,370,375	$ 3,370,375	$ -
Fund Balance - December 31	$ 3,379,485	$ 2,771,235	$ 2,818,582	$ 47,347

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

CITY OF WAHPETON
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULES
REVOLVING LOAN FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Interest income	$ 650	$ 650	$ 618	$ (32)
Miscellaneous income	10,500	10,500	18,497	7,997
Total Revenues	$ 11,150	$ 11,150	$ 19,115	$ 7,965
Expenditures:				
Current:				
Economic Development	$ 6,150	$ 6,150	$ 2,439	$ 3,711
Excess (Deficiency) of Revenues Over Expenditures	$ 5,000	$ 5,000	$ 16,676	$ 11,676
Other Financing Sources (Uses):				
Transfers Out	$ (5,000)	$ (5,000)	$ (5,000)	$ -
Net Change in Fund Balances	$ -	$ -	$ 11,676	$ 11,676
Fund Balance - January 1	$ 1,500,347	$ 1,500,347	$ 1,500,347	$ -
Fund Balance - December 31	$ 1,500,347	$ 1,500,347	$ 1,512,023	$ 11,676

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

CITY OF WAHPETON
Wahpeton, North Dakota

PENSION & OPEB SCHEDULES
For the Year Ended December 31, 2017

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

	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.211301%	0.239829%	0.256902%	0.257844%
District's proportionate share of the net pension liability (asset)	$ 3,396,301	$ 2,337,367	$ 1,746,890	$ 1,636,591
District's covered-employee payroll	$ 2,157,055	$ 2,416,910	$ 2,288,686	$ 2,172,028
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

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

	2017	2016	2015	2014
Statutorily required contribution	$ 156,413	$ 174,980	$ 173,844	$ 154,618
Contributions in relation to the statutorily required contribution	$ (167,969)	$ (187,909)	$ (163,725)	$ (154,618)
Contribution deficiency (excess)	$ (11,556)	$ (12,929)	$ 10,119	$ -
District's covered-employee payroll	$ 2,157,055	$ 2,416,910	$ 2,288,686	$ 2,172,028
Contributions as a percentage of covered-employee payroll	7.79%	7.77%	7.15%	7.12%

*Complete data for this schedule is not available prior to 2014.

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

NDPERS - OPEB:	2017
District's proportion of the net OPEB liability (asset)	0.199387%
District's proportionate share of the net OPEB liability (asset)	$ 157,717
District's covered-employee payroll	$ 2,157,055
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

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

NDPERS - OPEB:	2017
Statutory required contribution	$ 25,074
Contributions in relation to the statutory required contribution	$ (26,875)
Contribution deficiency (excess)	$ (1,801)
District's covered-employee payroll	$ 2,157,055
Contributions as a percentage of covered-employee payroll	1.25%

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

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).

- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).

- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).

- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.

- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).

- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).

- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability the members of the governing body (NDCC 40-40-15).

- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. He governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments – Expenditures/Transfers Out – Major Funds:

The city's governing board approved budget amendments for various governmental funds expenditures and transfers out that are overspent from original budget amounts.

Expenditures & Transfers Out	**Original Budget**	**Budget Amendment**	**Amended Budget**
Governmental Funds:			
General Fund	$ 3,210,932	$ (47,469)	$ 3,163,463
Sales Tax Fund	460,545	315,420	775,965
Debt Service Funds	2,245,830	534,767	2,780,597
Capital Project Funds	1,296,212	3,968,790	5,265,002
Leach Library	257,711	77,589	335,300
Employee Safety	-	2,015	2,015
Real Estate Levy	10,000	195,215	205,215
Share of Special Assessments	32,990	1,990	34,980
Special Transportation Funding	-	12,455	12,455
Unemployment Compensation Reserve	-	830	830
Miscellaneous Fund	-	720	720
Vector Control District	-	5	5
Job Development Levy	30,307	5,493	35,800
Weed Maintenance Levy	-	6,365	6,365
Sales Tax Mini Match	-	71,510	71,510
HELP Reserve	-	660	660
150th Anniversary Reserve	-	785	785
PD Special Equipment	-	5,840	5,840
CERT	-	315	315

NOTE 3: PENSIONS & OPEB – CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2017

	Balance 1/1/17	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 1/31/17
Major Funds:							
General Fund	$ 1,119,062.17	$ 2,903,144.45	$ 849,960.53	$ -	$ 361,573.50	$ 3,163,463.64	$ 1,347,130.01
Major Special Revenue Funds:							
Sales Tax Econ. Development Fund	$ 3,316,280.01	$ 746,864.92	$ -	$ -	$ 504,285.02	$ 775,957.59	$ 2,782,902.32
Revolving Loan Fund	1,500,346.60	19,115.75	-	-	5,000.00	2,439.00	1,512,023.35
Total Major Special Revenue Funds	$ 4,816,626.61	$ 765,980.67	$ -	$ -	$ 509,285.02	$ 778,396.59	$ 4,294,925.67
Major Debt Service Funds:							
Special Assessment Deficiency Levy	$ 215,074.50	$ -	$ -	$ -	$ -	$ -	$ 215,074.50
Tax Increment Fund	20,403.99	243,749.66	-	-	104,844.67	1,695.00	157,613.98
BDSGC Cart Sublease	-	25,146.50	-	-	-	21,271.50	3,875.00
R/I 10708 Westside TIF	642,652.02	22,651.92	-	-	-	200,309.00	464,994.94
R/I 10809 (Refi 5 issues)	492,678.11	116,999.86	-	-	364,900.97	244,777.00	-
R/I 11011 Series 20111 (Refi 03)	177,282.90	87,801.26	145,000.00	-	-	143,886.25	266,197.91
R/I 11111 Series 2011B Flood	352,157.79	-	291,665.00	-	-	291,598.00	352,224.79
R/I 11212 Series 2012A	238,614.08	71,981.34	153,086.00	-	-	228,399.25	235,282.17
R/I 11314 Series 2014	228,635.12	153,881.31	-	-	-	128,385.00	254,131.43
R/I 11415 Series 2015	107,099.21	44,266.01	-	-	-	55,672.50	95,692.72
R/I 11516 Series 2016 (Refi 10910)	715,537.18	411,314.48	63,168.00	-	-	485,334.00	704,685.66
R/I 11617 Series 2017	-	322,852.07	311,626.45	-	325,787.95	1,025.00	307,665.57
R/I 11716 BND Loan 2016	-	143,232.10	-	-	-	46,686.65	96,545.45
Total Major Debt Service Funds	$ 3,190,134.90	$ 1,643,876.51	$ 964,545.45	$ -	$ 795,533.59	$ 1,849,039.15	$ 3,153,984.12
Major Capital Projects Funds:							
Sales Tax for Infrastructure	$ 2,524,084.41	$ 561,120.59	$ -	$ -	$ 150,845.81	$ -	$ 2,934,359.19
1/2 Sales Tax	1,058,926.18	838,100.80	-	-	793,959.67	-	1,103,067.31
5-2-97 (Flood Phase II)	(1,946,012.23)	1,170,772.39	-	2,165,000.00	80,611.70	1,587,744.44	(278,595.98)
3rd Ave. N. Recon. Proj. # ST11-180	(194,422.41)	-	-	-	-	195,553.29	(389,975.70)
16th Ave. 11th St. to Highway 210	(641,547.10)	261,719.51	46,366.19	530,000.00	166,078.18	30,460.42	-
E. Central Streets 12-01-04	(393.00)	-	-	-	-	-	(393.00)
N. Central Streets 2013 13-01-04	(253.00)	-	-	-	-	-	(253.00)
E. Sanitary Sewer 13-02-02	(128,145.00)	-	-	-	-	811,461.78	(939,606.78)
Library Improvements	(39,080.43)	77,606.28	100,459.65	-	-	138,985.50	-
Lift Station #1 Manhole Repair	(150,845.81)	-	150,845.81	-	-	-	-
Vector Control Capital Equipment	(16,708.68)	-	8,333.00	-	-	3,265.71	(11,641.39)
Westdale Project	(46,240.26)	-	-	46,240.26	-	-	-
Water Treatment Plant Facility Plan	(64,875.42)	-	-	-	-	-	(64,875.42)
WTP Lime Silo & Slaker	(94,386.90)	-	-	-	-	24,883.93	(119,270.83)
PD Relocation	(589,676.43)	27.25	243,391.63	500,000.00	-	153,742.45	-
Westdale 2nd Addition 04-01-16	(1,020.00)	11,696.92	325,787.95	488,759.74	19,448.66	805,775.95	-
Dangerous Bldg. 120 6th St.	-	-	200,000.00	-	-	4,652.42	195,347.58
Alley Construction ST17-234	-	-	-	-	-	45,040.24	(45,040.24)
Westside Master Plan 2017	-	-	-	-	-	27,950.02	(27,950.02)
Culvert Replacement 16th Ave. TIF	-	-	43,478.48	-	-	43,478.48	-
Elm CT Mill & Overlay ST17-236		-	-	-	-	161.00	(161.00)
Total Major Capital Projects Funds	$ (330,596.08)	$ 2,921,043.74	$ 1,118,662.71	$ 3,730,000.00	$ 1,210,944.02	$ 3,873,155.63	$ 2,355,010.72
Non-Major Funds:							
Special Revenue Funds:							
Library Levy	$ 172,853.49	$ 273,116.95	$ -	$ -	$ 100,459.65	$ 234,823.16	$ 110,687.63
Employee Safety Committee	10,889.91	-	-	-	-	2,012.95	8,876.96
Capital Improvements	709,634.68	1,874.49	127,421.87	-	-	78,816.49	760,114.55
Fire Dept. Bldg. & Equipment Levy	175,372.55	141,760.37	43,260.00	-	-	45,000.00	315,392.92
Real Estate Levy	251,601.83	29,955.36	-	-	200,000.00	5,212.80	76,344.39
Special Street Maintenance	122,735.79	167,916.82	-	-	-	130,806.78	159,845.83
Snow/Flood Emergency Levy	24,367.86	24,506.95	-	-	-	6,048.00	42,826.81
Levee Maintenance	-	-	145,054.20	-	-	145,054.20	-
City Share of Specials Levy	68,288.53	34,741.05	-	-	-	34,978.59	68,050.99
Special Transportation Funding	305,907.51	-	-	-	-	12,451.63	293,455.88
Unemployment Compensation Reserve	20,899.94	112.51	-	-	-	826.36	20,186.09
Economic Development Department	-	1,617.96	189,285.02	-	-	190,902.98	-
Miscellaneous Fund	1,215.76	1,161.21	-	-	-	719.37	1,657.60

Continued on next page…

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FUND ACTIVITY
CLIENT BASIS
For the Year Ended December 31, 2017

	Balance 1/1/17	Revenue	Transfers In	Debt Proceeds	Transfers Out	Expenditures	Balance 1/31/17
CONTINUED…							
Non-Major Funds:							
Special Revenue Funds:							
Vector Control District Levy	1,437.12	123.66	-	-	-	4.80	1,555.98
1% Lodging Tax (Additional 1-1-08)	71,623.35	22,275.33	-	-	5,000.00	11,543.40	77,355.28
Job Development Levy	141,224.49	56,926.85	-	-	-	35,793.92	162,357.42
Weed Maintenance Levy	127,607.09	12,310.04	-	-	-	6,361.31	133,555.82
Lodging Tax	69,395.43	44,550.63	-	-	-	36,674.83	77,271.23
Sales Tax Recreation	89,656.21	112,224.11	-	-	5,000.00	24,696.19	172,184.13
Sales Tax Defaults Reserve	$ 39,528.98	$ -	$ -	$ -	$ -	$ -	$ 39,528.98
Sales Tax Housing & Dev. Agmt.	233,297.75	-	-	-	-	-	233,297.75
Sales Tax Mini-Match Reserve	91,883.13	875.00	-	-	-	71,505.17	21,252.96
Sales Tax H.E.L.P. Housing	172,453.26	468.82	-	-	-	660.00	172,262.08
150th Anniversary Reserve	-	-	30,000.00	-	-	781.94	29,218.06
Special Assessment Assistance Fund	-	-	100,000.00	-	-	-	100,000.00
Police Dept. Special Equipment	6,537.62	1,570.10	2,500.00	-	-	5,837.81	4,769.91
Police Dept. Canine Unit	7,633.50	-	-	-	-	450.00	7,183.50
Clubhouse Maintenance	3,294.23	5,000.00	-	-	-	-	8,294.23
Sidewalk Maintenance	62,168.14	-	-	-	-	-	62,168.14
1% Restaurant Tax Enhancement	137,093.61	143,591.15	-	-	5,000.00	59,688.31	215,996.45
C.E.R.T.	3,890.86	-	-	-	-	315.00	3,575.86
Total Special Revenue Funds (nonmajor)	$ 3,122,492.62	$ 1,076,679.36	$ 637,521.09	$ -	$ 315,459.65	$ 1,141,965.99	$ 3,379,267.43
Total Governmental Funds	$11,917,720.22	$ 9,310,724.73	$ 3,570,689.78	$ 3,730,000.00	$3,192,795.78	$10,806,021.00	$ 14,530,317.95
Major Business-Type Funds:							
Water Operating							
Water Operating	$ 1,123,080.82	$ 1,602,141.51	$ -	$ -	$ 359,843.00	$ 1,001,596.52	$ 1,363,782.81
Meter Deposits Trust	11,226.85	3,475.22	-	-	-	1,375.92	13,326.15
Total Water Operating	$ 1,134,307.67	$ 1,605,616.73	$ -	$ -	$ 359,843.00	$ 1,002,972.44	$ 1,377,108.96
Sanitary Sewer Operating	$ 345,460.61	$ 858,888.33	$ -	$ -	$ 9,718.00	$ 710,751.12	$ 483,879.82
Nonmajor Business-Type Funds:							
Waste Removal Operating	$ 94,116.67	$ 293,834.86	$ -	$ -	$ -	$ 284,993.09	$ 102,958.44
Waste Reduction	63,784.50	21,467.07	-	-	-	35,020.92	50,230.65
Vector Control	82,196.75	112,921.82	-	-	8,333.00	79,500.14	107,285.43
Street Lighting	16,110.68	166,588.12	-	-	-	129,124.88	53,573.92
Total Nonmajor Business-Tupe Funds	$ 256,208.60	$ 594,811.87	$ -	$ -	$ 8,333.00	$ 528,639.03	$ 314,048.44
Total Business-Type Funds	$ 1,735,976.88	$ 3,059,316.93	$ -	$ -	$ 377,894.00	$ 2,242,362.59	$ 2,175,037.22
Agency Funds:							
Airport 4 Mill Levy	$ 4,104.45	$ 71,266.15	$ -	$ -	$ -	$ 70,771.38	$ 4,599.22
Handicapped Parking Fines	105.00	5.00	-	-	-	110.00	-
Golf Course Donations	3,103.53	5,000.56	-	-	-	5,000.56	3,103.53
Total Agency Funds	$ 7,312.98	$ 76,271.71	$ -	$ -	$ -	$ 75,881.94	$ 7,702.75
Total Primary Government	$13,661,010.08	$ 12,446,313.37	$ 3,570,689.78	$ 3,730,000.00	$3,570,689.78	$13,124,265.53	$ 16,713,057.92

STATE AUDITOR
JOSHUA C. GALLION
Phone (701) 328-2241

Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Wahpeton's basic financial statements, and have issued our report thereon dated April 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Wahpeton's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 3, 2018

CITY OF WAHPETON
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?				
Governmental Activities	Unmodified			
Business-Type Activities	Unmodified			
Major Funds	Unmodified			
Aggregate Remaining Fund Information	Unmodified			
Internal Control over financial reporting:				
Material weaknesses identified?	_____	Yes	X	None noted
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	X	None noted
Noncompliance material to financial statements noted?	_____	Yes	X	None noted

Section II - Financial Statement Findings

No matters were reported.

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2220

City of Wahpeton

Wahpeton, North Dakota

Management's Letter

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

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City Council
City of Wahpeton
Wahpeton, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wahpeton, North Dakota for the year ended December 31, 2017 which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 3, 2018. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated January 11, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Wahpeton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Wahpeton are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. GASB Statement 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) was adopted during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

AUDIT ADJUSTMENTS - CITY

Intergovernmental Rec'v	318,298	
Revenue		318,298
Expenditures/Expenses	342,253	
Accounts Payable		72,482
Retainages Payable		269,771

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated April 3, 2018.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

This information is intended solely for the use of the City Council and management of the City of Wahpeton and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the City of Wahpeton for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the City of Wahpeton.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
April 3, 2018