



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## City of Washburn

Washburn, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS28100*



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Office of the  
State Auditor

# CITY OF WASHBURN

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For the Year Ended December 31, 2020

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# CITY OF WASHBURN

City Officials and Audit Personnel  
December 31, 2020

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## CITY OFFICIALS

Larry Thomas	President
Marvin Stroh	Commissioner
Don Simon	Commissioner
Kollin Syverson	Commissioner
Mike Herdt	Commissioner
Adam Thomas	Superintendent
Chelsey Lazier	City Auditor

## AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Alex Bakken, CPA	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

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

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## INDEPENDENT AUDITOR'S REPORT

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Board of City Commissioners  
City of Washburn  
Washburn, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washburn, North Dakota, as of and for the years ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Washburn's basic financial statements as listed in the table of contents.

### Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washburn, North Dakota, as of December 31, 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules* and *the notes to the required supplementary information* as reported in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021 on our consideration of the City of Washburn'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 of Washburn'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 the City of Washburn's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
April 26, 2021

**CITY OF WASHBURN**

Statement of Net Position

December 31, 2020

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Library	Airport
	Activities	Activities			
<b>ASSETS</b>					
Cash and Investments	\$ 2,551,212	\$ 891,123	\$ 3,442,335	\$ 42,325	\$ 84,913
Utility Billings Receivable	-	69,062	69,062	-	-
Intergovernmental Receivable	48,184	-	48,184	-	-
Due from County	3,748	-	3,748	-	-
Taxes Receivable	8,168	-	8,168	472	473
Special Assessments Receivable	6,851,006	-	6,851,006	-	-
Capital Assets, Net	10,744,567	9,790,844	20,535,411	-	1,577,135
<b>Total Assets</b>	<b>\$ 20,206,885</b>	<b>\$ 10,751,029</b>	<b>\$ 30,957,914</b>	<b>\$ 42,797</b>	<b>\$ 1,662,521</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 8,563	\$ 6,753	\$ 15,316	\$ -	\$ 4,861
Salaries and Benefits Payable	3,239	1,472	4,711	-	-
Prepaid Receipts	-	19,910	19,910	-	-
Interest Payable	39,944	10,758	50,702	-	-
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	729,865	245,000	974,865	-	-
Compensated Absences Payable	929	-	929	-	-
Due After One Year					
Long-Term Debt	7,022,052	1,925,000	8,947,052	-	-
Compensated Absences Payable	8,363	-	8,363	-	-
<b>Total Liabilities</b>	<b>\$ 7,812,955</b>	<b>\$ 2,208,893</b>	<b>\$ 10,021,848</b>	<b>\$ -</b>	<b>\$ 4,861</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 9,803,712	\$ 7,620,844	\$ 17,424,556	\$ -	\$ 1,577,135
Restricted					
Debt Service	2,198	-	2,198	-	-
Capital Projects	1,038,300	-	1,038,300	-	-
General Government	832,067	-	832,067	-	-
Public Works	575,067	-	575,067	-	-
Emergencies	22,142	-	22,142	-	-
Economic/Job Development	9,028	-	9,028	-	-
Culture and Recreation	-	-	-	42,797	-
Unrestricted	111,416	921,292	1,032,708	-	80,525
<b>Total Net Position</b>	<b>\$ 12,393,930</b>	<b>\$ 8,542,136</b>	<b>\$ 20,936,066</b>	<b>\$ 42,797</b>	<b>\$ 1,657,660</b>

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

# CITY OF WASHBURN

## Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Library	Airport
<b>PRIMARY GOVERNMENT</b>									
Governmental Activities									
General Government	\$ 529,703	\$ 29,061	\$ -	\$ 26,500	\$ (474,142)		\$ (474,142)		
Public Safety	197,495	-	-	-	(197,495)		(197,495)		
Public Works	443,167	-	222,826	441,570	221,229		221,229		
Culture and Recreation	7,742	-	-	-	(7,742)		(7,742)		
Interest & Fees on Long-Term Debt	252,882	-	-	-	(252,882)		(252,882)		
<b>Total Governmental Activities</b>	<b>\$ 1,430,989</b>	<b>\$ 29,061</b>	<b>\$ 222,826</b>	<b>\$ 468,070</b>	<b>\$ (711,032)</b>		<b>\$ (711,032)</b>		
Business-Type Activities									
Water	\$ 531,057	\$ 515,156	\$ -	\$ -	\$ -	\$ (15,901)	\$ (15,901)		
Sewer	79,839	139,820	-	-	-	59,982	-		
Garbage	96,359	97,838	-	-	-	1,479	-		
<b>Total Business-Type Activities</b>	<b>\$ 707,255</b>	<b>\$ 752,814</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,560</b>	<b>\$ (15,901)</b>		
<b>Total Primary Government</b>	<b>\$ 2,138,244</b>	<b>\$ 781,875</b>	<b>\$ 222,826</b>	<b>\$ 468,070</b>	<b>\$ (711,032)</b>	<b>\$ 45,560</b>	<b>\$ (726,933)</b>		
<b>COMPONENT UNITS</b>									
Library	\$ 21,095	\$ -	\$ -	\$ -			\$ (21,095)		
Airport	151,281	7,861	20,386	181,275					58,241
<b>Total Component Units</b>	<b>\$ 172,375</b>	<b>\$ 7,861</b>	<b>\$ 20,386</b>	<b>\$ 181,275</b>			<b>\$ (21,095)</b>		<b>\$ 58,241</b>
<b>GENERAL REVENUES</b>									
Taxes									
Property Taxes					\$ 243,061	\$ -	\$ 243,061	\$ 18,552	\$ 18,713
Sales Taxes					311,190	-	311,190	-	-
Non-Restricted Grants and Contributions					390,219	-	390,219	-	-
Unrestricted Investment Earnings					10,141	-	10,141	180	-
Miscellaneous					45,718	864	46,582	3,999	86
<b>Total General Revenues and Transfers</b>					<b>\$ 1,000,329</b>	<b>\$ 864</b>	<b>\$ 1,001,193</b>	<b>\$ 22,730</b>	<b>\$ 18,799</b>
<b>Changes in Net Position</b>					<b>\$ 289,297</b>	<b>\$ 46,424</b>	<b>\$ 335,721</b>	<b>\$ 1,636</b>	<b>\$ 77,040</b>
<b>Net Position - January 1</b>					<b>\$ 11,927,131</b>	<b>\$ 8,495,712</b>	<b>\$ 20,422,843</b>	<b>\$ 41,161</b>	<b>\$ 1,580,620</b>
<b>Prior Period Adjustments</b>					<b>\$ 177,502</b>	<b>\$ -</b>	<b>\$ 177,502</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 12,104,633</b>	<b>\$ 8,495,712</b>	<b>\$ 20,600,345</b>	<b>\$ 41,161</b>	<b>\$ 1,580,620</b>
<b>Net Position - December 31</b>					<b>\$ 12,393,930</b>	<b>\$ 8,542,136</b>	<b>\$ 20,936,066</b>	<b>\$ 42,797</b>	<b>\$ 1,657,660</b>

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

# CITY OF WASHBURN

Balance Sheet – Governmental Funds  
December 31, 2020

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 739,471	\$ 1,434,077	\$ 377,664	\$ -	\$ 2,551,212
Intergovernmental Receivable	37,224	10,960	-	-	48,184
Due from County	1,045	-	-	2,703	3,748
Taxes Receivable	5,970	-	-	2,198	8,168
Special Assessments Receivable	-	-	-	6,851,006	6,851,006
Due from Other Funds	-	-	660,636	-	660,636
<b>Total Assets</b>	<b>\$ 783,710</b>	<b>\$ 1,445,037</b>	<b>\$ 1,038,300</b>	<b>\$ 6,855,907</b>	<b>\$ 10,122,954</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 7,500	\$ 1,063	\$ -	\$ -	\$ 8,563
Salaries and Benefits Payable	2,986	253	-	-	3,239
Due to Other Funds	-	-	-	660,636	660,636
<b>Total Liabilities</b>	<b>\$ 10,486</b>	<b>\$ 1,316</b>	<b>\$ -</b>	<b>\$ 660,636</b>	<b>\$ 672,438</b>
<b>Deferred Inflows of Resources</b>					
Uncollected Taxes Receivable	\$ 5,970	\$ -	\$ -	\$ 2,198	\$ 8,168
Uncollected Special Assessments Receivable	-	-	-	6,851,006	6,851,006
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,970</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,853,204</b>	<b>\$ 6,859,174</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 16,456</b>	<b>\$ 1,316</b>	<b>\$ -</b>	<b>\$ 7,513,840</b>	<b>\$ 7,531,612</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
Capital Projects Funds	\$ -	\$ -	\$ 668,993	\$ -	\$ 668,993
General Government	-	832,067	-	-	832,067
Public Works/Streets	-	580,484	-	-	580,484
Emergency	-	22,142	-	-	22,142
Economic Development	-	9,028	-	-	9,028
<b>Assigned</b>					
Public Works/Streets	-	-	369,307	-	369,307
<b>Unassigned</b>					
General Fund	767,254	-	-	-	767,254
Negative Fund Balances	-	-	-	(657,933)	(657,933)
<b>Total Fund Balances</b>	<b>\$ 767,254</b>	<b>\$ 1,443,721</b>	<b>\$ 1,038,300</b>	<b>\$ (657,933)</b>	<b>\$ 2,591,342</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 783,710</b>	<b>\$ 1,445,037</b>	<b>\$ 1,038,300</b>	<b>\$ 6,855,907</b>	<b>\$ 10,122,954</b>

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



**CITY OF WASHBURN**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2020

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<b>Total Fund Balances for Governmental Funds</b>		\$ 2,591,342
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,744,567
Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.		
Property Taxes Receivable	\$ 8,168	
Special Assessments Receivable	<u>6,851,006</u>	6,859,174
Long-term liabilities 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.		
Long-Term Debt	\$ (7,751,917)	
Interest Payable	(39,944)	
Compensated Absences	<u>(9,292)</u>	<u>(7,801,153)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 12,393,930</u>

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

**CITY OF WASHBURN**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 239,729	\$ -	\$ -	\$ -	\$ 239,729
Special Assessment Taxes	-	-	-	1,021,766	1,021,766
Sales Taxes	-	311,190	-	-	311,190
Licenses, Permits and Fees	19,742	-	-	-	19,742
Charges for Services	2,770	-	-	-	2,770
Intergovernmental	515,219	97,826	-	-	613,045
Fines, Forfeitures and Penalties	6,549	-	-	-	6,549
Interest	1,860	2,452	5,829	-	10,141
Miscellaneous	43,865	1,853	-	-	45,718
<b>Total Revenues</b>	<b>\$ 829,734</b>	<b>\$ 413,321</b>	<b>\$ 5,829</b>	<b>\$ 1,021,766</b>	<b>\$ 2,270,650</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 436,320	\$ 41,000	\$ -	\$ -	477,320
Public Safety	183,797	-	-	-	183,797
Public Works	1,027	82,803	12,818	-	96,648
Debt Service					
Principal	-	-	240,000	2,545,000	2,785,000
Interest	-	-	-	235,525	235,525
Fees	-	-	-	20,670	20,670
<b>Total Expenditures</b>	<b>\$ 621,144</b>	<b>\$ 123,803</b>	<b>\$ 252,818</b>	<b>\$ 2,801,195</b>	<b>\$ 3,798,960</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 208,590	\$ 289,518	\$ (246,989)	\$ (1,779,429)	\$ (1,528,310)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds	\$ -	\$ -	\$ -	\$ 1,725,000	\$ 1,725,000
Bond Discount	-	-	-	(21,563)	(21,563)
Transfers In	-	-	18,249	-	18,249
Transfers Out	-	(18,249)	-	-	(18,249)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ (18,249)</b>	<b>\$ 18,249</b>	<b>\$ 1,703,437</b>	<b>\$ 1,703,437</b>
<b>Net Change in Fund Balances</b>	<b>\$ 208,590</b>	<b>\$ 271,269</b>	<b>\$ (228,740)</b>	<b>\$ (75,992)</b>	<b>\$ 175,127</b>
Fund Balance - January 1	\$ 530,012	\$ 1,172,452	\$ 1,267,040	\$ (581,941)	\$ 2,387,563
Prior Period Adjustment	\$ 28,652	\$ -	\$ -	\$ -	\$ 28,652
Fund Balance - January 1, as restated	\$ 558,664	\$ 1,172,452	\$ 1,267,040	\$ (581,941)	\$ 2,416,215
Fund Balance - December 31	\$ 767,254	\$ 1,443,721	\$ 1,038,300	\$ (657,933)	\$ 2,591,342

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

**CITY OF WASHBURN**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2020

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**Net Change in Fund Balances - Total Governmental Funds** \$ 175,127

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.

Current Year Capital Outlay	\$ 9,073	
Capital Contribution	26,500	
Current Year Depreciation Expense	<u>(429,477)</u>	(393,904)

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

Net Change in Compensated Absences	\$ 62	
Net Change in Interest Payable	<u>10,753</u>	10,815

The proceeds of debt issuances are reported as other financing sources in governmental funds and contribute to change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Change in Bond Discount	\$ 14,123	
Issuance of Long-Term Debt	(1,725,000)	
Repayment of Long-Term Debt	<u>2,785,000</u>	1,074,123

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	\$ 3,332	
Net Change in Special Assessments Receivable	<u>(580,196)</u>	<u>(576,864)</u>

**Change in Net Position of Governmental Activities** \$ 289,297

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

**CITY OF WASHBURN**Statement of Net Position – Proprietary Funds  
December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 102,550	\$ 728,293	\$ 60,280	\$ 891,123
Utility Billings Receivable	47,372	12,532	9,158	69,062
Total Current Assets	<u>\$ 149,922</u>	<u>\$ 740,825</u>	<u>\$ 69,438</u>	<u>\$ 960,185</u>
Noncurrent Assets				
Capital Assets, Net	\$ 8,385,313	\$ 1,405,531	\$ -	\$ 9,790,844
Total Assets	<u>\$ 8,535,235</u>	<u>\$ 2,146,356</u>	<u>\$ 69,438</u>	<u>\$ 10,751,029</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 1,521	\$ 5,232	\$ -	\$ 6,753
Salaries Payable	1,472	-	-	1,472
Prepaid Receipts	19,910	-	-	19,910
Interest Payable	8,325	2,433	-	10,758
Long-Term Debt	225,000	20,000	-	245,000
Total Current Liabilities	<u>\$ 256,228</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ 283,893</u>
Noncurrent Liabilities				
Long-Term Debt	\$ 1,580,000	\$ 345,000	\$ -	\$ 1,925,000
Total Liabilities	<u>\$ 1,836,228</u>	<u>\$ 372,665</u>	<u>\$ -</u>	<u>\$ 2,208,893</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 6,580,313	\$ 1,040,531	\$ -	\$ 7,620,844
Unrestricted	118,694	733,160	69,438	921,292
Total Net Position	<u>\$ 6,699,007</u>	<u>\$ 1,773,691</u>	<u>\$ 69,438</u>	<u>\$ 8,542,136</u>

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

**CITY OF WASHBURN**

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
 For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 515,156	\$ 139,820	\$ 97,838	\$ 752,814
Miscellaneous	864	-	-	864
<b>Total Operating Revenues</b>	<b>\$ 516,020</b>	<b>\$ 139,820</b>	<b>\$ 97,838</b>	<b>\$ 753,678</b>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	\$ 58,891	\$ 19,594	\$ -	\$ 78,485
Health Insurance	10,074	3,108	-	13,182
Utilities	23,380	4,945	-	28,325
Supplies, Maintenance, and Repairs	118,806	11,930	-	130,736
Contract	-	-	96,359	96,359
Other	8,398	-	-	8,398
Depreciation	274,016	30,771	-	304,787
<b>Total Operating Expenses</b>	<b>\$ 493,566</b>	<b>\$ 70,348</b>	<b>\$ 96,359</b>	<b>\$ 660,273</b>
Operating Income	\$ 22,454	\$ 69,473	\$ 1,479	\$ 93,406
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Expense and Service Charges	\$ (37,491)	\$ (9,491)	\$ -	\$ (46,982)
Income (Loss) Before Contributions and Transfers	\$ (15,037)	\$ 59,982	\$ 1,479	\$ 46,424
Change in Net Position	\$ (15,037)	\$ 59,982	\$ 1,479	\$ 46,424
Net Position - January 1	\$ 6,714,044	\$ 1,713,709	\$ 67,959	\$ 8,495,712
Net Position - December 31	\$ 6,699,007	\$ 1,773,691	\$ 69,438	\$ 8,542,136

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

**CITY OF WASHBURN**

Statement of Cash Flows – Proprietary Funds  
 For the Year Ended December 31, 2020

	<u>Business-type Activities - Enterprise Funds</u>			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 514,962	\$ 138,636	\$ 96,381	\$ 749,979
Payments to Suppliers	(160,538)	(12,160)	(104,127)	(276,825)
Payments to Employees	(68,965)	(22,701)	-	(91,666)
Other Receipts	864	-	-	864
Net Cash Provided (Used) by Operating Activities	<u>\$ 286,323</u>	<u>\$ 103,775</u>	<u>\$ (7,746)</u>	<u>\$ 382,352</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases and Construction of Capital Assets	\$ (241,578)	\$ -	\$ -	\$ (241,578)
Principal Paid on Capital Debt	(225,000)	(20,000)	-	(245,000)
Interest and Fees Paid on Capital Debt	(38,675)	(9,625)	-	(48,300)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (505,253)</u>	<u>\$ (29,625)</u>	<u>\$ -</u>	<u>\$ (534,878)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ (218,930)</u>	<u>\$ 74,150</u>	<u>\$ (7,746)</u>	<u>\$ (152,526)</u>
Cash and Cash Equivalents - January 1	<u>\$ 321,480</u>	<u>\$ 654,143</u>	<u>\$ 68,026</u>	<u>\$ 1,043,649</u>
Cash and Cash Equivalents - December 31	<u>\$ 102,550</u>	<u>\$ 728,293</u>	<u>\$ 60,280</u>	<u>\$ 891,123</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING</b>				
Operating Income (Loss)	<u>\$ 22,454</u>	<u>\$ 69,473</u>	<u>\$ 1,479</u>	<u>\$ 93,406</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 274,016	\$ 30,771	\$ -	\$ 304,787
Change in Assets and Liabilities				
Utility Billings Receivable	(12,833)	(1,184)	(1,457)	(15,474)
Salaries Payable	824	-	-	824
Accounts Payable	(10,778)	4,715	(7,768)	(13,831)
Unearned Revenue	12,640	-	-	12,640
Net Cash Provided (Used) by Operating Activities	<u>\$ 286,323</u>	<u>\$ 103,775</u>	<u>\$ (7,746)</u>	<u>\$ 382,352</u>

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

**CITY OF WASHBURN**

Statement of Fiduciary Net Position – Fiduciary Funds  
December 31, 2020

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 18,495</u>
<b>LIABILITIES</b>	
Funds Held for Other Governmental Units	<u>\$ 18,495</u>

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

**CITY OF WASHBURN**

Statement of Changes in Fiduciary Net Position – Fiduciary Funds  
For the Year Ended December 31, 2020

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	<u>\$ -</u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	<u>\$ -</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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



# CITY OF WASHBURN

Notes to the Financial Statements  
For the Year Ended December 31, 2020

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Washburn (“City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

### Reporting Entity

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

Based on these criteria, the component units discussed below are included within the City’s reporting entity because of the significance of their operational or financial relationships with the City.

### Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as discretely presented component units.

*Discretely Presented Component Unit.* The component unit column in the basic financial statements includes the financial data of the City’s component units. These units are reported in separate columns to emphasize that it is legally separate from the City.

City of Washburn Airport. The City of Washburn Airport (“Airport”) governing board is appointed by the City’s governing body. The City’s governing body has the authority to disapprove, amend, or approve the Airport’s budget.

City of Washburn Library. The City of Washburn Library’s (“Library”) governing board is appointed by the City’s governing body. The City’s governing body has the authority to disapprove, amend, or approve the Library’s budget.

### Basis of Presentation

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

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

*Fund Financial Statements.* The fund financial statements provide information about the City’s funds including its fiduciary funds. Separate statements for each fund category—*governmental, proprietary and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

## CITY OF WASHBURN

### Notes to the Financial Statements – Continued

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

Garbage Fund - This fund accounts for the activities of the City's garbage collection system.

Additionally, the County reports the following fiduciary funds:

Custodial Fund - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The custodial funds are mostly used to account for property taxes collected on behalf of other governments.

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 and acquisitions under capital leases are reported as other financing sources.

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

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

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

**Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the City during the year ended December 31, 2020 consist of certificates of deposit stated at cost with maturities in excess of three months.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund, sewer fund, and garbage fund in the enterprise fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased 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 assets lives are not capitalized.

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

<b>Assets</b>	<b>Years</b>
Buildings & Infrastructure	5 - 75
Vehicles and Machinery	5 - 20
Furniture and Equipment	5 - 30
Land & Land Improvements	Indefinite

**Compensated Absences**

Full time employees earn vacation benefits from eight to sixteen hours per month, depending on tenure with the City. Employees can carry over a maximum of 160 hours of vacation at December 31 of each year.

Upon termination of employment, employees will be paid for vacation benefits that have accrued based on their current rate of pay. Vested or accumulated vacation leave is reported in the general long-term debt account group. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Balance**

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

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

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

*Assigned Fund Balances.* This classification reflects the amounts constrained by the City’s intent to be used for special purposes but are neither restricted nor committed. The city commission has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

**Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted state and federal grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund.

**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.

**NOTE 2: PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were necessary for the government wide statements to properly report the beginning balance for special assessment receivable and benefits payable as shown below.

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 11,927,131
<b>Adjustments to restate the January 1, 2020 Net Position:</b>	
Special Assessment Receivable	148,850
Benefits Payable	28,652
Net Position January 1, as restated	\$ 12,104,633

Prior period adjustments were necessary for the General Fund to restate the fund balance for a prior error in benefits payable. See table below:

<b>Primary Government - General Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 530,012
<b>Adjustments to restate the January 1, 2020 Fund Balance:</b>	
Benefits Payable	28,652
Fund Balance January 1, as restated	\$ 558,664

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

**NOTE 3: DEPOSITS**

**Custodial Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount they may invest in any one issuer.

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

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

At year ended December 31, 2020, the City’s carrying amount of deposits totaled \$3,481,023, and the bank balances totaled \$3,488,198. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Library’s carrying amount of deposits totaled \$21,685, and the bank balances totaled \$21,837, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2020, the Airport’s carrying amount of deposits totaled \$84,913, and the bank balances totaled \$85,288, all of which were covered by Federal Depository Insurance.

**NOTE 4: PROPERTY TAXES**

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

**NOTE 5: TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2020:

	2020	
	Transfers In	Transfers Out
<b>Governmental Funds</b>		
Special Revenue Fund	\$ -	\$ 18,249
Capital Project Fund	18,249	-
<b>Total Transfers</b>	<b>\$ 18,249</b>	<b>\$ 18,249</b>

Transfers are done primarily for the following reasons:

- Transfer unrestricted revenues to finance various programs.
- Transfer money to help finance various construction projects.

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

**NOTE 6: CAPITAL ASSETS**

**Primary Government**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended 2020:

<b>Governmental Activities</b>	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>
<i>Capital assets not being depreciated</i>				
Construction in Progress	\$ 627,065	\$ 1,072	\$ -	\$ 628,137
<i>Capital assets, being depreciated</i>				
Buildings & Infrastructure	\$ 13,360,512	\$ 34,500	\$ -	\$ 13,395,012
Machinery & Equipment	996,948	-	-	996,948
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 14,357,460</b>	<b>\$ 34,500</b>	<b>\$ -</b>	<b>\$ 14,391,960</b>
<i>Less accumulated depreciation for</i>				
Buildings & Infrastructure	\$ 3,367,298	\$ 364,689	\$ -	\$ 3,731,987
Machinery & Equipment	478,756	64,787	-	543,543
<b>Total Accumulated Depreciation</b>	<b>\$ 3,846,054</b>	<b>\$ 429,476</b>	<b>\$ -</b>	<b>\$ 4,275,530</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 10,511,406</b>	<b>\$ (394,976)</b>	<b>\$ -</b>	<b>\$ 10,116,430</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 11,138,471</b>	<b>\$ (393,904)</b>	<b>\$ -</b>	<b>\$ 10,744,567</b>

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

<b>Governmental Activities</b>	<b>2020</b>
General Government	\$ 60,022
Public Works	346,519
Public Safety	15,194
Culture and Recreation	7,741
<b>Total Depreciation Expense</b>	<b>\$ 429,476</b>

**Business-Type Activities**

The following is a summary of changes in capital assets for the year ended 2020:

<b>Business-Type Activities</b>	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>
<i>Capital assets not being depreciated</i>				
Construction in Progress	\$ -	\$ 236,448	\$ -	\$ 236,448
<i>Capital assets, being depreciated</i>				
Buildings & Infrastructure	\$ 13,097,672	\$ 5,130	\$ -	\$ 13,102,802
Machinery & Equipment	66,674	-	-	66,674
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 13,164,346</b>	<b>\$ 5,130</b>	<b>\$ -</b>	<b>\$ 13,169,476</b>
<i>Less accumulated depreciation for</i>				
Buildings & Infrastructure	\$ 3,253,467	\$ 298,627	\$ -	\$ 3,552,094
Machinery & Equipment	56,826	6,160	-	62,986
<b>Total Accumulated Depreciation</b>	<b>\$ 3,310,293</b>	<b>\$ 304,787</b>	<b>\$ -</b>	<b>\$ 3,615,080</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 9,854,053</b>	<b>\$ (63,209)</b>	<b>\$ -</b>	<b>\$ 9,790,844</b>

Depreciation expense was charged to the unrestricted function.

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the year ended 2020:

<b>Airport</b>	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>
<i>Capital assets not being depreciated</i>				
Construction in Progress	\$ 23,279	\$ 157,996	\$ -	\$ 181,275
<i>Capital assets, being depreciated</i>				
Buildings & Infrastructure	\$ 1,805,331	\$ -	\$ -	\$ 1,805,331
Machinery & Equipment	108,954	-	-	108,954
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,914,285</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,914,285</b>
<i>Less accumulated depreciation for</i>				
Buildings & Infrastructure	\$ 384,836	\$ 55,354	\$ -	\$ 440,190
Machinery & Equipment	72,638	5,597	-	78,235
<b>Total Accumulated Depreciation</b>	<b>\$ 457,474</b>	<b>\$ 60,951</b>	<b>\$ -</b>	<b>\$ 518,425</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,480,090</b>	<b>\$ 97,045</b>	<b>\$ -</b>	<b>\$ 1,577,135</b>

Depreciation expense was charged to the unrestricted function.

**NOTE 7: LONG-TERM LIABILITIES**

**Primary Government**

**Governmental Activities**

The following changes occurred in long-term liabilities for the year ended 2020:

<b>Governmental Activities</b>	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>	<b>Due Within One Year</b>
Long-Term Debt					
Special Assessment Bonds	\$ 8,900,000	\$ 1,725,000	\$ 2,785,000	\$ 7,840,000	\$ 740,000
Bond Discount	(73,960)	(21,562)	(7,439)	(88,083)	(10,135)
<b>Total Long-Term Debt</b>	<b>\$ 8,826,040</b>	<b>\$ 1,703,438</b>	<b>\$ 2,777,561</b>	<b>\$ 7,751,917</b>	<b>\$ 729,865</b>
Compensated Absences *	\$ 9,354	\$ -	\$ 62	\$ 9,292	\$ 929
<b>Total Long-Term Liabilities</b>	<b>\$ 8,835,394</b>	<b>\$ 1,703,438</b>	<b>\$ 2,777,623</b>	<b>\$ 7,761,209</b>	<b>\$ 730,794</b>

\* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

**Business-Type Activities**

The following changes occurred in long-term liabilities for the year ended 2020:

<b>Business-Type Activities</b>	<b>Balance 1/1/20</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/20</b>	<b>Due Within One Year</b>
Long-Term Debt					
Revenue Bonds Payable	\$ 2,415,000	\$ -	\$ 245,000	\$ 2,170,000	\$ 245,000

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding long-term debt at December 31, 2020 is as follows:

<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>				<b>Business-Type Activities</b>	
<b>Year Ending December 31</b>	<b>Special Assessment Bonds Payable</b>		<b>Bond Discount</b>	<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>
2021	\$ 740,000	\$ 169,689	\$ (10,135)	\$ 245,000	\$ 32,275
2022	730,000	154,532	(10,135)	250,000	28,325
2023	705,000	141,965	(9,539)	260,000	24,250
2024	675,000	129,750	(9,539)	260,000	20,025
2025	535,000	160,618	(7,972)	260,000	34,000
2026 - 2030	2,255,000	413,315	(27,567)	645,000	33,725
2031 - 2035	1,845,000	175,200	(9,426)	250,000	7,600
2036 - 2040	355,000	11,440	(3,770)	-	-
Total	\$ 7,840,000	\$ 1,356,509	\$ (88,083)	\$ 2,170,000	\$ 180,200

**NOTE 8: 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, 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 \$4,000,000 per occurrence for general liability and for automobile, and \$1,529,254 for public assets (mobile equipment and portable property).

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,609,092 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker’s compensation with the North Dakota Workforce Safety and Insurance.

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

**NOTE 9: PENSION PLAN**

The City’s employees are provided retirement benefits under a defined contribution money purchase plan with John Hancock Life Insurance company and American Funds. The City is only responsible for current contributions. All full-time employees of the City are provided similar benefits. The employer contributes 6.12% of eligible compensation. The employer’s portion was \$8,088, \$11,704, and \$8,242, for the years ending December 31, 2020, 2019, and 2018 respectively.



**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

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**NOTE 10: DEFICIT FUND BALANCES**

The City had the following deficit fund balances at December 21, 2020:

	<b>2020</b>
<b>Debt Service Fund</b>	
Special Assessment Fund	\$ (826,272)
Special Assessment Deficiency	168,339
<b>Total Debt Service Fund</b>	<b>\$ (657,933)</b>

The City plans to eliminate these deficits with future revenue collections, transfers from other funds, or through a rebonding of special assessments.

**NOTE 11: COMMITMENTS**

**Primary Government**

The City had the following commitments at December 21, 2020:

Project	Original Contract	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
Membrane Project	\$ 295,560	\$ 236,448	\$ -	\$ 59,112	80.00%

**Discretely Presented Component Unit**

The Airport had the following commitments at December 21, 2020:

Project	Original Contract	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
Airport Layout Plan Update	\$ 158,942	\$ 147,812	\$ -	\$ 11,130	93.00%
Design Fuel System and Fueling Apron	377,495	157,996	-	219,499	41.85%
<b>Total</b>	<b>\$ 536,437</b>	<b>\$ 305,808</b>	<b>\$ -</b>	<b>\$ 230,629</b>	<b>57.01%</b>

**CITY OF WASHBURN**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ 248,248	\$ 248,248	\$ 239,729	\$ (8,519)
Licenses, Permits and Fees	21,675	21,675	19,742	(1,933)
Charges for Services	3,000	3,000	2,770	(230)
Intergovernmental	344,500	344,500	515,219	170,719
Fines, Forfeitures and Penalties	7,950	7,950	6,549	(1,401)
Interest	500	500	1,860	1,360
Miscellaneous	34,350	34,350	43,865	9,515
<b>Total Revenues</b>	<b>\$ 660,223</b>	<b>\$ 660,223</b>	<b>\$ 829,734</b>	<b>\$ 169,511</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 460,426	\$ 460,426	\$ 436,320	\$ 24,106
Public Safety	183,797	183,797	183,797	(0.16)
Public Works	16,000	16,000	1,027	14,973
<b>Total Expenditures</b>	<b>\$ 660,223</b>	<b>\$ 660,223</b>	<b>\$ 621,144</b>	<b>\$ 39,079</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 208,590	\$ 208,590
Fund Balances - January 1	\$ 530,012	\$ 530,012	\$ 530,012	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 28,652	\$ 28,652
Fund Balance - January 1, as restated	\$ 530,012	\$ 530,012	\$ 558,664	\$ 28,652
Fund Balances - December 31	\$ 530,012	\$ 530,012	\$ 767,254	\$ 237,242

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

**CITY OF WASHBURN**

Budgetary Comparison Schedule - Special Revenue Fund  
 For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax	\$ 264,000	\$ 264,000	\$ 311,190	\$ 47,190
Intergovernmental	110,000	110,000	97,826	(12,174)
Interest Income	4,210	4,210	2,452	(1,758)
Miscellaneous	2,000	2,000	1,853	(147)
<b>Total Revenues</b>	<b>\$ 380,210</b>	<b>\$ 380,210</b>	<b>\$ 413,321</b>	<b>\$ 33,111</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,000	\$ 2,000	\$ 41,000	\$ (39,000)
Public Works	146,673	146,673	82,803	63,870
<b>Total Expenditures</b>	<b>\$ 148,673</b>	<b>\$ 148,673</b>	<b>\$ 123,803</b>	<b>\$ 24,870</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 231,537	\$ 231,537	\$ 289,518	\$ 57,981
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (18,249)	\$ (18,249)
<b>Net Change in Fund Balances</b>	<b>\$ 231,537</b>	<b>\$ 231,537</b>	<b>\$ 271,269</b>	<b>\$ 39,732</b>
Fund Balances - January 1	\$ 1,172,452	\$ 1,172,452	\$ 1,172,452	\$ -
Fund Balances - December 31	<b>\$ 1,403,989</b>	<b>\$ 1,403,989</b>	<b>\$ 1,443,721</b>	<b>\$ 39,732</b>

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

# CITY OF WASHBURN

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2020

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## NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

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

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

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



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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***

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Independent Auditor's Report

Board of City Commissioners  
City of Washburn  
Washburn, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washburn as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Washburn's basic financial statements, and have issued our report thereon dated April 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Washburn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Washburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Washburn'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 did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007 that we consider to be material weaknesses.

## **CITY OF WASHBURN**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Washburn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as item 2020-005.

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

The City of Washburn's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. The City of Washburn's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
April 26, 2021

**CITY OF WASHBURN**

Summary of Auditor's Results  
For the Year Ended December 31, 2020

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**Financial Statements**

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

**Internal control over financial reporting**

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

# **CITY OF WASHBURN**

Schedule of Audit Findings

For the Year Ended December 31, 2020

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## **2020-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

### **Condition**

The City of Washburn currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

### **Criteria**

The City of Washburn is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

### **Cause**

Management chose not to allocate City of Washburn’s resources for preparation of the financial statements.

### **Effect**

This increases the risk of material misstatement of the City Washburn’s financial statements.

### **Repeat Finding**

Yes.

### **Recommendation**

We recommend the City of Washburn consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

### **City of Washburn’s Response**

Agree. The City of Washburn is aware that there is a risk having the State Auditor’s Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.



**2020-002 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

The City of Washburn and the related component units have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipt disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

**Criteria**

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the City of Washburn and the related component units.

**Cause**

Management has chosen to allocate its economic resources to other functions of the City of Washburn and related component units.

**Effect**

Limited segregation of duties exposes the City of Washburn and the component units to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

**Repeat Finding**

Yes.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**City of Washburn’s Response**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the City of Washburn and related component units. The City of Washburn is working on changing the procedures to more adequately have segregation of duties in place.

**2020-003 – MISCELLANEOUS REVENUE ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

\$242,704 in revenue from ND Game & Fish, ND State Treasurer, and McLean County was misclassified as miscellaneous revenue instead of classified as intergovernmental revenue.

**Criteria**

The City of Washburn is responsible for ensuring its financial statements, including revenues, are reliable, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

**Cause**

The City of Washburn, at times, was unaware of which revenues should be classified as Intergovernmental Revenues and Miscellaneous Revenues.

**Effect**

The financial statements would have been materially misstated if they were not corrected.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that the City of Washburn prepare and review revenue entries to ensure proper classification by type to accurately present the financial statements, in accordance with GAAP.

**City of Washburn's Response**

Agree. The City will try to properly classify miscellaneous revenue going forward.

**2020-004 – SPECIAL ASSESSMENT REPORTING – MATERIAL WEAKNESS**

**Condition**

The City of Washburn’s special assessment fund has been steadily decreasing in the past few years. As of the end of 2020, the fund reports a negative balance of \$826,272.

**Criteria**

Management of the City of Washburn is responsible for establishing proper internal control over the City's activities to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the GAAP basis of accounting.

**Cause**

The City of Washburn did not ensure that the appropriate amount of special assessment bonds was levied and collected for the appropriate payments in relation to these bonds.

**Effect**

The special assessment fund will continue to decrease and the issues surrounding special assessments may create a material liability for the City of Washburn if the appropriate corrective action is not taken.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that the City of Washburn address its special assessment deficiencies and review its procedures regarding special assessment issuances.

**City of Washburn’s Response**

Agree. The City of Washburn has refunded the 2013 Bond and bought down some of the interest.

**2020-005 – SPECIAL ASSESSMENT VIOLATIONS – MATERIAL WEAKNESS & MATERIAL NON-COMPLIANCE**

**Condition**

The City of Washburn has not appropriately created a separate fund for each special assessment bond that has been issued.

**Criteria**

N.D.C.C. §40-24-18 states, "All special assessments and taxes levied and other revenues pledged under the provisions of this title to pay the cost of an improvement shall constitute a fund for the payment of such cost, including all principal of and interest on warrants and other obligations issued by the municipality to finance the improvement, and shall be diverted to no other purpose. The city auditor shall hold all moneys received for any such fund as a special fund to be applied to payment for the improvement. Each such fund shall be designated by the name and number of the improvement district in or for which said special assessments, taxes, and revenues are collected. When all principal and interest on warrants and other obligations of the fund have been fully paid, all moneys remaining in a fund may be transferred into the general fund of the municipality".

**Cause**

Management has continued to track all special assessments in one fund.

**Effect**

This is a violation of N.D.C.C. §40-24-18 as well as various bond agreement covenants which state that the bond payments should be made out of the corresponding bond fund. Not having separate bond funds created increases the risk of material misstatement due to fraud or error.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that the City of Washburn create funds for each outstanding special assessment to ensure compliance with N.D.C.C. §40-24-18.

**City of Washburn's Response**

Agree. The City is looking at setting up new accounts to accurately account for all specials.

**2020-006 – POST DATED TRANSACTIONS – MATERIAL WEAKNESS**

**Condition**

The City of Washburn inappropriately included \$42,906 of expenditures in the improper accounting period.

**Criteria**

Management of the City of Washburn is responsible for establishing proper internal control over the City's activities to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the GAAP basis of accounting.

**Cause**

The first check register run of 2021 was included in the 2020 general ledger which resulted in the improper cutoff of the year-end financial statements.

**Effect**

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, 2020 and 2021 expenditures would have been overstated and understated by \$42,906, respectively.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that the City of Washburn ensure that all expenditures are reported in the proper accounting period.

**City of Washburn's Response**

Agree. The City will cutoff in accordance to GAAP.

**2020-007 – CONFLICT OF INTEREST – MATERIAL WEAKNESS**

**Condition**

During the review of the City of Washburn board meeting minutes, it was noted that possible conflicts of interest occurred involving immediate family of board members without recuse.

**Criteria**

N.D.C.C. §44-04-22 states "A person acting in a legislative or quasi-legislative or judicial or quasi-judicial capacity for a political subdivision of the state who has a direct and substantial personal or pecuniary interest in a matter before the board, council, commission, or other body, must disclose the fact to the body of which the person is a member, and may not participate in or vote on that particular matter without the consent of a majority of the rest of the body."

**Cause**

The City of Washburn does not have adequate procedures in place to handle a higher risk of conflict of interests that may occur.

**Effect**

The City of Washburn incurs a higher risk of non-compliance with N.D.C.C. §44-04-22.

**Repeat Finding**

Yes.

**Recommendation**

We recommend the City of Washburn educate staff and board members as to what constitutes a conflict of interest to ensure compliance with N.D.C.C. §44-04-22. We further recommend the City of Washburn review procedures with the City's attorney to address a higher risk of potential conflicts of interest.

**City of Washburn's Response**

Agree. The City will address these concerns with the city attorney and update policies as needed.

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

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

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## GOVERNANCE COMMUNICATION

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Board of City Commissioners  
City of Washburn  
Washburn, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Washburn, North Dakota, for the year ended December 31, 2020 which collectively comprise the City of Washburn's basic financial statements, and have issued our report thereon dated April 26, 2021. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated February 17, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Washburn are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**CITY OF WASHBURN**  
 Governance Communication - Continued

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

**Corrected and Uncorrected Misstatements**

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

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>Governmental Funds</b>						
<b>General Fund</b>						
<u>To Record Various Types of Receivables</u>						
Intergovernmental Receivable	-	-	37,224	-	37,224	-
Due From County	-	-	1,045	-	1,045	-
Revenue	-	-	-	38,269	-	38,269
<u>To Record Salaries &amp; Benefits Payable</u>						
Expenditure	-	-	1,458	-	1,458	-
Salaries Payable	-	-	-	1,458	-	1,458
<u>To Record Accounts Payable</u>						
Expenditure	-	-	7,500	-	7,500	-
Accounts Payable	-	-	-	7,500	-	7,500
<u>To Remove Expenditures</u>						
Cash	-	-	37,947	-	37,947	-
Expenditures	-	-	-	37,947	-	37,947
<b>Special Revenue Fund</b>						
<u>To Record Intergovernmental Receivables</u>						
Intergovernmental Receivable	-	-	10,960	-	10,960	-
Revenue	-	-	-	10,960	-	10,960
<u>To Record Salaries &amp; Remove Retirement Liability</u>						
Expenditure	-	-	253	-	253	-
Retirement Liability	-	-	17,851	-	17,851	-
Fund Balance	-	-	-	17,851	-	17,851
Salaries Payable	-	-	-	253	-	253
<u>To Remove Expenditures</u>						
Cash	-	-	4,959	-	4,959	-
Expenditures	-	-	-	4,959	-	4,959
<u>To Reclass Cash to Accounts Payable</u>						
Cash	-	-	1,063	-	1,063	-
Accounts Payable	-	-	-	1,063	-	1,063
<b>Debt Service Fund</b>						
<u>To Record Due from County Amounts</u>						
Due From County	-	-	2,703	-	2,703	-
Revenue	-	-	-	2,703	-	2,703
<u>To Reclass Bond Proceeds</u>						
Revenue - Special Assessment Taxes	-	-	1,703,438	-	1,703,438	-
Other Financing Sources - Discount	-	-	21,563	-	21,563	-
Other Financing Sources - Debt Issuance	-	-	-	1,725,000	-	1,725,000
<b>Capital Projects Fund</b>						
<u>To Reclass Principal Payments from Expenses</u>						
Debt Service Expenditures - Principal	-	-	240,000	-	240,000	-
Construction Expenditures	-	-	-	240,000	-	240,000



**CITY OF WASHBURN**  
 Governance Communication - Continued

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>Enterprise Funds</b>						
<b>Water Fund</b>						
<u>To Record Client Utility Billing Receivables</u>						
Utility Billing Receivable	47,372	-	-	-	47,372	-
Revenue	-	47,372	-	-	-	47,372
<u>To Reclass Cash to Accounts Payable</u>						
Cash	-	-	1,521	-	1,521	-
Accounts Payable	-	-	-	1,521	-	1,521
<b>Sewer Fund</b>						
<u>To Record Client Utility Billing Receivables</u>						
Utility Billing Receivable	12,532	-	-	-	12,532	-
Revenue	-	12,532	-	-	-	12,532
<u>To Reclass Cash to Accounts Payable</u>						
Cash	-	-	5,232	-	5,232	-
Accounts Payable	-	-	-	5,232	-	5,232
<b>Garbage Fund</b>						
<u>To Record Client Utility Billing Receivables</u>						
Utility Billing Receivable	9,158	-	-	-	9,158	-
Revenue	-	9,158	-	-	-	9,158

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 26, 2021.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**CITY OF WASHBURN**

Governance Communication - Continued

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**Other Audit Findings or Issues**

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

This information is intended solely for the use of the Board of City Commissioners and management of the City of Washburn, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
April 26, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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