

**CITY OF WAHPETON**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**WITH INDEPENDENT AUDITOR'S REPORT**

**CITY OF WAHPETON**

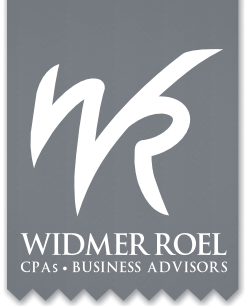
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**CITY OF WAHPETON**

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## INDEPENDENT AUDITOR’S REPORT

City Commission  
**City of Wahpeton**  
Wahpeton, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton** (the “City”), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton**, as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Emphasis of Matter - Prior Period Adjustment*

As discussed in Note 14 to the financial statements, the 2024 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

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

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

### ***Required Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2026, on our consideration of the **City of Wahpeton’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Fargo, North Dakota  
May 8, 2026

**CITY OF WAHPETON**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2025**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 26,523,633	\$ 3,329,696	\$ 29,853,329
Due from other government	589,634	-	589,634
Utility billings receivable	-	351,564	351,564
Accounts receivable	22,432	-	22,432
Taxes receivable	72,150	-	72,150
Special assessment receivable	15,392,076	-	15,392,076
Loans receivable	1,345,247	-	1,345,247
Capital assets, not being depreciated			
Land	4,184,318	95,576	4,279,894
Intangible assets	805,180	-	805,180
Construction in progress	4,787,566	-	4,787,566
Equipment in transit	425,468	-	425,468
Capital assets, net of accumulated depreciation			
Buildings	3,066,198	2,017,064	5,083,262
Equipment	2,229,779	854,843	3,084,622
Vehicles	250,529	100,722	351,251
Infrastructure	<u>52,618,161</u>	<u>16,435,287</u>	<u>69,053,448</u>
Total assets	<u>112,312,371</u>	<u>23,184,752</u>	<u>135,497,123</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from pensions	1,838,641	56,846	1,895,487
Derived from OPEB	<u>47,779</u>	<u>12,538</u>	<u>60,317</u>
Total deferred outflows of resources	<u>1,886,420</u>	<u>69,384</u>	<u>1,955,804</u>
Total assets and deferred outflows of resources	<u>\$ 114,198,791</u>	<u>\$ 23,254,136</u>	<u>\$ 137,452,927</u>

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 997,584	\$ 41,588	\$ 1,039,172
Accrued expenses	227,079	20,561	247,640
Interest payable	139,447	-	139,447
Retainage payable	98,235	-	98,235
Non current liabilities			
Due within one year			
Compensated absences	145,982	46,678	192,660
Special assessment bonds payable	1,214,374	-	1,214,374
Notes payable	85,477	-	85,477
Loans payable	11,888	-	11,888
Due in more than one year			
Compensated absences	164,951	53,056	218,007
Special assessment bonds payable	22,629,801	-	22,629,801
Notes payable	240,631	-	240,631
Loans payable	12,613	-	12,613
Net pension liability	2,550,077	537,570	3,087,647
Net OPEB liability	149,018	42,075	191,093
	<u>28,667,157</u>	<u>741,528</u>	<u>29,408,685</u>
Total liabilities			
	<u>28,667,157</u>	<u>741,528</u>	<u>29,408,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from pensions	2,172,850	354,060	2,526,910
Derived from OPEB	38,077	19,228	57,305
	<u>2,210,927</u>	<u>373,288</u>	<u>2,584,215</u>
Total deferred inflows of resources			
	<u>2,210,927</u>	<u>373,288</u>	<u>2,584,215</u>
<b>NET POSITION</b>			
Net investment in fixed assets	43,934,733	19,503,492	63,438,225
Restricted			
Debt service	5,544,732	-	5,544,732
Capital projects	8,537,531	-	8,537,531
Economic development	5,611,979	-	5,611,979
Public works	1,621,258	-	1,621,258
Culture and recreation	1,003,162	-	1,003,162
Public safety	599,759	-	599,759
General government	170,729	-	170,729
Unrestricted	16,296,824	2,635,828	18,932,652
	<u>83,320,707</u>	<u>22,139,320</u>	<u>105,460,027</u>
Total net position			
	<u>83,320,707</u>	<u>22,139,320</u>	<u>105,460,027</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>114,198,791</u>	\$ <u>23,254,136</u>	\$ <u>137,452,927</u>

**CITY OF WAHPETON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 653,947	\$ 274,629	\$ 124	\$ 125,960	\$ (253,234)	\$ -	\$ (253,234)
Public safety	3,413,338	2,738	170,419	-	(3,240,181)	-	(3,240,181)
Public works	3,543,473	466,624	1,939,461	982,838	(154,550)	-	(154,550)
Culture and recreation	662,817	87,122	245,114	-	(330,581)	-	(330,581)
Economic development	500,630	433	3,908	-	(496,289)	-	(496,289)
Other	209,180	-	-	-	(209,180)	-	(209,180)
Interest and other	695,881	-	-	-	(695,881)	-	(695,881)
Total governmental activities	<u>9,679,268</u>	<u>831,546</u>	<u>2,359,026</u>	<u>1,108,798</u>	<u>(5,379,898)</u>	<u>-</u>	<u>(5,379,898)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water operations	1,530,876	1,795,059	-	-	-	264,183	264,183
Sewer operations	1,255,335	1,580,774	-	-	-	325,439	325,439
Nonmajor enterprise	735,634	988,025	-	-	-	252,391	252,391
Total business-type activities	<u>3,521,845</u>	<u>4,363,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>842,013</u>	<u>842,013</u>
Total primary government	<u>\$ 13,201,113</u>	<u>\$ 5,195,404</u>	<u>\$ 2,359,026</u>	<u>\$ 1,108,798</u>	<u>(5,379,898)</u>	<u>842,013</u>	<u>(4,537,885)</u>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes					2,298,420	-	2,298,420
Sales taxes					3,968,537	-	3,968,537
Unrestricted grants and contributions					824,010	-	824,010
Capital asset transfers					(3,339,691)	3,339,691	-
Transfers					925,000	(925,000)	-
Investment income and other revenue					1,070,174	-	1,070,174
Gain on extinguishment of debt					74,975	-	74,975
Miscellaneous revenues					218,662	31,486	250,148
Total general revenues					<u>6,040,087</u>	<u>2,446,177</u>	<u>8,486,264</u>
Change in net position					<u>660,189</u>	<u>3,288,190</u>	<u>3,948,379</u>
Net position - January 1					<u>82,660,518</u>	<u>18,851,130</u>	<u>101,511,648</u>
Net position - December 31					<u>\$ 83,320,707</u>	<u>\$ 22,139,320</u>	<u>\$ 105,460,027</u>

See Notes to Financial Statements

**CITY OF WAHPETON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2025**

	<b>General</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 2,856,486	\$ 10,859,022	\$ 5,544,732	\$ 7,263,393	\$ 26,523,633
Due from other government	127,807	252,663	-	209,164	589,634
Accounts receivable	21,940	492	-	-	22,432
Taxes receivable	30,000	42,150	-	-	72,150
Special assessment receivable	-	-	15,392,076	-	15,392,076
Loans receivable	-	1,019,605	-	325,642	1,345,247
	<u>3,036,233</u>	<u>12,173,932</u>	<u>20,936,808</u>	<u>7,798,199</u>	<u>43,945,172</u>
<b>Total assets</b>					
	<u>\$ 3,036,233</u>	<u>\$ 12,173,932</u>	<u>\$ 20,936,808</u>	<u>\$ 7,798,199</u>	<u>\$ 43,945,172</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 22,725	\$ 27,424	\$ -	\$ 947,435	\$ 997,584
Accrued expenses	161,622	65,457	-	-	227,079
	<u>184,347</u>	<u>92,881</u>	<u>-</u>	<u>947,435</u>	<u>1,224,663</u>
<b>Total liabilities</b>					
	<u>184,347</u>	<u>92,881</u>	<u>-</u>	<u>947,435</u>	<u>1,224,663</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes receivable	30,000	42,150	-	-	72,150
Unavailable revenue - special assessment receivable	-	-	15,392,076	-	15,392,076
	<u>30,000</u>	<u>42,150</u>	<u>15,392,076</u>	<u>-</u>	<u>15,464,226</u>
<b>Total deferred inflows of resources</b>					
	<u>30,000</u>	<u>42,150</u>	<u>15,392,076</u>	<u>-</u>	<u>15,464,226</u>
<b>FUND BALANCES</b>					
Nonspendable	-	1,019,605	-	325,642	1,345,247
Restricted for					
Debt service	-	-	5,544,732	-	5,544,732
Capital projects	-	2,012,409	-	6,525,122	8,537,531
Economic development	-	5,611,979	-	-	5,611,979
Public works	-	1,621,258	-	-	1,621,258
Culture and recreation	-	1,003,162	-	-	1,003,162
Public safety	-	599,759	-	-	599,759
General government	-	170,729	-	-	170,729
Unassigned	2,821,886	-	-	-	2,821,886
	<u>2,821,886</u>	<u>12,038,901</u>	<u>5,544,732</u>	<u>6,850,764</u>	<u>27,256,283</u>
<b>Total fund balances</b>					
	<u>2,821,886</u>	<u>12,038,901</u>	<u>5,544,732</u>	<u>6,850,764</u>	<u>27,256,283</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>					
	<u>\$ 3,036,233</u>	<u>\$ 12,173,932</u>	<u>\$ 20,936,808</u>	<u>\$ 7,798,199</u>	<u>\$ 43,945,172</u>

**CITY OF WAHPETON**  
**RECONCILIATION OF GOVERNMENTAL FUNDS –**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2025**

<b>Total fund balances for governmental funds</b>		\$ 27,256,283
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	98,587,550	
Less accumulated depreciation	<u>(30,220,351)</u>	68,367,199
Property taxes and special assessments will be collected after year-end, but not available soon enough to pay for the current period's expenditures and are reported as deferred inflows in the funds.		
		15,464,226
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows	1,886,420	
Deferred inflows	<u>(2,210,927)</u>	(324,507)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31, 2023 are:		
Interest payable	(139,447)	
Compensated absences	(310,933)	
Retainage payable	(98,235)	
Special assessment bonds payable	(23,844,175)	
Notes payable	(326,108)	
Loans payable	(24,501)	
Net pension liability	(2,550,077)	
Net OPEB liability	<u>(149,018)</u>	
Total long-term liabilities		<u>(27,442,494)</u>
<b>Total net position of governmental activities</b>		<b>\$ <u>83,320,707</u></b>

**CITY OF WAHPETON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Government Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 1,484,540	\$ 755,352	\$ -	\$ -	\$ 2,239,892
Sales taxes	-	1,478,043	-	2,484,870	3,962,913
Special assessment taxes	-	-	1,852,576	-	1,852,576
Licenses, permits and fees	486,955	-	-	-	486,955
Intergovernmental revenues	1,548,763	416,290	-	1,231,728	3,196,781
Charges for services	79,419	166,006	-	43,500	288,925
Fines and forfeits	147,630	4,973	-	-	152,603
Interest income	475,384	594,791	-	-	1,070,175
Miscellaneous revenue	26,220	48,457	38,939	-	113,616
	<u>4,248,911</u>	<u>3,463,912</u>	<u>1,891,515</u>	<u>3,760,098</u>	<u>13,364,436</u>
<b>EXPENDITURES</b>					
Current					
General government	946,331	1,156	-	-	947,487
Public safety	2,840,360	644,215	-	-	3,484,575
Public works	833,461	983,077	-	2,497	1,819,035
Culture and recreation	189,564	457,423	-	-	646,987
Economic development	-	553,125	-	-	553,125
Other	-	212,713	-	-	212,713
Debt service					
Principal	-	82,090	1,538,891	-	1,620,981
Interest and fees	-	15,231	680,652	-	695,883
Capital outlay	-	-	-	3,861,892	3,861,892
	<u>4,809,716</u>	<u>2,949,030</u>	<u>2,219,543</u>	<u>3,864,389</u>	<u>13,842,678</u>
Excess (deficiency) of revenues over expenditures	<u>(560,805)</u>	<u>514,882</u>	<u>(328,028)</u>	<u>(104,291)</u>	<u>(478,242)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,293,050	1,190,930	927,964	200,393	3,612,337
Debt proceeds	-	-	-	1,311,635	1,311,635
Transfers out	<u>(397,274)</u>	<u>(327,149)</u>	<u>(628,050)</u>	<u>(1,334,864)</u>	<u>(2,687,337)</u>
Total other financing sources (uses)	<u>895,776</u>	<u>863,781</u>	<u>299,914</u>	<u>177,164</u>	<u>2,236,635</u>
Net change in fund balances	<u>334,971</u>	<u>1,378,663</u>	<u>(28,114)</u>	<u>72,873</u>	<u>1,758,393</u>
<b>FUND BALANCE - January 1</b>	<u>3,044,466</u>	<u>10,102,687</u>	<u>5,572,846</u>	<u>6,777,891</u>	<u>25,497,890</u>
Prior period adjustment	<u>(557,551)</u>	<u>557,551</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - January 1, as restated</b>	<u>2,486,915</u>	<u>10,660,238</u>	<u>5,572,846</u>	<u>6,777,891</u>	<u>25,497,890</u>
<b>FUND BALANCE - December 31</b>	<u>\$ 2,821,886</u>	<u>\$ 12,038,901</u>	<u>\$ 5,544,732</u>	<u>\$ 6,850,764</u>	<u>\$ 27,256,283</u>

**CITY OF WAHPETON**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS – STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Net change in fund balances - total governmental funds** \$ 1,758,393

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital asset transfers to enterprise funds	(3,339,691)	
Capital outlay	4,594,143	
Depreciation expense	<u>(2,522,235)</u>	(1,267,783)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net change in interest payable	111,176	
Net change in compensated absences	77,639	
Net change in retainage payable	(30,038)	
Net change in net pension liability	380,017	
Net change in total OPEB liability	<u>26,464</u>	565,258

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

Net change in deferred outflows	(532,420)	
Net change in deferred inflows	<u>437,684</u>	(94,736)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,695,957

Government funds report liability from debt proceeds as other financing sources. Issuances of long-term debt are increases in liabilities on the statement of net position. (1,311,635)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net change in taxes and special assessments receivable. (685,265)

**Change in net position of governmental activities** \$ 660,189

**CITY OF WAHPETON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2025**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water Operating</b>	<b>Sewer Operating</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets				
Cash	\$ 1,514,278	\$ 1,191,177	\$ 624,241	\$ 3,329,696
Utility billings receivable	<u>127,578</u>	<u>134,948</u>	<u>89,038</u>	<u>351,564</u>
Total current assets	<u>1,641,856</u>	<u>1,326,125</u>	<u>713,279</u>	<u>3,681,260</u>
Noncurrent assets				
Capital assets (net of accumulated depreciation)				
Land	95,576	-	-	95,576
Buildings	1,962,558	54,506	-	2,017,064
Equipment	411,495	443,348	-	854,843
Vehicles	-	100,722	-	100,722
Infrastructure	<u>6,249,370</u>	<u>10,185,917</u>	<u>-</u>	<u>16,435,287</u>
Total noncurrent assets	<u>8,718,999</u>	<u>10,784,493</u>	<u>-</u>	<u>19,503,492</u>
Total assets	<u>10,360,855</u>	<u>12,110,618</u>	<u>713,279</u>	<u>23,184,752</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from pensions	37,889	16,960	1,997	56,846
Derived from OPEB	<u>7,599</u>	<u>4,399</u>	<u>540</u>	<u>12,538</u>
Total deferred outflows of resources	<u>45,488</u>	<u>21,359</u>	<u>2,537</u>	<u>69,384</u>
Total assets and deferred outflows	<u>\$ 10,406,343</u>	<u>\$ 12,131,977</u>	<u>\$ 715,816</u>	<u>\$ 23,254,136</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 5,134	\$ 35,118	\$ 1,336	\$ 41,588
Accrued expenses	11,619	8,083	859	20,561
Compensated absences	<u>27,587</u>	<u>16,874</u>	<u>2,217</u>	<u>46,678</u>
Total current liabilities	<u>44,340</u>	<u>60,075</u>	<u>4,412</u>	<u>108,827</u>
Noncurrent liabilities				
Compensated absences	32,306	19,296	1,454	53,056
Net pension liability	322,346	191,618	23,606	537,570
Net OPEB liability	<u>25,338</u>	<u>14,904</u>	<u>1,833</u>	<u>42,075</u>
Total noncurrent liabilities	<u>379,990</u>	<u>225,818</u>	<u>26,893</u>	<u>632,701</u>
Total liabilities	<u>424,330</u>	<u>285,893</u>	<u>31,305</u>	<u>741,528</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from pensions	217,674	121,543	14,843	354,060
Derived from OPEB	<u>11,152</u>	<u>7,182</u>	<u>894</u>	<u>19,228</u>
Total deferred inflows of resources	<u>228,826</u>	<u>128,725</u>	<u>15,737</u>	<u>373,288</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,718,999	10,784,493	-	19,503,492
Unrestricted	<u>1,034,188</u>	<u>932,866</u>	<u>668,774</u>	<u>2,635,828</u>
Total net position	<u>9,753,187</u>	<u>11,717,359</u>	<u>668,774</u>	<u>22,139,320</u>
Total liabilities, deferred inflows, and net position	<u>\$ 10,406,343</u>	<u>\$ 12,131,977</u>	<u>\$ 715,816</u>	<u>\$ 23,254,136</u>

See Notes to Financial Statements

**CITY OF WAHPETON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>Business Type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Water Operating</b>	<b>Sewer Operating</b>	<b>Other Enterprise Funds</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,795,059	\$ 1,580,774	\$ 988,025	\$ 4,363,858
<b>OPERATING EXPENSES</b>				
Payroll expenses	494,324	359,808	53,646	907,778
Repairs and maintenance	141,315	156,584	79,686	377,585
Utilities	59,490	73,196	124,547	257,233
Office expenses	23,464	20,418	436	44,318
Waste removal	-	-	372,153	372,153
Chemicals	227,626	85,359	31,011	343,996
Equipment	21,201	-	19,597	40,798
Service contract	15,982	-	40,545	56,527
Water meters	65,276	11,867	-	77,143
Insurance	26,459	11,813	-	38,272
Miscellaneous	81,389	69,549	14,013	164,951
Professional fees	24,673	2,389	-	27,062
Depreciation	349,677	464,352	-	814,029
Total operating expenses	<u>1,530,876</u>	<u>1,255,335</u>	<u>735,634</u>	<u>3,521,845</u>
Operating income	<u>264,183</u>	<u>325,439</u>	<u>252,391</u>	<u>842,013</u>
<b>NONOPERATING REVENUES</b>				
Miscellaneous revenue	<u>22,678</u>	<u>8,808</u>	<u>-</u>	<u>31,486</u>
Net income before transfers	<u>286,861</u>	<u>334,247</u>	<u>252,391</u>	<u>873,499</u>
Capital asset transfers	1,804,207	1,535,484	-	3,339,691
Transfers out	<u>(322,253)</u>	<u>(530,000)</u>	<u>(72,747)</u>	<u>(925,000)</u>
Change in net position	<u>1,768,815</u>	<u>1,339,731</u>	<u>179,644</u>	<u>3,288,190</u>
<b>NET POSITION - January 1</b>	<u>7,984,372</u>	<u>10,377,628</u>	<u>489,130</u>	<u>18,851,130</u>
<b>NET POSITION - December 31</b>	\$ <u><u>9,753,187</u></u>	\$ <u><u>11,717,359</u></u>	\$ <u><u>668,774</u></u>	\$ <u><u>22,139,320</u></u>

**CITY OF WAHPETON**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water Operating</b>	<b>Sewer Operating</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 1,809,313	\$ 1,583,572	\$ 986,933	\$ 4,379,818
Cash paid to suppliers	(899,706)	(577,804)	(759,675)	(2,237,185)
Cash paid to employees	(513,181)	(370,438)	(57,150)	(940,769)
Net cash provided by operating activities	<u>396,426</u>	<u>635,330</u>	<u>170,108</u>	<u>1,201,864</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	<u>(322,253)</u>	<u>(530,000)</u>	<u>(72,747)</u>	<u>(925,000)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(12,184)	(129,173)	-	(141,357)
Miscellaneous revenue	<u>22,678</u>	<u>8,808</u>	<u>-</u>	<u>31,486</u>
Net cash provided (used) by capital and related financing activities	<u>10,494</u>	<u>(120,365)</u>	<u>-</u>	<u>(109,871)</u>
Net change in cash and cash equivalents	<u>84,667</u>	<u>(15,035)</u>	<u>97,361</u>	<u>166,993</u>
Cash and cash equivalents				
Cash - January 1	<u>1,429,611</u>	<u>1,206,212</u>	<u>526,880</u>	<u>3,162,703</u>
Cash and cash equivalents				
Cash - December 31	<u>\$ 1,514,278</u>	<u>\$ 1,191,177</u>	<u>\$ 624,241</u>	<u>\$ 3,329,696</u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating income	\$ 264,183	\$ 325,439	\$ 252,391	\$ 842,013
Adjustment to reconcile operating loss to net cash provided by operating activities				
Depreciation expense	349,677	464,352	-	814,029
Change in assets and liabilities				
Utility billing receivable	14,254	2,798	(1,092)	15,960
Accounts payable	(11,523)	(12,424)	(60,911)	(84,858)
Accrued expenses	1,023	464	17	1,504
Compensated absences payable	(19,880)	(11,094)	(3,521)	(34,495)
Pension and OPEB liabilities, inflows and outflows	<u>(201,308)</u>	<u>(134,205)</u>	<u>(16,776)</u>	<u>(352,289)</u>
Net cash provided by operating activities	<u>\$ 396,426</u>	<u>\$ 635,330</u>	<u>\$ 170,108</u>	<u>\$ 1,201,864</u>

**CITY OF WAHPETON**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2025**

	<b>Custodial Funds</b>
<b>ASSETS</b>	
Cash	\$ <u>20,631</u>
<b>LIABILITIES</b>	
Due to other parties	\$ <u>17,527</u>
<b>NET POSITION</b>	
Net position	\$ <u>3,104</u>

**CITY OF WAHPETON**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<b>Custodial Funds</b>
Additions	
Tax collections for other governments	\$ <u>122,655</u>
Total additions	<u>122,655</u>
Deductions	
Tax disbursements to other governments	<u>122,655</u>
Total deductions	<u>122,655</u>
Change in net position	<u>-</u>
<b>NET POSITION - January 1</b>	<u>3,104</u>
<b>NET POSITION - December 31</b>	<u><u>\$ 3,104</u></u>

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wahpeton (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 Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

***Financial Reporting Entity***

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

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

***Basis of Presentation***

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

*(Continued)*

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

*Special Revenue Fund:* This fund accounts for all other resources which are required by law, contract, or policy to be accounted for in another fund, but which do not meet the criteria of debt service or capital project funds.

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund type:

*Custodial Funds:* These funds account for assets held by the City in a custodial capacity as an agent on behalf of others.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

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

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

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

***Cash and Investments***

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

The investments of the City during the year ended December 31, 2025, consisted of municipal bonds, US treasury bonds, and certificates of deposit stated at fair value.

***Accounts Receivable***

Accounts receivable consist of amounts on open accounts from individuals for goods and services furnished by the City. Management has determined all accounts receivable are collectable as of December 31, 2025 and accordingly, no allowance for uncollectible accounts has been recorded.

***Capital Assets***

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

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

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

***Compensated Absences***

Full-time and permanent part-time employees are granted vacation benefits at a specified rate per calendar month of full-time service. Full-time employees earn sick leave benefits at the rate of one working day per month. Permanent part-time employees earn sick leave benefits at the rate of half a working day per month. A liability for 100% of vested or accumulated vacation leave, and management's estimate of sick leave to be used in following year, is reported on the statement of net position.

***Long-Term Obligations***

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

***Pension***

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

***Other Post-Employment Benefits (OPEB)***

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

***Deferred Outflows and Inflows of Resources***

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

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

***Fund Equity***

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

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

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

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

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

***Net Position***

Net position represents the difference between assets and liabilities. Net position is classified in the following categories:

*Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and is reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. These assets are not available for future spending.

*Restricted Net Position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Position* – This amount is the net position that does not meet the definition of “Net Investment in Capital Assets” or “Restricted Net Position”.

***Interfund Transactions***

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

***Use of Estimates***

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

**NOTE 2 – DEPOSITS**

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

At year ended December 31, 2025, the City’s carrying amount of deposits was \$16,024,385 and the bank balances were \$16,102,972. Of the bank balance, \$8,250,992 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution’s agent in the government’s name.

**NOTE 3 – INVESTMENTS**

As of December 31, 2025, the City had the following investments:

Investment Type	Moody's or S&P Rating	Investment Maturities			Fair Value	Percent of Investments	Fair Value Hierarchy
		Less than One Year	1-5 Years	6-10 Years			
US Treasury Bonds	AA+	\$ -	\$ 2,814,243	\$ -	\$ 2,814,243	20.32%	Level 2
Corporate and Municipal Bonds	AA+	-	1,458,710	1,044,889	2,503,599	18.08%	Level 2
Corporate and Municipal Bonds	N/A	-	700,562	3,205	703,767	5.08%	Level 2
Money Market	AAA	7,827,965	-	-	7,827,965	56.52%	Level 1
Total Investments		\$ 7,827,965	\$ 4,973,515	\$ 1,048,094	\$ 13,849,574	100%	

***Fair Value Measurement***

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

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

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

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

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The fair value leveling of the City’s investment portfolio was as of December 31, 2025.

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rate. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

***Credit Risk***

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

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

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

At December 31, 2025 the City did not hold certificates of deposit.

***Concentration of Credit Risk***

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

**CITY OF WAHPETON**  
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**NOTE 4 – TAXES AND SPECIAL ASSESSMENTS RECEIVABLE**

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

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

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

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

**NOTE 5 – LOANS RECEIVABLE**

The City issues loans for various economic development projects. The City sets up a payment schedule with interest for the loans to be repaid. The City had the following loan activity for the year ended December 31, 2025:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
PACE loans	\$ 619,800	\$ 181,990	\$ 46,127	\$ 755,663
RLF and FLEX loans	937,449	24,242	372,107	589,584
Total	\$ 1,557,249	\$ 206,232	\$ 418,234	\$ 1,345,247

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2025:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Transfers</b>	<b>Transfers to Business Type</b>	<b>Ending Balance</b>
Capital assets not being depreciated						
Land	\$ 4,168,611	\$ 15,707	\$ -	\$ -	\$ -	\$ 4,184,318
Intangible assets	805,180	-	-	-	-	805,180
Construction in progress	16,307,651	3,891,930	-	(12,072,324)	(3,339,691)	4,787,566
Equipment in transit	-	425,468	-	-	-	425,468
Total capital assets not being depreciated	21,281,442	4,333,105	-	(12,072,324)	(3,339,691)	10,202,532
Capital assets, being depreciated						
Buildings	5,764,220	-	-	-	-	5,764,220
Equipment	6,987,794	216,239	-	-	-	7,204,033
Vehicles	859,462	44,799	-	-	-	904,261
Infrastructure	62,440,180	-	-	12,072,324	-	74,512,504
Total capital assets, being depreciated	76,051,656	261,038	-	12,072,324	-	88,385,018

(Continued)

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers to Business Type</u>	<u>Ending Balance</u>
Less accumulated depreciation for						
Buildings	2,593,527	104,495	-	-	-	2,698,022
Equipment	4,703,193	271,061	-	-	-	4,974,254
Vehicles	557,273	96,459	-	-	-	653,732
Infrastructure	<u>19,844,123</u>	<u>2,050,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,894,343</u>
Total accumulated depreciation	<u>27,698,116</u>	<u>2,522,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,220,351</u>
Total capital assets, being depreciated, net	<u>48,353,540</u>	<u>(2,261,197)</u>	<u>-</u>	<u>12,072,324</u>	<u>-</u>	<u>58,164,667</u>
Governmental activities capital assets, net	<u>\$ 69,634,982</u>	<u>\$ 2,071,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,339,691)</u>	<u>\$ 68,367,199</u>

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

General government	\$ 119,524
Public safety	237,715
Public works	2,144,262
Culture and recreation	<u>20,734</u>
Total depreciation expense - governmental activities	<u>\$ 2,522,235</u>

**Business-type Activities**  
**Water Fund**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, not being depreciated						
Land	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,576</u>	<u>\$ 95,576</u>
Capital assets, being depreciated						
Buildings	3,589,266	-	-	-	-	3,589,266
Equipment	2,130,102	12,184	-	-	-	2,142,286
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	<u>6,696,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,708,631</u>	<u>8,405,119</u>
Total capital assets, being depreciated	<u>12,471,756</u>	<u>12,184</u>	<u>-</u>	<u>-</u>	<u>1,708,631</u>	<u>14,192,571</u>
Less accumulated depreciation for						
Buildings	1,559,563	67,145	-	-	-	1,626,708
Equipment	1,680,532	50,259	-	-	-	1,730,791
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	<u>1,923,476</u>	<u>232,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,155,749</u>
Total accumulated depreciation	<u>5,219,471</u>	<u>349,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,569,148</u>
Business-type activities - capital assets, net	<u>\$ 7,252,285</u>	<u>\$ (337,493)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,804,207</u>	<u>\$ 8,718,999</u>

Depreciation expense was charged to the Water Function.

**CITY OF WAHPETON**  
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**Business-type Activities**  
**Sewer Fund**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, being depreciated						
Buildings	\$ 82,942	\$ -	\$ -	\$ -	\$ -	\$ 82,942
Equipment	2,915,068	66,375	-	-	127,139	3,108,582
Vehicles	97,549	62,798	-	-	-	160,347
Infrastructure	<u>12,243,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,408,345</u>	<u>13,651,514</u>
Total capital assets, being depreciated	<u>15,338,728</u>	<u>129,173</u>	<u>-</u>	<u>-</u>	<u>1,535,484</u>	<u>17,003,385</u>
Less accumulated depreciation for						
Buildings	26,779	1,657	-	-	-	28,436
Equipment	2,640,869	24,365	-	-	-	2,665,234
Vehicles	48,628	10,997	-	-	-	59,625
Infrastructure	<u>3,038,264</u>	<u>427,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,465,597</u>
Total accumulated depreciation	<u>5,754,540</u>	<u>464,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,218,892</u>
Business-type activities - capital assets, net	<u>\$ 9,584,188</u>	<u>\$ (335,179)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,484</u>	<u>\$ 10,784,493</u>

Depreciation expense was charged to the Sewer Function.

**NOTE 7 – LONG-TERM DEBT**

**Government Activities**

During the year ended December 31, 2025, the following changes occurred in liabilities reported in the long-term liabilities for governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Special assessment bonds	\$ 24,037,891	\$ 1,311,635	\$ 1,505,351	\$ 23,844,175	\$ 1,214,374
Notes payable	408,198	-	82,090	326,108	85,477
Loans payable	133,017	-	108,516	24,501	11,888
Compensated absences*	388,572	-	77,639	310,933	145,982
Net pension and OPEB liability*	<u>3,105,577</u>	<u>-</u>	<u>406,483</u>	<u>2,699,094</u>	<u>-</u>
Total	<u>\$ 28,073,255</u>	<u>\$ 1,311,635</u>	<u>\$ 2,180,079</u>	<u>\$ 27,204,811</u>	<u>\$ 1,457,721</u>

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

**CITY OF WAHPETON**  
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The following represent the required payments on the long-term debt:

<b>Special Assessment Bonds</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 1,214,374	\$ 620,065	\$ 1,834,439
2027	1,170,683	592,003	1,762,686
2028	1,185,759	563,820	1,749,579
2029	1,225,935	533,783	1,759,718
2030	1,171,216	503,916	1,675,132
2031-2035	5,260,638	2,105,865	7,366,503
2036-2040	4,966,256	1,474,099	6,440,355
2041-2045	5,042,043	781,647	5,823,690
2046-2050	2,607,271	131,361	2,738,632
	<u>\$ 23,844,175</u>	<u>\$ 7,306,559</u>	<u>\$ 31,150,734</u>

<b>Notes Payable</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 85,477	\$ 11,843	\$ 97,320
2027	89,011	8,310	97,321
2028	36,215	4,624	40,839
2029	37,319	3,520	40,839
2030	38,457	2,382	40,839
2031-2035	39,629	1,209	40,838
	<u>\$ 326,108</u>	<u>\$ 31,888</u>	<u>\$ 357,996</u>

<b>Loans Payable</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 11,888	\$ 1,330	\$ 13,218
2027	12,613	604	13,217
	<u>\$ 24,501</u>	<u>\$ 1,934</u>	<u>\$ 26,435</u>

During the year ended December 31, 2025, the following changes occurred in liabilities reported in the long-term liabilities for business-type activities:

<b>Water Fund</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences*	\$ 79,773	\$ -	\$ 19,880	\$ 59,893	\$ 27,587
Net pension and OPEB liability*	461,136	-	113,452	347,684	-
Total	<u>\$ 540,909</u>	<u>\$ -</u>	<u>\$ 133,332</u>	<u>\$ 407,577</u>	<u>\$ 27,587</u>

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

**CITY OF WAHPETON**  
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<b>Sewer Fund</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences*	\$ 47,264	\$ -	\$ 11,094	\$ 36,170	\$ 16,874
Net pension and OPEB liability*	<u>282,157</u>	<u>-</u>	<u>75,635</u>	<u>206,522</u>	<u>-</u>
Total	<u>\$ 329,421</u>	<u>\$ -</u>	<u>\$ 86,729</u>	<u>\$ 242,692</u>	<u>\$ 16,874</u>

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

<b>Nonmajor Enterprise Funds</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences*	\$ 7,192	\$ -	\$ 3,521	\$ 3,671	\$ 2,217
Net pension and OPEB liability*	<u>34,894</u>	<u>-</u>	<u>9,455</u>	<u>25,439</u>	<u>-</u>
Total	<u>\$ 42,086</u>	<u>\$ -</u>	<u>\$ 12,976</u>	<u>\$ 29,110</u>	<u>\$ 2,217</u>

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

**NOTE 8 – TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2025:

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
General fund	\$ 1,293,050	\$ 397,274
Special revenue fund	1,190,930	327,149
Debt service fund	927,964	628,050
Capital projects fund	200,393	1,334,864
Water fund	-	322,253
Sewer fund	-	530,000
Nonmajor enterprise funds	<u>-</u>	<u>72,747</u>
Total	<u>\$ 3,612,337</u>	<u>\$ 3,612,337</u>

Transfers are used to move unrestricted general revenue to finance programs that the City accounts for in other funds in accordance with budget authority and to subsidize other programs.

**NOTE 9 – RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$10,000,000 per occurrence for general liability and automobiles; and \$4,988,376 for public assets.

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

The City has worker's compensation with the Department of Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 10 – PENSION PLAN**

**General Information about the Pension Plan**

*North Dakota Public Employees Retirement System (Main and Law Enforcement Systems)*

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to North Dakota Century Code ("NDCC") Chapter 54-52 for more complete information.

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death, and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

*Pension Benefits*

**Main System**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was to be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.0% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.0% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64, with three or more years of service.

**CITY OF WAHPETON**  
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**Law Enforcement System**

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. The monthly pension benefit is equal to 2.0% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55, with three or more years of service.

**Both Systems**

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***

**Both Systems**

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

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

***Refunds of Member Account Balance***

**Main System**

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.

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Law Enforcement System**

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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 is vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member is terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

***Member and Employer Contributions***

**Main System**

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 7.0% and employer contribution rates are 8.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.0% and employer contribution rates are 9.26% of covered compensation.

**Law Enforcement System**

Member and employer contributions paid to NDPERS are established as a percentage of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<b>Plan</b>	<b>Member contribution rate</b>	<b>Employer contribution rate</b>
Law Enforcement with previous service		
Political Subdivisions	5.50%	11.40%
State	6.00%	14.34%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	9.16%

**Both Systems**

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

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

At December 31, 2025, the following net pension liabilities were reported:

	<b>Pension Liability</b>
Main System	\$ 2,344,257
Law Enforcement System	743,390

The net pension liability was measured as of June 30, 2025, 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 and the Law Enforcement System pension plan relative to the covered payroll of all participating employers. The entities had the following pension expense (income) and the following proportions and change in proportions at June 30, 2025, and reported for the year ended December 31, 2025.

	<b>Pension Expense (Income)</b>	<b>Proportion Share</b>	<b>Change in Proportion Share</b>
Main System	\$ (650,969)	0.147445%	-0.000727%
Law Enforcement System	344,742	0.967335%	-0.005511%

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Main System**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 126,655	\$ -
Changes of assumptions	243,491	649,265
Net difference between projected and actual earnings on pension plan investments	-	207,144
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,316	1,064,357
Employer contributions subsequent to measurement date	87,315	-
	\$ 514,777	\$ 1,920,766

(Continued)

**CITY OF WAHPETON**  
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\$87,315 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025.

**Law Enforcement**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 771,959	\$ -
Changes of assumptions	198,831	521,499
Net difference between projected and actual earnings on pension plan investments	-	84,645
Changes in proportion and differences between employer contributions and proportionate share of contributions	330,696	-
Employer contributions subsequent to measurement date	<u>79,224</u>	<u>-</u>
	<u>\$ 1,380,710</u>	<u>\$ 606,144</u>

\$79,224 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025.

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

	<u>Main System</u>	<u>Law Enforcement System</u>
Year Ended June 30:		
2026	\$ (469,681)	\$ 695,342
2027	(690,168)	168,040
2028	(264,358)	136,694
2029	(69,097)	122,983
2030	-	155,374
Thereafter	-	111,453

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

***Actuarial Assumptions***

The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2021 scale.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	31.90%	5.03%
International equity	19.10%	6.10%
Private equity	7.00%	8.30%
Domestic fixed income	23.00%	2.32%
Global real assets	19.00%	5.47%

***Discount Rate***

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 5.20%; and the resulting Single Discount Rate is 6.50%.

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

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

<b>Proportionate share of net pension liability</b>	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Main System	\$ 3,496,774	\$ 2,344,257	\$ 1,386,895
Law Enforcement	\$ 1,273,592	\$ 743,390	\$ 315,791

***Pension Plan Fiduciary Net Position***

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

**NOTE 11 – OPEB PLAN**

**General information about the OPEB Plan**

**North Dakota Public Employees Retirement System OPEB Plan**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

***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. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2025, the City reported a liability of \$191,093 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2025, the City's proportion was 0.290526 percent, which was an increase of 0.016560% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the City recognized OPEB expense of \$39,458. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 977	\$ 2,778
Changes of assumptions	16,567	16,450
Net difference between projected and actual earnings on pension plan investments	-	36,802

*(Continued)*

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,979	1,275
Employer contributions subsequent to measurement date	<u>17,794</u>	<u>-</u>
	<u>\$ 60,317</u>	<u>\$ 57,305</u>

\$17,794 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025.

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

Year Ended June 30:		
2026	\$	21,377
2027		(15,770)
2028		(12,542)
2029		(7,847)
2030		-
Thereafter		-

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	Not applicable
Investment rate of return	5.75% net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 107% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 113% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 87% for males and 88% for females. Mortality rates are projected from 2010 using the MP-2021 scale.

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2025, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equities	37.00%	4.00%
Small cap domestic equities	7.00%	6.00%
Domestic fixed income	27.00%	3.29%
International equities	29.00%	7.00%

***Discount Rate***

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Employer’s proportionate share of the net OPEB liability to changes in the discount rate***

The following presents the net OPEB liability of the Plans as of June 30, 2025, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<u>1% Decrease (4.75%)</u>	<u>Current Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
City's proportionate share of net OPEB liability	\$ 282,389	\$ 191,093	\$ 114,121

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 12 – CONSTRUCTION COMMITMENTS**

The City had the following construction commitments as of December 31, 2025:

	<b>Total Contract</b>	<b>Total Completed</b>	<b>Retainage Payable</b>	<b>Remaining</b>
West Central Street Improvements	\$ 1,941,559	\$ 1,964,703	\$ 98,235	\$ 75,091

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent to December 31, 2025, the City entered contracts related to the Well Field and Water Transmission Line Project. The total amount of contract commitments total \$14,421,258. The project includes a cost sharing agreement in which others will be responsible for paying \$8,891,710, and the amount remaining to be paid with cash on hand by the City is \$5,529,548.

Subsequent to December 31, 2025, the City issued Drinking Water State Revolving Fund bonds related to the Water Towers 1 & 2 Rehabilitation Project. The total amount of the bond issuance is \$3,011,000.

**NOTE 14 – PRIOR PERIOD ADJUSTMENT**

The 2025 beginning fund balances of the General Fund and Special Revenue Fund have been restated to adjust for prior year fund balance related to interest income that should be allocated to the Special Revenue Fund. This resulted in an adjustment to the January 1, 2025, fund balances as follows:

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>FUND BALANCE</b> - January 1, as previously reported	\$ 3,044,466	\$ 10,102,687
Interest income adjustment	(557,551)	557,551
<b>FUND BALANCE</b> - January 1, as restated	\$ 2,486,915	\$ 10,660,238

**NOTE 15 - CONTINGENT LIABILITIES**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF WAHPETON**

**REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2025**

**CITY OF WAHPETON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 1,703,131	\$ 1,703,131	\$ 1,484,540	\$ (218,591)
Licenses, permits, and fees	497,296	497,296	486,955	(10,341)
Intergovernmental revenues	1,319,500	1,319,500	1,548,763	229,263
Charges for services	71,596	71,596	79,419	7,823
Fines and forfeits	106,600	106,600	147,630	41,030
Interest income	233,000	233,000	475,384	242,384
Miscellaneous revenues	<u>1,000</u>	<u>1,000</u>	<u>26,220</u>	<u>25,220</u>
Total revenues	<u>3,932,123</u>	<u>3,932,123</u>	<u>4,248,911</u>	<u>316,788</u>
<b>EXPENDITURES</b>				
Current				
General government	945,022	945,022	946,331	1,309
Public safety	2,852,127	2,852,127	2,840,360	(11,767)
Public works	873,731	873,731	833,461	(40,270)
Culture and recreation	<u>195,300</u>	<u>195,300</u>	<u>189,564</u>	<u>(5,736)</u>
Total expenditures	<u>4,866,180</u>	<u>4,866,180</u>	<u>4,809,716</u>	<u>(56,464)</u>
Excess (deficiency) of revenues over expenditures	<u>(934,057)</u>	<u>(934,057)</u>	<u>(560,805)</u>	<u>373,252</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,288,000	1,288,000	1,293,050	5,050
Transfers out	<u>(353,943)</u>	<u>(353,943)</u>	<u>(397,274)</u>	<u>(43,331)</u>
Total other financing sources and uses	<u>934,057</u>	<u>934,057</u>	<u>895,776</u>	<u>(38,281)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>334,971</u>	<u>334,971</u>
<b>FUND BALANCE - January 1</b>	<u>3,044,466</u>	<u>3,044,466</u>	<u>3,044,466</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(557,551)</u>	<u>557,551</u>
<b>FUND BALANCE - January 1, as restated</b>	<u>3,044,466</u>	<u>3,044,466</u>	<u>2,486,915</u>	<u>557,551</u>
<b>FUND BALANCE - December 31</b>	<u>\$ 3,044,466</u>	<u>\$ 3,044,466</u>	<u>\$ 2,821,886</u>	<u>\$ 892,522</u>

**CITY OF WAHPETON**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 686,432	\$ 686,432	\$ 755,352	\$ 68,920
Sales taxes	980,000	980,000	1,478,043	498,043
Intergovernmental revenues	119,874	119,874	416,290	296,416
Charges for services	73,917	73,917	166,006	92,089
Fines and forfeits	3,560	3,560	4,973	1,413
Interest income	-	-	594,791	594,791
Miscellaneous revenues	<u>22,020</u>	<u>22,020</u>	<u>48,457</u>	<u>26,437</u>
 Total revenues	 <u>1,885,803</u>	 <u>1,885,803</u>	 <u>3,463,912</u>	 <u>1,578,109</u>
<b>EXPENDITURES</b>				
Current				
General government	300	1,265	1,156	(109)
Public safety	100,000	575,420	644,215	68,795
Public works	840,369	1,763,651	983,077	(780,574)
Culture and recreation	378,757	480,822	457,423	(23,399)
Economic development	392,116	473,056	553,125	80,069
Other	201,717	260,437	212,713	(47,724)
Debt service				
Principal	82,090	82,090	82,090	-
Interest and fees	<u>15,231</u>	<u>15,231</u>	<u>15,231</u>	<u>-</u>
 Total expenditures	 <u>2,010,580</u>	 <u>3,651,972</u>	 <u>2,949,030</u>	 <u>(702,942)</u>
 Excess (deficiency) of revenues over expenditures	 <u>(124,777)</u>	 <u>(1,766,169)</u>	 <u>514,882</u>	 <u>2,281,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,176,679	1,176,679	1,190,930	14,251
Transfers out	<u>(406,141)</u>	<u>(415,271)</u>	<u>(327,149)</u>	<u>88,122</u>
 Total other financing sources and uses	 <u>770,538</u>	 <u>761,408</u>	 <u>863,781</u>	 <u>102,373</u>
 Net change in fund balance	 <u>645,761</u>	 <u>(1,004,761)</u>	 <u>1,378,663</u>	 <u>2,383,424</u>
<b>FUND BALANCE - January 1</b>	<u>10,102,687</u>	<u>10,102,687</u>	<u>10,102,687</u>	<u>-</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>557,551</u>	<u>(557,551)</u>
<b>FUND BALANCE - January 1, as restated</b>	<u>10,102,687</u>	<u>10,102,687</u>	<u>10,660,238</u>	<u>(557,551)</u>
<b>FUND BALANCE - December 31</b>	\$ <u><u>10,748,448</u></u>	\$ <u><u>9,097,926</u></u>	\$ <u><u>12,038,901</u></u>	\$ <u><u>1,825,873</u></u>

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

**Main System**

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date*</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND PERS	6/30/2025	0.147445%	\$ 2,344,257	\$ 1,951,504	120.13%	73.63%
ND PERS	6/30/2024	0.148172%	\$ 2,771,344	\$ 1,943,723	142.58%	68.02%
ND PERS	6/30/2023	0.237197%	\$ 4,573,757	\$ 2,900,609	157.68%	65.31%
ND PERS	6/30/2022	0.228541%	\$ 6,582,133	\$ 2,813,751	233.93%	55.03%
ND PERS	6/30/2021	0.232412%	\$ 2,422,432	\$ 2,631,808	92.04%	79.13%
ND PERS	6/30/2020	0.228753%	\$ 7,196,618	\$ 2,523,417	285.19%	48.91%
ND PERS	6/30/2019	0.224496%	\$ 2,631,253	\$ 2,335,145	112.68%	71.66%
ND PERS	6/30/2018	0.234370%	\$ 3,955,249	\$ 2,407,727	164.27%	62.80%
ND PERS	6/30/2017	0.211301%	\$ 3,396,301	\$ 2,157,055	157.45%	61.98%
ND PERS	6/30/2016	0.239829%	\$ 2,337,367	\$ 2,416,910	96.71%	70.46%

**Law Enforcement\*\***

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement Date*</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND PERS	6/30/2025	0.967335%	\$ 743,390	\$ 1,330,614	55.87%	75.48%
ND PERS	6/30/2024	0.972846%	\$ 875,697	\$ 1,140,810	76.76%	68.02%

\* The measurement date of the actuarial report is six months prior to the balance sheet date.

\*\* The June 30, 2024, measurement date was the first year that the City was on the Law Enforcement System.

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

**Main System**

**Schedule of Employer's Pension Contributions**

<u>Pension Plan</u>	<u>Measurement Date*</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND PERS	6/30/2025	\$ 178,635	\$ 184,092	\$ (5,457)	\$ 1,951,504	9.43%
ND PERS	6/30/2024	\$ 160,003	\$ 206,036	\$ (46,033)	\$ 1,943,723	10.60%
ND PERS	6/30/2023	\$ 219,433	\$ 208,000	\$ 11,433	\$ 2,900,609	7.17%
ND PERS	6/30/2022	\$ 195,247	\$ 198,463	\$ (3,216)	\$ 2,742,236	7.24%
ND PERS	6/30/2021	\$ 194,085	\$ 186,023	\$ 8,062	\$ 2,653,803	7.01%
ND PERS	6/30/2020	\$ 178,680	\$ 179,174	\$ (494)	\$ 2,523,417	7.10%
ND PERS	6/30/2019	\$ 170,011	\$ 193,992	\$ (23,981)	\$ 2,335,145	8.31%
ND PERS	6/30/2018	\$ 177,339	\$ 154,725	\$ 22,614	\$ 2,407,727	6.43%
ND PERS	6/30/2017	\$ 156,413	\$ 167,969	\$ (11,556)	\$ 2,157,055	7.79%
ND PERS	6/30/2016	\$ 174,980	\$ 187,909	\$ (12,929)	\$ 2,416,910	7.77%

**Law Enforcement\*\***

**Schedule of Employer's Pension Contributions**

<u>Pension Plan</u>	<u>Measurement Date*</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND PERS	6/30/2025	\$ 162,075	\$ 165,451	\$ (3,376)	\$ 1,330,614	12.43%
ND PERS	6/30/2024	\$ 116,150	\$ 58,236	\$ 57,914	\$ 1,140,810	5.10%

\* The measurement date of the actuarial report is six months prior to the balance sheet date.

\*\* The June 30, 2024, measurement date was the first year that the City was on the Law Enforcement System.

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

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

<u>Pension Plan</u>	<u>Measurement Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS - OPEB	6/30/2025	0.290526%	\$ 191,093	\$ 3,018,297	6.33%	75.94%
NDPERS - OPEB	6/30/2024	0.273966%	\$ 236,722	\$ 2,840,221	8.33%	68.35%
NDPERS - OPEB	6/30/2023	0.256567%	\$ 256,503	\$ 2,578,963	9.95%	62.74%
NDPERS - OPEB	6/30/2022	0.229020%	\$ 274,895	\$ 2,364,409	11.63%	56.28%
NDPERS - OPEB	6/30/2021	0.233856%	\$ 130,064	\$ 2,549,632	5.10%	76.63%
NDPERS - OPEB	6/30/2020	0.217418%	\$ 182,891	\$ 2,478,497	7.38%	63.38%
NDPERS - OPEB	6/30/2019	0.209269%	\$ 168,082	\$ 2,335,145	7.20%	63.13%
NDPERS - OPEB	6/30/2018	0.220041%	\$ 173,297	\$ 2,407,727	7.20%	61.89%
NDPERS - OPEB	6/30/2017	0.199387%	\$ 157,717	\$ 2,157,055	7.31%	59.78%

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

\*\* The measurement date of the actuarial report is six months prior to the balance sheet date.

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

**Schedule of Employer's Contributions - OPEB**

<u>Pension Plan</u>	<u>Measurement Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2025	\$ 36,005	\$ 38,339	\$ (2,334)	\$ 3,018,297	1.27%
NDPERS - OPEB	6/30/2024	\$ 33,775	\$ 32,577	\$ 1,198	\$ 2,840,221	1.15%
NDPERS - OPEB	6/30/2023	\$ 31,141	\$ 29,275	\$ 1,866	\$ 2,578,963	1.14%
NDPERS - OPEB	6/30/2022	\$ 28,046	\$ 28,045	\$ 1	\$ 2,460,141	1.14%
NDPERS - OPEB	6/30/2021	\$ 30,660	\$ 29,163	\$ 1,497	\$ 2,653,803	1.10%
NDPERS - OPEB	6/30/2020	\$ 29,117	\$ 28,393	\$ 724	\$ 2,478,497	1.15%
NDPERS - OPEB	6/30/2019	\$ 27,158	\$ 31,055	\$ (3,897)	\$ 2,335,145	1.33%
NDPERS - OPEB	6/30/2018	\$ 28,241	\$ 24,773	\$ 3,468	\$ 2,407,727	1.03%
NDPERS - OPEB	6/30/2017	\$ 25,074	\$ 26,875	\$ (1,801)	\$ 2,157,055	1.25%

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

\*\* The measurement date of the actuarial report is six months prior to the balance sheet date.

**CITY OF WAHPETON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information:***

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

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

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

**NOTE 2 – CHANGES OF ASSUMPTIONS**

***North Dakota Employees Retirement System Pension Main System and Law Enforcement System:***

The actuarial assumptions used in the actuarial valuation as of July 1, 2025, were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

***OPEB:***

All actuarial assumptions used in the actuarial valuation as of July 1, 2025, were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025. The following assumptions were changed: price inflation, salary increase rates, retirement rates, turnover rates, disability rates, RHIC participation rates, and mortality rates.

**NOTE 3 – CHANGES OF BENEFIT TERMS**

***North Dakota Employees Retirement System Pension:***

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

**CITY OF WAHPETON**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

*North Dakota Employees Retirement System Pension Law Enforcement System:*

All benefit terms are the same as the valuation dated July 1, 2025.

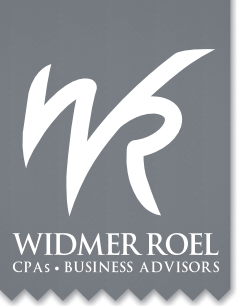
**OPEB:**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2024.

**NOTE 4 – BUDGET AMENDMENTS**

The city council amended the budget for 2025 as follows:

	<b>Original Budget</b>	<b>Amendments</b>	<b>Final Budget</b>
Special revenue fund expenditures	\$ 2,010,580	\$ 1,641,392	\$ 3,651,972
Special revenue fund transfers out	406,141	9,130	415,271



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

*Independent Auditor's Report*

Governing Board  
**City of Wahpeton**  
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* (GAS) issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton** (the “City”), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise **City of Wahpeton’s** basic financial statements, and have issued our report thereon dated May 8, 2026.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **City of Wahpeton’s** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Wahpeton’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of Wahpeton’s** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the *Schedule of Findings and Responses* as item 2025-001 that we consider to be a material weakness.

### ***Report on Compliance and Other Matters***

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

### **City of Wahpeton's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
May 8, 2026

**CITY OF WAHPETON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>  X  </u> yes	<u>        </u> no	
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>        </u> yes	<u>  X  </u> reported	
Noncompliance material to financial statements noted?	<u>        </u> yes	<u>  X  </u> no	

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2025-001 (MATERIAL WEAKNESS) – AUDIT ADJUSTMENTS**

***Condition***

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

***Criteria***

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

***Cause***

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

***Effect***

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

***Recommendation***

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

***Views of Responsible Officials***

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