

**CITY OF WAHPETON**

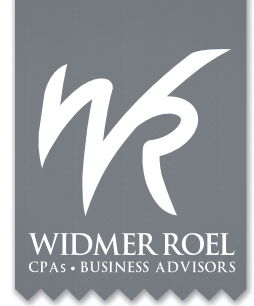
**FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**WITH INDEPENDENT AUDITOR'S REPORT**

# 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, 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, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the **City of Wahpeton**, as of December 31, 2024, 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.

#### *Basis for Opinions*

#### New Accounting Guidance

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinions are 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 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 opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2025, on our consideration of the **City of Wahpeton’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Wahpeton’s** internal control over financial reporting and compliance.



Fargo, North Dakota  
November 11, 2025

**CITY OF WAHPETON**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2024**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 23,717,563	\$ 3,162,703	\$ 26,880,266
Due from other government	455,323	-	455,323
Utility billings receivable	-	367,524	367,524
Accounts receivable	58,316	-	58,316
Taxes receivable	60,878	-	60,878
Special assessment receivable	16,088,611	-	16,088,611
Loans receivable	1,557,249	-	1,557,249
Capital assets, not being depreciated			
Land	4,168,611	-	4,168,611
Intangible assets	805,180	-	805,180
Construction in progress	16,307,651	-	16,307,651
Capital assets, net of accumulated depreciation			
Buildings	3,170,693	2,085,866	5,256,559
Equipment	2,284,601	723,767	3,008,368
Vehicles	302,189	48,921	351,110
Infrastructure	42,596,057	13,977,919	56,573,976
Total assets	111,572,922	20,366,700	131,939,622
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from pensions	2,360,039	255,590	2,615,629
Derived from OPEB	58,801	20,520	79,321
Total deferred outflows of resources	2,418,840	276,110	2,694,950
Total assets and deferred outflows of resources	\$ 113,991,762	\$ 20,642,810	\$ 134,634,572

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 86,571	\$ 126,446	\$ 213,017
Accrued expenses	203,988	19,057	223,045
Interest payable	250,623	-	250,623
Retainage payable	68,197	-	68,197
Non current liabilities			
Due within one year			
Compensated absences	38,857	13,422	52,279
Special assessment bonds payable	1,490,305	-	1,490,305
Notes payable	82,090	-	82,090
Leases payable	108,516	-	108,516
Due in more than one year			
Compensated absences	349,715	120,807	470,522
Special assessment bonds payable	22,547,586	-	22,547,586
Notes payable	326,108	-	326,108
Leases payable	24,501	-	24,501
Net pension liability	2,930,094	716,947	3,647,041
Net OPEB liability	175,482	61,240	236,722
	<u>28,682,633</u>	<u>1,057,919</u>	<u>29,740,552</u>
Total liabilities			
	<u>28,682,633</u>	<u>1,057,919</u>	<u>29,740,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from pensions	2,626,368	725,999	3,352,367
Derived from OPEB	22,243	7,762	30,005
	<u>2,648,611</u>	<u>733,761</u>	<u>3,382,372</u>
Total deferred inflows of resources			
	<u>2,648,611</u>	<u>733,761</u>	<u>3,382,372</u>
<b>NET POSITION</b>			
Net investment in fixed assets	45,055,876	16,836,473	61,892,349
Restricted			
Debt service	5,572,846	-	5,572,846
Capital projects	7,419,969	-	7,419,969
Economic development	4,675,694	-	4,675,694
Public works	1,478,567	-	1,478,567
Culture and recreation	770,386	-	770,386
Public safety	805,794	-	805,794
General government	172,921	-	172,921
Unrestricted	16,708,465	2,014,657	18,723,122
	<u>82,660,518</u>	<u>18,851,130</u>	<u>101,511,648</u>
Total net position			
	<u>82,660,518</u>	<u>18,851,130</u>	<u>101,511,648</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>113,991,762</u>	\$ <u>20,642,810</u>	\$ <u>134,634,572</u>

**CITY OF WAHPETON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	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	\$ 950,032	\$ 241,049	\$ 124	\$ 1,062,413	\$ 353,554	\$ -	\$ 353,554
Public safety	3,005,589	3,052	127,526	-	(2,875,011)	-	(2,875,011)
Public works	3,448,025	549,128	2,986,231	5,365,351	5,452,685	-	5,452,685
Culture and recreation	653,552	83,250	102,102	-	(468,200)	-	(468,200)
Economic development	487,792	325	18,600	-	(468,867)	-	(468,867)
Other	284,914	-	-	-	(284,914)	-	(284,914)
Interest and other	582,312	-	-	-	(582,312)	-	(582,312)
Total governmental activities	<u>9,412,216</u>	<u>876,804</u>	<u>3,234,583</u>	<u>6,427,764</u>	<u>1,126,935</u>	<u>-</u>	<u>1,126,935</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water operations	1,587,229	1,828,518	-	-	-	241,289	241,289
Sewer operations	1,346,665	1,588,123	-	-	-	241,458	241,458
Nonmajor enterprise	846,738	967,662	-	-	-	120,924	120,924
Total business-type activities	<u>3,780,632</u>	<u>4,384,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,671</u>	<u>603,671</u>
Total primary government	<u>\$ 13,192,848</u>	<u>\$ 5,261,107</u>	<u>\$ 3,234,583</u>	<u>\$ 6,427,764</u>	<u>1,126,935</u>	<u>603,671</u>	<u>1,730,606</u>
<b>GENERAL REVENUES</b>							
Taxes							
Property taxes					2,304,405	-	2,304,405
Sales taxes					3,683,840	-	3,683,840
Unrestricted grants and contributions					856,689	-	856,689
Capital asset transfers					(410,010)	410,010	-
Transfers					998,506	(998,506)	-
Investment income and other revenue					348,495	-	348,495
Unrealized gain on investments					557,551	-	557,551
Miscellaneous revenues					170,050	21,334	191,384
Total general revenues					<u>8,509,526</u>	<u>(567,162)</u>	<u>7,942,364</u>
Change in net position					<u>9,636,461</u>	<u>36,509</u>	<u>9,672,970</u>
Net position - January 1					<u>73,024,057</u>	<u>18,814,621</u>	<u>91,838,678</u>
Net position - December 31					<u>\$ 82,660,518</u>	<u>\$ 18,851,130</u>	<u>\$ 101,511,648</u>

See Notes to Financial Statements

**CITY OF WAHPETON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2024**

	<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	\$ 3,046,973	\$ 8,847,307	\$ 5,569,697	\$ 6,253,586	\$ 23,717,563
Due from other government	120,810	135,060	-	199,453	455,323
Accounts receivable	51,183	3,984	3,149	-	58,316
Taxes receivable	10,897	2,738	47,243	-	60,878
Special assessment receivable	-	-	16,088,611	-	16,088,611
Loans receivable	-	1,231,607	-	325,642	1,557,249
	<u>3,229,863</u>	<u>10,220,696</u>	<u>21,708,700</u>	<u>6,778,681</u>	<u>41,937,940</u>
Total assets	\$ <u>3,229,863</u>	\$ <u>10,220,696</u>	\$ <u>21,708,700</u>	\$ <u>6,778,681</u>	\$ <u>41,937,940</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 23,122	\$ 62,659	\$ -	\$ 790	\$ 86,571
Accrued expenses	151,378	52,610	-	-	203,988
	<u>174,500</u>	<u>115,269</u>	<u>-</u>	<u>790</u>	<u>290,559</u>
Total liabilities	174,500	115,269	-	790	290,559
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes receivable	10,897	2,738	47,243	-	60,878
Unavailable revenue - special assessment receivable	-	-	16,088,611	-	16,088,611
	<u>10,897</u>	<u>2,738</u>	<u>16,135,854</u>	<u>-</u>	<u>16,149,489</u>
Total deferred inflows of resources	10,897	2,738	16,135,854	-	16,149,489
<b>FUND BALANCES</b>					
Nonspendable	-	1,231,607	-	325,642	1,557,249
Restricted for					
Debt service	-	-	5,572,846	-	5,572,846
Capital projects	-	967,720	-	6,452,249	7,419,969
Economic development	-	4,675,694	-	-	4,675,694
Public works	-	1,478,567	-	-	1,478,567
Culture and recreation	-	770,386	-	-	770,386
Public safety	-	805,794	-	-	805,794
General government	-	172,921	-	-	172,921
Unassigned	3,044,466	-	-	-	3,044,466
	<u>3,044,466</u>	<u>10,102,689</u>	<u>5,572,846</u>	<u>6,777,891</u>	<u>25,497,892</u>
Total fund balances	3,044,466	10,102,689	5,572,846	6,777,891	25,497,892
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>3,229,863</u>	\$ <u>10,220,696</u>	\$ <u>21,708,700</u>	\$ <u>6,778,681</u>	\$ <u>41,937,940</u>

**CITY OF WAHPETON**  
**RECONCILIATION OF GOVERNMENTAL FUNDS –**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2024**

<b>Total fund balances for governmental funds</b>		\$ 25,497,892
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	97,333,098	
Less accumulated depreciation	<u>(27,698,116)</u>	69,634,982
Net capital assets		
Property taxes and special assessments will be collected after year-end, but not available soon enough to pay for the current period's expenditures and are reported as deferred inflows in the funds. Uncertified special assessments are reported on the statement of net position.		
		16,149,489
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows	2,418,840	
Deferred inflows	<u>(2,648,611)</u>	(229,771)
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	(250,623)	
Compensated absences	(388,572)	
Retainage payable	(68,197)	
Special assessment bonds payable	(24,037,891)	
Notes payable	(408,198)	
Leases payable	(133,017)	
Net pension liability	(2,930,094)	
Total OPEB liability	<u>(175,482)</u>	<u>(28,392,074)</u>
Total long-term liabilities		
<b>Total net position of governmental activities</b>		<b>\$ <u><u>82,660,518</u></u></b>

**CITY OF WAHPETON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<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	\$ 1,503,482	\$ 794,436	\$ 140	\$ -	\$ 2,298,058
Sales taxes	-	1,289,195	-	2,394,219	3,683,414
Special assessment taxes	-	-	2,706,879	-	2,706,879
Licenses, permits and fees	560,497	-	-	-	560,497
Intergovernmental revenues	1,396,350	177,808	-	2,531,426	4,105,584
Charges for services	76,341	147,041	-	27,720	251,102
Fines and forfeits	116,059	5,009	-	-	121,068
Interest income	301,724	46,771	-	-	348,495
Miscellaneous revenue	1,344	62,481	38,928	9,202	111,955
	<u>3,955,797</u>	<u>2,522,741</u>	<u>2,745,947</u>	<u>4,962,567</u>	<u>14,187,052</u>
<b>EXPENDITURES</b>					
Current					
General government	873,352	8,920	-	2,721	884,993
Public safety	2,721,945	157,272	-	-	2,879,217
Public works	747,928	942,694	-	69,443	1,760,065
Culture and recreation	200,059	454,919	-	-	654,978
Economic development	-	505,034	-	-	505,034
Other	-	278,983	100	12,219	291,302
Debt service					
Principal	-	78,843	1,419,824	-	1,498,667
Interest and fees	-	18,478	552,836	11,000	582,314
Capital outlay	-	-	-	2,967,266	2,967,266
	<u>4,543,284</u>	<u>2,445,143</u>	<u>1,972,760</u>	<u>3,062,649</u>	<u>12,023,836</u>
Excess (deficiency) of revenues over expenditures	<u>(587,487)</u>	<u>77,598</u>	<u>773,187</u>	<u>1,899,918</u>	<u>2,163,216</u>
Other financing sources and uses					
Transfers in	827,429	1,228,914	671,258	3,379,334	6,106,935
Debt proceeds	-	-	-	5,238,338	5,238,338
Unrealized gain on investments	557,551	-	-	-	557,551
Transfers out	<u>(156,827)</u>	<u>(240,931)</u>	<u>(15,000)</u>	<u>(4,695,671)</u>	<u>(5,108,429)</u>
Total other financing sources and uses	<u>1,228,153</u>	<u>987,983</u>	<u>656,258</u>	<u>3,922,001</u>	<u>6,794,395</u>
Net change in fund balances	<u>640,666</u>	<u>1,065,581</u>	<u>1,429,445</u>	<u>5,821,919</u>	<u>8,957,611</u>
<b>FUND BALANCES - January 1</b>	<u>2,403,800</u>	<u>9,037,106</u>	<u>4,143,401</u>	<u>955,972</u>	<u>16,540,279</u>
<b>FUND BALANCES - December 31</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>

**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, 2024**

**Net change in fund balances - total governmental funds** \$ 8,957,611

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.

Transfers to enterprise funds	(410,010)	
Capital outlay	3,054,294	
Depreciation expense	<u>(2,485,372)</u>	158,912

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	(26,389)	
Net change in compensated absences	(207,500)	
Net change in retainage payable	285,368	
Net change in net pension liability	504,798	
Net change in total OPEB liability	<u>17,152</u>	573,429

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	30,726	
Net change in deferred inflows	<u>44,143</u>	74,869

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.

1,498,666

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

(5,238,338)

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

3,611,312

**Change in net position of governmental activities** \$ 9,636,461

**CITY OF WAHPETON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2024**

	<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	\$ 1,429,611	\$ 1,206,212	\$ 526,880	\$ 3,162,703
Utility billings receivable	<u>141,832</u>	<u>137,746</u>	<u>87,946</u>	<u>367,524</u>
Total current assets	<u>1,571,443</u>	<u>1,343,958</u>	<u>614,826</u>	<u>3,530,227</u>
Noncurrent assets				
Capital assets (net of accumulated depreciation)				
Buildings	2,029,703	56,163	-	2,085,866
Equipment	449,568	274,199	-	723,767
Vehicles	-	48,921	-	48,921
Infrastructure	<u>4,773,014</u>	<u>9,204,905</u>	<u>-</u>	<u>13,977,919</u>
Total noncurrent assets	<u>7,252,285</u>	<u>9,584,188</u>	<u>-</u>	<u>16,836,473</u>
Total assets	<u>8,823,728</u>	<u>10,928,146</u>	<u>614,826</u>	<u>20,366,700</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from pensions	151,457	92,672	11,461	255,590
Derived from OPEB	<u>12,160</u>	<u>7,440</u>	<u>920</u>	<u>20,520</u>
Total deferred outflows of resources	<u>163,617</u>	<u>100,112</u>	<u>12,381</u>	<u>276,110</u>
Total assets and deferred outflows	<u>\$ 8,987,345</u>	<u>\$ 11,028,258</u>	<u>\$ 627,207</u>	<u>\$ 20,642,810</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 16,657	\$ 47,542	\$ 62,247	\$ 126,446
Accrued expenses	10,596	7,619	842	19,057
Compensated absences	<u>7,977</u>	<u>4,726</u>	<u>719</u>	<u>13,422</u>
Total current liabilities	<u>35,230</u>	<u>59,887</u>	<u>63,808</u>	<u>158,925</u>
Noncurrent liabilities				
Compensated absences	71,796	42,538	6,473	120,807
Net pension liability	424,847	259,952	32,148	716,947
Net OPEB liability	<u>36,289</u>	<u>22,205</u>	<u>2,746</u>	<u>61,240</u>
Total noncurrent liabilities	<u>532,932</u>	<u>324,695</u>	<u>41,367</u>	<u>898,994</u>
Total liabilities	<u>568,162</u>	<u>384,582</u>	<u>105,175</u>	<u>1,057,919</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from pensions	430,211	263,234	32,554	725,999
Derived from OPEB	<u>4,600</u>	<u>2,814</u>	<u>348</u>	<u>7,762</u>
Total deferred inflows of resources	<u>434,811</u>	<u>266,048</u>	<u>32,902</u>	<u>733,761</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,252,285	9,584,188	-	16,836,473
Unrestricted	<u>732,087</u>	<u>793,440</u>	<u>489,130</u>	<u>2,014,657</u>
Total net position	<u>7,984,372</u>	<u>10,377,628</u>	<u>489,130</u>	<u>18,851,130</u>
Total liabilities, deferred inflows, and net position	<u>\$ 8,987,345</u>	<u>\$ 11,028,258</u>	<u>\$ 627,207</u>	<u>\$ 20,642,810</u>

**CITY OF WAHPETON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water Operating</b>	<b>Sewer Operating</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,828,518	\$ 1,588,123	\$ 967,662	\$ 4,384,303
<b>OPERATING EXPENSES</b>				
Payroll expenses	658,920	469,568	79,440	1,207,928
Repairs and maintenance	99,702	173,878	103,298	376,878
Utilities	59,700	75,480	168,659	303,839
Office expenses	22,531	24,444	1,399	48,374
Waste removal	-	-	389,711	389,711
Chemicals	228,272	89,338	32,123	349,733
Storm water maintenance and management	-	-	20,378	20,378
Equipment	661	-	661	1,322
Service contract	14,645	-	34,168	48,813
Water meters	29,524	8,797	-	38,321
Insurance	21,765	7,794	1	29,560
Miscellaneous	104,016	49,837	16,882	170,735
Professional fees	8,605	3,271	18	11,894
Depreciation	338,888	444,258	-	783,146
Total operating expenses	1,587,229	1,346,665	846,738	3,780,632
Operating income (loss)	241,289	241,458	120,924	603,671
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Miscellaneous revenue	13,539	7,795	-	21,334
Net income (loss) before transfers	254,828	249,253	120,924	625,005
Capital asset transfers	229,839	180,171	-	410,010
Transfers out	(322,253)	(603,507)	(72,746)	(998,506)
Change in net position	162,414	(174,083)	48,178	36,509
<b>Net position - January 1</b>	7,821,958	10,551,711	440,952	18,814,621
<b>Net position - December 31</b>	\$ 7,984,372	\$ 10,377,628	\$ 489,130	\$ 18,851,130

**CITY OF WAHPETON**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<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	\$ 1,841,528	\$ 1,584,016	\$ 967,858	\$ 4,393,402
Cash paid to suppliers	(620,530)	(434,622)	(746,485)	(1,801,637)
Cash paid to employees	(624,276)	(444,199)	(74,999)	(1,143,474)
Net cash provided by operating activities	<u>596,722</u>	<u>705,195</u>	<u>146,374</u>	<u>1,448,291</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	(322,253)	(603,507)	(72,746)	(998,506)
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(23,102)	(54,985)	-	(78,087)
Miscellaneous revenue	13,539	7,795	-	21,334
Net cash provided (used) by capital and related financing activities	<u>(9,563)</u>	<u>(47,190)</u>	<u>-</u>	<u>(56,753)</u>
Net change in cash and cash equivalents	<u>264,906</u>	<u>54,498</u>	<u>73,628</u>	<u>393,032</u>
Cash and cash equivalents				
Cash - January 1	<u>1,164,705</u>	<u>1,151,714</u>	<u>453,252</u>	<u>2,769,671</u>
Cash and cash equivalents				
Cash -December 31	\$ <u><u>1,429,611</u></u>	\$ <u><u>1,206,212</u></u>	\$ <u><u>526,880</u></u>	\$ <u><u>3,162,703</u></u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating income	\$ 241,289	\$ 241,458	\$ 120,924	\$ 603,671
Adjustment to reconcile operating loss to net cash provided by operating activities				
Depreciation expense	338,888	444,258	-	783,146
Change in assets and liabilities				
Receivables	13,010	(4,107)	196	9,099
Accounts payable	11,654	23,503	12,216	47,373
Accrued expenses	(1,164)	252	31	(881)
Compensated absences payable	35,808	25,117	4,410	65,335
Pension and OPEB liabilities, inflows and outflows	<u>(42,763)</u>	<u>(25,286)</u>	<u>8,597</u>	<u>(59,452)</u>
Net cash provided by operating activities	\$ <u><u>596,722</u></u>	\$ <u><u>705,195</u></u>	\$ <u><u>146,374</u></u>	\$ <u><u>1,448,291</u></u>

**CITY OF WAHPETON**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2024**

	<u><b>Custodial Funds</b></u>
<b>ASSETS</b>	
Cash	\$ <u>15,633</u>
<b>LIABILITIES</b>	
Due to other parties	\$ <u>12,529</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, 2024**

	<u><b>Custodial Funds</b></u>
Additions	
Tax collections for other governments	\$ <u>116,114</u>
Total additions	<u>116,114</u>
Deductions	
Tax disbursements to other governments	<u>116,114</u>
Total deductions	<u>116,114</u>
Change in net position	<u>-</u>
Net position - January 1	<u>3,104</u>
Net position - December 31	\$ <u><u>3,104</u></u>

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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

The financial statements of the City of Wahpeton (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

***Financial Reporting Entity***

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

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

***Basis of Presentation***

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

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

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

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

The City reports the following major governmental funds:

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

*(Continued)*

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

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

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

***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, 2024, consisted of municipal bonds, and certificates of deposit stated at fair value.

***Accounts Receivable***

Accounts receivable consist of amounts on open accounts from individuals for goods and services furnished by the City. Management has determined all accounts receivable are collectable as of December 31, 2024 and accordingly, no allowance for uncollectable accounts has been recorded.

***Capital Assets***

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

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

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

***Compensated Absences***

Full-time and permanent part-time employees are granted vacation benefits at a specified rate per calendar month of full-time service. Full-time employees earn sick leave benefits at the rate of one working day per month. Permanent parttime employees earn sick leave benefits at the rate of half a working day per month. A liability for vested or accumulated vacation leave is reported in the statement of net position.

***Long-Term Obligations***

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

***Pension***

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

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

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

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

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

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

***Fund Equity***

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

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

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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

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

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

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

***Interfund Transactions***

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

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

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

***Use of Estimates***

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

***Change in Accounting Principle***

The City implemented GASB Statement 101, Compensated Absences – an amendment of GASB Statement No. 16, during the year ended December 31, 2024. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences.

**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, 2024**

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, 2024, the City’s carrying amount of deposits was \$13,685,773 and the bank balances were \$13,939,955. Of the bank balance, \$5,929,111 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.

**Interest Rate Risk**

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

**Credit Risk**

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

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

At December 31, 2024 the City did not hold certificates of deposit.

**Concentration of Credit Risk**

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

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

Maturity	
Less than 1 year	\$ 7,577,502
1-5 years	4,961,909
5-10 years	664,886
>10 years	<u>5,329</u>
Market Value	<u>\$ 13,209,626</u>

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**NOTE 3 – FAIR VALUE OF INVESTMENTS**

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

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

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

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

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

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

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

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

The following table presents the City’s investments measured at fair value at December 31, 2024:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Mutual Funds	\$ 7,601,585	\$ 7,601,585	\$ -	\$ -
Corporate and Government Bonds	<u>5,608,041</u>	<u>-</u>	<u>5,608,041</u>	<u>-</u>
Total assets in the fair value hierarchy	\$ <u><u>13,209,626</u></u>	\$ <u><u>7,601,585</u></u>	\$ <u><u>5,608,041</u></u>	\$ <u><u>-</u></u>

**NOTE 4 – TAXES AND SPECIAL ASSESSMENTS RECEIVABLE**

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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, 2024:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
PACE loans	\$ 702,225	\$ 96,999	\$ 179,424	\$ 619,800
RLF & FLEX loans	1,412,568	155,217	630,336	937,449
Total	<u>\$ 2,114,793</u>	<u>\$ 252,216</u>	<u>\$ 809,760</u>	<u>\$ 1,557,249</u>

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2024:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers to Business Type</u>	<u>Ending Balance</u>
Capital assets not being depreciated						
Land	\$ 4,168,611	\$ -	\$ -	\$ -	\$ -	\$ 4,168,611
Intangible assets	805,180	-	-	-	-	805,180
Construction in progress	15,045,375	2,820,646	-	(1,148,360)	(410,010)	16,307,651
Total capital assets not being depreciated	<u>20,019,166</u>	<u>2,820,646</u>	<u>-</u>	<u>(1,148,360)</u>	<u>(410,010)</u>	<u>21,281,442</u>
Capital assets, being depreciated						
Buildings	5,671,693	92,527	-	-	-	5,764,220
Equipment	6,933,663	54,131	-	-	-	6,987,794
Vehicles	815,491	86,990	(43,019)	-	-	859,462
Infrastructure	61,291,820	-	-	1,148,360	-	62,440,180
Total capital assets, being depreciated	<u>74,712,667</u>	<u>233,648</u>	<u>(43,019)</u>	<u>1,148,360</u>	<u>-</u>	<u>76,051,656</u>
Less accumulated depreciation for						
Buildings	2,490,727	102,800	-	-	-	2,593,527
Equipment	4,413,271	289,922	-	-	-	4,703,193
Vehicles	496,566	103,726	(43,019)	-	-	557,273
Infrastructure	17,855,199	1,988,924	-	-	-	19,844,123
Total accumulated depreciation	<u>25,255,763</u>	<u>2,485,372</u>	<u>(43,019)</u>	<u>-</u>	<u>-</u>	<u>27,698,116</u>

(Continued)

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers to Business Type</u>	<u>Ending Balance</u>
Total capital assets, being depreciated, net	49,456,904	(2,251,724)	-	1,148,360	-	48,353,540
Governmental activities capital assets, net	\$ 69,476,070	\$ 568,922	\$ -	\$ -	\$ (410,010)	\$ 69,634,982

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

General government	\$ 117,777
Public safety	234,241
Public works	2,112,923
Culture and recreation	<u>20,431</u>
Total depreciation expense - governmental activities	<u>\$ 2,485,372</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, being depreciated						
Buildings	\$ 3,589,266	\$ -	\$ -	\$ -	\$ -	\$ 3,589,266
Equipment	2,107,000	23,102	-	-	-	2,130,102
Vehicles	55,900	-	-	-	-	55,900
Infrastructure	6,466,649	-	-	-	229,839	6,696,488
Total capital assets, being depreciated	<u>12,218,815</u>	<u>23,102</u>	<u>-</u>	<u>-</u>	<u>229,839</u>	<u>12,471,756</u>
Less accumulated depreciation for						
Buildings	1,492,418	67,145	-	-	-	1,559,563
Equipment	1,631,153	49,379	-	-	-	1,680,532
Vehicles	55,902	-	-	-	-	55,902
Infrastructure	1,701,110	222,364	-	-	-	1,923,474
Total accumulated depreciation	<u>4,880,583</u>	<u>338,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,219,471</u>
Business-type activities - capital assets, net	\$ 7,338,232	\$ (315,786)	\$ -	\$ -	\$ 229,839	\$ 7,252,285

Depreciation expense was charged to the Water Function.

**Sewer Fund**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Capital assets, being depreciated						
Buildings	\$ 82,942	\$ -	\$ -	\$ -	\$ -	\$ 82,942
Equipment	2,909,833	5,235	-	-	-	2,915,068
Vehicles	47,799	49,750	-	-	-	97,549
Infrastructure	12,062,998	-	-	-	180,171	12,243,169
Total capital assets, being depreciated	<u>15,103,572</u>	<u>54,985</u>	<u>-</u>	<u>-</u>	<u>180,171</u>	<u>15,338,728</u>

(Continued)

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Transfers from Governmental</u>	<u>Ending Balance</u>
Less accumulated depreciation for						
Buildings	25,120	1,659	-	-	-	26,779
Equipment	2,618,435	22,434	-	-	-	2,640,869
Vehicles	47,799	829	-	-	-	48,628
Infrastructure	<u>2,618,928</u>	<u>419,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,038,264</u>
Total accumulated depreciation	<u>5,310,282</u>	<u>444,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,754,540</u>
Business-type activities - capital assets, net	<u>\$ 9,793,290</u>	<u>\$ (389,273)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,171</u>	<u>\$ 9,584,188</u>

Depreciation expense was charged to the Sewer Function.

**NOTE 7 – LONG-TERM DEBT**

**Government Activities**

During the year ended December 31, 2024, 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	\$ 20,186,819	\$ 5,238,338	\$ 1,387,266	\$ 24,037,891	\$ 1,490,305
Notes payable	487,041	-	78,843	408,198	82,090
Loans payable	165,574	-	32,557	133,017	108,516
Compensated absences*	181,072	207,500	-	388,572	38,857
Net pension and OPEB liability*	<u>3,627,526</u>	<u>-</u>	<u>521,949</u>	<u>3,105,577</u>	<u>-</u>
Total	<u>\$ 24,648,032</u>	<u>\$ 5,445,838</u>	<u>\$ 2,020,615</u>	<u>\$ 28,073,255</u>	<u>\$ 1,719,768</u>

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

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

**Special assessment bonds**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,490,305	\$ 616,622	\$ 2,106,927
2026	1,187,162	586,895	1,774,057
2027	1,070,156	560,482	1,630,638
2028	1,083,211	534,320	1,617,531
2029	1,121,326	506,344	1,627,670
2030-2034	4,879,741	2,133,107	7,012,848
2035-2039	4,567,284	1,558,027	6,125,311
2040-2044	5,073,505	921,234	5,994,739
2045-2049	<u>3,565,201</u>	<u>230,183</u>	<u>3,795,384</u>
	<u>\$ 24,037,891</u>	<u>\$ 7,647,214</u>	<u>\$ 31,685,105</u>

(Continued)

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**Notes payable**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 82,090	\$ 15,231	\$ 97,321
2026	85,477	11,843	97,320
2027	89,011	8,310	97,321
2028	36,215	4,624	40,839
2029	37,319	3,520	40,839
2030-2034	78,086	3,590	81,676
	\$ 408,198	\$ 47,118	\$ 455,316

**Loans payable**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 108,516	\$ 5,612	\$ 114,128
2026	11,888	1,330	13,218
2027	12,613	604	13,217
	\$ 133,017	\$ 7,546	\$ 140,563

During the year ended December 31, 2024, the following changes occurred in liabilities reported in the long-term liabilities for business-type activities:

**Water Fund**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences*	\$ 43,965	\$ 35,808	\$ -	\$ 79,773	\$ 7,977
Net pension and OPEB liability*	719,709	-	258,573	461,136	-
Total	\$ 763,674	\$ 35,808	\$ 258,573	\$ 540,909	\$ 7,977

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

**Sewer Fund**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences*	\$ 22,147	\$ 25,117	\$ -	\$ 47,264	\$ 4,726
Net pension and OPEB liability*	439,554	-	157,397	282,157	-
Total	\$ 461,701	\$ 25,117	\$ 157,397	\$ 329,421	\$ 4,726

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**Nonmajor Enterprise Funds**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences*	\$ 2,782	\$ 4,410	\$ -	\$ 7,192	\$ 719
Net pension and OPEB liability*	<u>43,473</u>	<u>-</u>	<u>8,579</u>	<u>34,894</u>	<u>-</u>
Total	<u>\$ 46,255</u>	<u>\$ 4,410</u>	<u>\$ 8,579</u>	<u>\$ 42,086</u>	<u>\$ 719</u>

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

The City entered into a revolving loan through the Bank of North Dakota’s Water Infrastructure Loan Program in 2024 in the amount of \$961,000. The unused portion of the line of credit at year end was \$961,000.

**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, 2024:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 827,429	\$ 156,827
Special revenue fund	1,228,914	240,931
Debt service fund	671,258	15,000
Capital projects fund	3,379,334	4,695,671
Water fund	-	322,253
Sewer fund	-	603,507
Nonmajor enterprise funds	<u>-</u>	<u>72,746</u>
Total	<u>\$ 6,106,935</u>	<u>\$ 6,106,935</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 \$4,962,550 for public assets.

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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 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 by investment income and contributions.

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 postretirement 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**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**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**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 has 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 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.0% and employer contribution rates are 8.26% 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%	11.40%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	7.93%

**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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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

At December 31, 2024, the following net pension liabilities were reported:

	<b>Pension Liability</b>
Main System	\$ 2,771,344
Law Enforcement System	875,697

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the 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, 2024, and reported for the year ended December 31, 2024.

	<b>Pension Expense (Income)</b>	<b>Proportion Share</b>	<b>Change in Proportion Share</b>
Main System	\$ (293,255)	0.148172%	-0.089025%
Law Enforcement System	(73,007)	0.972846%	0.972846%

At December 31, 2024, 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	\$ 131,583	\$ -
Changes of assumptions	667,888	1,257,586
Net difference between projected and actual earnings on pension plan investments	-	25,340
Changes in proportion and differences between employer contributions and proportionate share of contributions	105,588	1,523,411
Employer contributions subsequent to measurement date	82,919	-
	\$ 987,978	\$ 2,806,337

(Continued)

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

\$82,919 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

**Law Enforcement**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 792,942	\$ -
Changes of assumptions	359,385	536,856
Net difference between projected and actual earnings on pension plan investments	-	9,174
Changes in proportion and differences between employer contributions and proportionate share of contributions	400,643	-
Employer contributions subsequent to measurement date	<u>74,682</u>	<u>-</u>
	<u>\$ 1,627,652</u>	<u>\$ 546,030</u>

\$74,682 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024.

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

	<u>Main System</u>	<u>Law Enforcement System</u>
Year Ended June 30:		
2025	\$ (754,624)	\$ 233,265
2026	(376,716)	188,209
2027	(598,245)	156,684
2028	(171,693)	142,896
2029	-	175,471
Thereafter	-	110,415

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

***Actuarial Assumptions***

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75% net of investment expenses
Cost-of-living adjustments	None

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31.90%	5.40%
International equity	19.10%	7.00%
Private equity	7.00%	8.50%
Domestic fixed income	23.00%	2.88%
Global real assets	19.00%	6.10%

***Discount Rate***

For NDPERS, 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 NDPERS 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, 2024**

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

***Sensitivity of the County'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	\$ 3,916,565	\$ 2,771,344	\$ 1,821,535
Law Enforcement	\$ 1,360,741	\$ 875,697	\$ 485,410

***Pension Plan Fiduciary Net Position***

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

**NOTE 11 – OPEB PLAN**

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

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

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

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

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

***OPEB Benefits***

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

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

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

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

At December 31, 2024, the City reported a liability of \$236,722 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 0.273966 percent, which was an increase of 0.017399 from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized OPEB expense of \$51,785. At December 31, 2024, 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	\$ 2,921	\$ 1,819
Changes of assumptions	36,011	16,207
Net difference between projected and actual earnings on pension plan investments	-	8,854

*(Continued)*

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<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	23,040	3,125
Employer contributions subsequent to measurement date	<u>17,349</u>	<u>-</u>
	<u>\$ 79,321</u>	<u>\$ 30,005</u>

\$17,350 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2024.

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:		
2025		\$ 19,281
2026		26,685
2027		(8,417)
2028		(5,582)
2029		-
Thereafter		-

***Actuarial Assumptions***

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75% net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.00%	4.00%
Small cap domestic equities	6.00%	6.00%
Domestic Fixed Income	35.00%	3.29%
International Equities	26.00%	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, 2024, 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 pension liability	\$ 323,541	\$ 236,722	\$ 163,600

**CITY OF WAHPETON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**NOTE 12 – CONSTRUCTION COMMITMENTS**

The City had the following construction commitments as of December 31, 2024:

	<u>Total Contract</u>	<u>Total Completed</u>	<u>Retainage Payable</u>	<u>Remaining</u>
8th Avenue North	\$ 796,295	\$ 517,347	\$ -	\$ 278,948
Downtown Side Streets	370,619	369,710	-	909
Downtown Side Streets	362,845	326,240	-	36,605
East Central and Southeast Street	846,608	677,674	33,884	202,818
Bois de Sioux Intake Structure Relocation	<u>393,076</u>	<u>343,126</u>	<u>34,313</u>	<u>84,263</u>
Total	<u>\$ 2,769,443</u>	<u>\$ 2,234,097</u>	<u>\$ 68,197</u>	<u>\$ 603,543</u>

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent to December 31, 2024, the City issued an improvement bond in the amount of \$1,211,000 for the purpose of paying the costs of improvements in the City. Future bond principal payments are due semi-annually and range from \$36,203 to \$47,834 with an interest rate of 2.0%.

Subsequent to December 31, 2024, the City made draws in the amount of \$432,320 on their revolving loan through the Bank of North Dakota mentioned in Note 7 for the purpose of paying the costs of improvements in the City. Future bond principal payments are due semi-annually and range from \$13,539 to \$17,536 with an interest rate of 2.0%.

**CITY OF WAHPETON**

**REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2024**

**CITY OF WAHPETON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 1,664,171	\$ 1,664,171	\$ 1,503,482	\$ (160,689)
Licenses, permits, and fees	573,291	573,291	560,497	(12,794)
Intergovernmental revenues	1,236,360	1,236,360	1,396,350	159,990
Charges for services	83,533	83,533	76,341	(7,192)
Fines and forfeits	80,600	80,600	116,059	35,459
Interest income	250,000	250,000	301,724	51,724
Miscellaneous revenues	<u>1,000</u>	<u>1,000</u>	<u>1,344</u>	<u>344</u>
Total revenues	<u>3,888,955</u>	<u>3,888,955</u>	<u>3,955,797</u>	<u>66,842</u>
<b>EXPENDITURES</b>				
Current				
General government	896,472	896,472	873,352	(23,120)
Public safety	2,692,186	2,692,186	2,721,945	29,759
Public works	824,470	824,470	747,928	(76,542)
Culture and recreation	<u>182,850</u>	<u>182,850</u>	<u>200,059</u>	<u>17,209</u>
Total expenditures	<u>4,595,978</u>	<u>4,595,978</u>	<u>4,543,284</u>	<u>(52,694)</u>
Excess (deficiency) of revenues over expenditures	<u>(707,023)</u>	<u>(707,023)</u>	<u>(587,487)</u>	<u>119,536</u>
Other financing sources (uses)				
Transfers in	827,429	827,429	827,429	-
Unrealized gain on investments	-	-	557,551	557,551
Transfers out	<u>(120,406)</u>	<u>(120,406)</u>	<u>(156,827)</u>	<u>(36,421)</u>
Total other financing sources and uses	<u>707,023</u>	<u>707,023</u>	<u>1,228,153</u>	<u>521,130</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>640,666</u>	<u>640,666</u>
<b>FUND BALANCE, January 1</b>	<u>2,403,800</u>	<u>2,403,800</u>	<u>2,403,800</u>	<u>-</u>
<b>FUND BALANCE, December 31</b>	<u>\$ 2,403,800</u>	<u>\$ 2,403,800</u>	<u>\$ 3,044,466</u>	<u>\$ 640,666</u>

**CITY OF WAHPETON**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Property taxes	\$ 683,205	\$ 683,205	\$ 794,436	\$ 111,231
Sales taxes	980,000	980,000	1,289,195	309,195
Intergovernmental revenues	157,805	157,805	177,808	20,003
Charges for services	66,325	66,325	147,041	80,716
Fines and forfeits	3,560	3,560	5,009	1,449
Interest income	30,000	30,000	46,771	16,771
Miscellaneous revenues	<u>22,020</u>	<u>22,020</u>	<u>62,481</u>	<u>40,461</u>
Total revenues	<u>1,942,915</u>	<u>1,942,915</u>	<u>2,522,741</u>	<u>579,826</u>
<b>EXPENDITURES</b>				
Current				
General government	300	17,930	8,920	(9,010)
Public safety	96,300	159,700	157,272	(2,428)
Public works	661,563	1,045,643	942,694	(102,949)
Culture and recreation	361,472	517,972	454,919	(63,053)
Economic development	472,281	518,781	505,034	(13,747)
Other	164,600	223,090	278,983	55,893
Debt service				
Principal	78,843	78,843	78,843	-
Interest and fees	<u>18,478</u>	<u>18,478</u>	<u>18,478</u>	<u>-</u>
Total expenditures	<u>1,853,837</u>	<u>2,580,437</u>	<u>2,445,143</u>	<u>(135,294)</u>
Excess (deficiency) of revenues over expenditures	<u>89,078</u>	<u>(637,522)</u>	<u>77,598</u>	<u>715,120</u>
Other financing sources (uses)				
Transfers in	967,350	967,350	1,228,914	261,564
Transfers out	<u>(314,431)</u>	<u>(314,431)</u>	<u>(240,931)</u>	<u>73,500</u>
Total other financing sources and uses	<u>652,919</u>	<u>652,919</u>	<u>987,983</u>	<u>335,064</u>
Net change in fund balance	<u>741,997</u>	<u>15,397</u>	<u>1,065,581</u>	<u>1,050,184</u>
<b>FUND BALANCE, January 1</b>	<u>9,037,106</u>	<u>9,037,106</u>	<u>9,037,106</u>	<u>-</u>
<b>FUND BALANCE, December 31</b>	<u>\$ 9,779,103</u>	<u>\$ 9,052,503</u>	<u>\$ 10,102,687</u>	<u>\$ 1,050,184</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	6/30/2024	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%
ND PERS	6/30/2015	0.665753%	\$ 1,746,890	\$ 2,288,686	76.33%	77.15%

**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	6/30/2024	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	6/30/2024	\$ 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%
ND PERS	6/30/2015	\$ 173,844	\$ 163,725	\$ 10,119	\$ 2,288,686	7.15%

**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	6/30/2024	\$ 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	6/30/2024	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	6/30/2024	\$ 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, 2024**

**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:***

All actuarial assumptions used in the actuarial valuation as of July 1, 2024, were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2023.

***OPEB:***

All actuarial assumptions used in the actuarial valuation as of July 1, 2024, were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2023.

**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, 2024**

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

Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

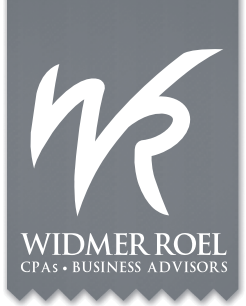
***OPEB:***

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, 2023.

**NOTE 4 – BUDGET AMENDMENTS**

The city council amended the budget for 2024 as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>
Special revenue fund expenditures	\$ 1,853,837	\$ 726,600	\$ 2,580,437



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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 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, 2024, 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 November 11, 2025.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the Schedule of Findings and Responses as item 2024-001 that we consider to be a material weakness.

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

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

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

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

### **Purpose of this Report**

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

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

Fargo, North Dakota  
November 11, 2025

**CITY OF WAHPETON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**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**

**2024-001 (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.