



# 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, 2021

*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, 2021

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# CITY OF WASHBURN

City Officials

December 31, 2021

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## CITY OFFICIALS

Larry Thomas  
Tim Dockter  
Keith Hapip Jr.  
Jamie Weber  
Don Simon

Chelsey Brandt  
Adam Thomas

Commissioner - President  
Commissioner – Vice President  
Commissioner  
Commissioner  
Commissioner

Auditor  
Superintendent

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 Audit of the Financial Statements

#### *Opinions*

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 year ended December 31, 2021, 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.

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, 2021, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 the City of Washburn and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

**CITY OF WASHBURN**

Independent Auditor's Report - Continued

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

In accordance with *GAS*, we have also issued our report dated December 8, 2022 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GAS* in considering the City of Washburn's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 8, 2022

**CITY OF WASHBURN**

Statement of Net Position

December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Library	Airport
<b>ASSETS</b>					
Cash and Investments	\$ 2,802,631	\$ 979,732	\$ 3,782,363	\$ 42,376	\$ 103,246
Utility Billings Receivable	-	60,852	60,852	-	-
Intergovernmental Receivable	81,019	-	81,019	-	5,768
Due from County	9,622	-	9,622	-	-
Taxes Receivable	5,501	-	5,501	346	345
Special Assessments Receivable	7,023,208	-	7,023,208	-	-
Capital Assets, Net	10,465,036	9,540,716	20,005,752	-	1,691,437
<b>Total Assets</b>	<b>\$ 20,387,017</b>	<b>\$ 10,581,300</b>	<b>\$ 30,968,317</b>	<b>\$ 42,722</b>	<b>\$ 1,800,796</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 114,064	\$ 37,737	\$ 151,801	\$ -	\$ 5,768
Salaries Payable	2,484	2,103	4,587	-	-
Grants Received in Advance	99,229	-	99,229	-	-
Interest Payable	35,598	9,442	45,040	-	-
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	750,960	250,000	1,000,960	-	-
Compensated Absences Payable	866	-	866	-	-
Due After One Year					
Long-Term Debt	6,401,437	1,675,000	8,076,437	-	-
Compensated Absences Payable	7,790	-	7,790	-	-
<b>Total Liabilities</b>	<b>\$ 7,412,428</b>	<b>\$ 1,974,282</b>	<b>\$ 9,386,710</b>	<b>\$ -</b>	<b>\$ 5,768</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 10,300,249	\$ 7,615,716	\$ 17,915,965	\$ -	\$ 1,691,437
Restricted					
Debt Service	857	-	857	-	-
Capital Projects	1,042,253	-	1,042,253	-	-
General Government	981,391	-	981,391	-	-
Public Works	596,875	-	596,875	-	-
Emergencies	22,143	-	22,143	-	-
Economic/Job Development	7,194	-	7,194	-	-
Culture and Recreation	-	-	-	42,722	-
Unrestricted	23,627	991,302	1,014,929	-	103,591
<b>Total Net Position</b>	<b>\$ 12,974,589</b>	<b>\$ 8,607,018</b>	<b>\$ 21,581,607</b>	<b>\$ 42,722</b>	<b>\$ 1,795,028</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, 2021

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	\$ 595,851	\$ 32,736	\$ -	\$ -	\$ (563,115)		\$ (563,115)		
Public Safety	32,452	-	-	-	(32,452)		(32,452)		
Public Works	851,352	-	112,168	1,106,338	367,154		367,154		
Culture and Recreation	33,155	-	-	-	(33,155)		(33,155)		
Interest & Fees on Long-Term Debt	192,534	-	-	-	(192,534)		(192,534)		
<b>Total Governmental Activities</b>	<b>\$ 1,705,344</b>	<b>\$ 32,736</b>	<b>\$ 112,168</b>	<b>\$ 1,106,338</b>	<b>\$ (454,102)</b>		<b>\$ (454,102)</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>									
Water	\$ 531,909	\$ 562,022	\$ -	\$ 29,556	\$ -	\$ 59,669	\$ 59,669		
Sewer	122,871	137,490	-	-	-	14,619	-		
Garbage	118,381	108,143	-	-	-	(10,238)	-		
<b>Total Business-Type Activities</b>	<b>\$ 773,161</b>	<b>\$ 807,655</b>	<b>\$ -</b>	<b>\$ 29,556</b>	<b>\$ -</b>	<b>\$ 64,050</b>	<b>\$ 59,669</b>		
<b>Total Primary Government</b>	<b>\$ 2,478,505</b>	<b>\$ 840,391</b>	<b>\$ 112,168</b>	<b>\$ 1,135,894</b>	<b>\$ (454,102)</b>	<b>\$ 64,050</b>	<b>\$ (394,433)</b>		
<b>COMPONENT UNITS</b>									
Library	\$ 23,738	\$ -	\$ -	\$ -			\$ (23,738)	\$ -	
Airport	366,523	14,681	382,216	87,952			-	118,326	
<b>Total Component Units</b>	<b>\$ 390,261</b>	<b>\$ 14,681</b>	<b>\$ 382,216</b>	<b>\$ 87,952</b>			<b>\$ (23,738)</b>	<b>\$ 118,326</b>	
<b>GENERAL REVENUES</b>									
Taxes									
Property Taxes					\$ 214,057	\$ -	\$ 214,057	\$ 18,453	\$ 18,684
Sales Taxes					346,241	-	346,241	-	-
Non-Restricted Grants and Contributions					361,254	-	361,254	917	-
Unrestricted Investment Earnings					6,776	-	6,776	172	-
Miscellaneous					106,433	832	107,265	4,121	358
<b>Total General Revenues and Transfers</b>					<b>\$ 1,034,761</b>	<b>\$ 832</b>	<b>\$ 1,035,593</b>	<b>\$ 23,663</b>	<b>\$ 19,042</b>
<b>Changes in Net Position</b>					<b>\$ 580,659</b>	<b>\$ 64,882</b>	<b>\$ 645,541</b>	<b>\$ (75)</b>	<b>\$ 137,368</b>
<b>Net Position - January 1</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>
<b>Net Position - December 31</b>					<b>\$ 12,974,589</b>	<b>\$ 8,607,018</b>	<b>\$ 21,581,607</b>	<b>\$ 42,722</b>	<b>\$ 1,795,028</b>

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



**CITY OF WASHBURN**

Balance Sheet – Governmental Funds  
December 31, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 718,432	\$ 1,598,860	\$ 485,339	\$ -	\$ 2,802,631
Intergovernmental Receivable	59,785	21,234	-	-	81,019
Due from County	3,119	-	-	6,503	9,622
Taxes Receivable	4,644	-	-	857	5,501
Special Assessments Receivable	-	-	-	7,023,208	7,023,208
Due from Other Funds	-	-	656,143	-	656,143
<b>Total Assets</b>	<b>\$ 785,980</b>	<b>\$ 1,620,094</b>	<b>\$ 1,141,482</b>	<b>\$ 7,030,568</b>	<b>\$ 10,578,124</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 107,472	\$ 6,592	\$ -	\$ -	\$ 114,064
Salaries Payable	2,484	-	-	-	2,484
Grants Received in Advance	-	-	99,229	-	99,229
Due to Other Funds	-	-	-	656,143	656,143
<b>Total Liabilities</b>	<b>\$ 109,956</b>	<b>\$ 6,592</b>	<b>\$ 99,229</b>	<b>\$ 656,143</b>	<b>\$ 871,920</b>
<b>Deferred Inflows of Resources</b>					
Uncollected Taxes Receivable	\$ 4,644	\$ -	\$ -	\$ 857	\$ 5,501
Uncollected Special Assessments Receivable	-	-	-	7,023,208	7,023,208
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,644</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,024,065</b>	<b>\$ 7,028,709</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 114,600</b>	<b>\$ 6,592</b>	<b>\$ 99,229</b>	<b>\$ 7,680,208</b>	<b>\$ 7,900,629</b>
<b>FUND BALANCES</b>					
<b>Restricted</b>					
Capital Projects Funds	\$ -	\$ -	\$ 667,313	\$ -	\$ 667,313
General Government	-	981,391	-	-	981,391
Public Works/Streets	-	602,774	-	-	602,774
Emergency	-	22,143	-	-	22,143
Economic Development	-	7,194	-	-	7,194
<b>Assigned</b>					
Public Works/Streets	-	-	374,940	-	374,940
<b>Unassigned</b>					
General Fund	671,380	-	-	-	671,380
Negative Fund Balances	-	-	-	(649,640)	(649,640)
<b>Total Fund Balances</b>	<b>\$ 671,380</b>	<b>\$ 1,613,502</b>	<b>\$ 1,042,253</b>	<b>\$ (649,640)</b>	<b>\$ 2,677,495</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 785,980</b>	<b>\$ 1,620,094</b>	<b>\$ 1,141,482</b>	<b>\$ 7,030,568</b>	<b>\$ 10,578,124</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, 2021

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<b>Total Fund Balances for Governmental Funds</b>		\$ 2,677,495
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.		10,465,036
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	\$ 5,502	
Special Assessments Receivable	<u>7,023,208</u>	7,028,710
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	\$ (7,152,398)	
Interest Payable	(35,598)	
Compensated Absences	<u>(8,656)</u>	<u>(7,196,652)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 12,974,589</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, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 216,725	\$ -	\$ -	\$ -	\$ 216,725
Special Assessment Taxes	-	-	-	934,136	934,136
Sales Taxes	-	346,241	-	-	346,241
Licenses, Permits and Fees	27,336	-	-	-	27,336
Intergovernmental	360,111	113,311	-	-	473,422
Fines, Forfeitures and Penalties	5,400	-	-	-	5,400
Interest	346	797	5,633	-	6,776
Miscellaneous	75,817	25,591	5,025	-	106,433
<b>Total Revenues</b>	<b>\$ 685,735</b>	<b>\$ 485,940</b>	<b>\$ 10,658</b>	<b>\$ 934,136</b>	<b>\$ 2,116,469</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 538,309	\$ 8,465	\$ -	\$ -	\$ 546,774
Public Safety	191,507	-	-	-	191,507
Public Works	26,380	437,138	6,705	-	470,223
Culture and Recreation	25,413	-	-	-	25,413
Debt Service					
Principal	-	34,275	-	740,000	774,275
Interest	-	902	-	166,848	167,750
Fees	-	-	-	18,995	18,995
<b>Total Expenditures</b>	<b>\$ 781,609</b>	<b>\$ 480,780</b>	<b>\$ 6,705</b>	<b>\$ 925,843</b>	<b>\$ 2,194,937</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (95,874)	\$ 5,160	\$ 3,953	\$ 8,293	\$ (78,468)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Lease Financing	\$ -	\$ 164,621	\$ -	\$ -	\$ 164,621
<b>Net Change in Fund Balances</b>	<b>\$ (95,874)</b>	<b>\$ 169,781</b>	<b>\$ 3,953</b>	<b>\$ 8,293</b>	<b>\$ 86,153</b>
Fund Balance - January 1	\$ 767,254	\$ 1,443,721	\$ 1,038,300	\$ (657,933)	\$ 2,591,342
Fund Balance - December 31	\$ 671,380	\$ 1,613,502	\$ 1,042,253	\$ (649,640)	\$ 2,677,495

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, 2021

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**Net Change in Fund Balances - Total Governmental Funds** \$ 86,153

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	\$ 174,731	
Current Year Depreciation Expense	<u>(454,261)</u>	(279,530)

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	\$ 636	
Net Change in Interest Payable	<u>4,346</u>	4,982

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	\$ (10,135)	
Issuance of Long-Term Debt	(164,621)	
Repayment of Long-Term Debt	<u>774,275</u>	599,519

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	\$ (2,667)	
Net Change in Special Assessments Receivable	<u>172,202</u>	<u>169,535</u>

**Change in Net Position of Governmental Activities** \$ 580,659

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

**CITY OF WASHBURN**Statement of Net Position – Proprietary Funds  
December 31, 2021

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ 169,623	\$ 752,857	\$ 57,252	\$ 979,732
Utility Billings Receivable	36,921	12,950	10,981	60,852
Total Current Assets	<u>\$ 206,544</u>	<u>\$ 765,807</u>	<u>\$ 68,233</u>	<u>\$ 1,040,584</u>
Noncurrent Assets				
Capital Assets, Net	\$ 8,165,955	\$ 1,374,761	\$ -	\$ 9,540,716
Total Assets	<u>\$ 8,372,499</u>	<u>\$ 2,140,568</u>	<u>\$ 68,233</u>	<u>\$ 10,581,300</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 24,427	\$ 4,277	\$ 9,033	\$ 37,737
Salaries Payable	1,421	682	-	2,103
Interest Payable	7,143	2,299	-	9,442
Long-Term Debt	230,000	20,000	-	250,000
Total Current Liabilities	<u>\$ 262,991</u>	<u>\$ 27,258</u>	<u>\$ 9,033</u>	<u>\$ 299,282</u>
Noncurrent Liabilities				
Long-Term Debt	\$ 1,350,000	\$ 325,000	\$ -	\$ 1,675,000
Total Liabilities	<u>\$ 1,612,991</u>	<u>\$ 352,258</u>	<u>\$ 9,033</u>	<u>\$ 1,974,282</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 6,585,955	\$ 1,029,761	\$ -	\$ 7,615,716
Unrestricted	173,553	758,549	59,200	991,302
Total Net Position	<u>\$ 6,759,508</u>	<u>\$ 1,788,310</u>	<u>\$ 59,200</u>	<u>\$ 8,607,018</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, 2021

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 562,022	\$ 137,490	\$ 108,143	\$ 807,655
Miscellaneous	832	-	-	832
<b>Total Operating Revenues</b>	<b>\$ 562,854</b>	<b>\$ 137,490</b>	<b>\$ 108,143</b>	<b>\$ 808,487</b>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	\$ 73,212	\$ 56,571	\$ -	\$ 129,783
Health Insurance	12,462	14,854	-	27,316
Utilities	2,680	4,540	-	7,220
Supplies, Maintenance, and Repairs	89,552	7,143	-	96,695
Contract	-	-	118,381	118,381
Other	42,715	-	-	42,715
Depreciation	278,471	30,770	-	309,241
<b>Total Operating Expenses</b>	<b>\$ 499,092</b>	<b>\$ 113,878</b>	<b>\$ 118,381</b>	<b>\$ 731,351</b>
Operating Income	\$ 63,762	\$ 23,612	\$ (10,238)	\$ 77,136
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Capital Contribution	\$ 29,556	\$ -	\$ -	\$ 29,556
Interest Expense and Service Charges	(32,817)	(8,993)	-	(41,810)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (3,261)</b>	<b>\$ (8,993)</b>	<b>\$ -</b>	<b>\$ (12,254)</b>
Change in Net Position	\$ 60,501	\$ 14,619	\$ (10,238)	\$ 64,882
Net Position - January 1	\$ 6,699,007	\$ 1,773,691	\$ 69,438	\$ 8,542,136
Net Position - December 31	\$ 6,759,508	\$ 1,788,310	\$ 59,200	\$ 8,607,018

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, 2021

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 552,565	\$ 137,071	\$ 106,320	\$ 795,956
Payments to Suppliers	(112,041)	(12,637)	(109,348)	(234,026)
Payments to Employees	(85,726)	(70,745)	-	(156,471)
Other Receipts	831	-	-	831
Net Cash Provided (Used) by Operating Activities	<u>\$ 355,629</u>	<u>\$ 53,689</u>	<u>\$ (3,028)</u>	<u>\$ 406,290</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Contributions	\$ 29,556	\$ -	\$ -	\$ 29,556
Purchases and Construction of Capital Assets	(59,112)	-	-	(59,112)
Principal Paid on Capital Debt	(225,000)	(20,000)	-	(245,000)
Interest and Fees Paid on Capital Debt	(34,000)	(9,125)	-	(43,125)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (288,556)</u>	<u>\$ (29,125)</u>	<u>\$ -</u>	<u>\$ (317,681)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ 67,073</u>	<u>\$ 24,564</u>	<u>\$ (3,028)</u>	<u>\$ 88,609</u>
Cash and Cash Equivalents - January 1	<u>\$ 102,550</u>	<u>\$ 728,293</u>	<u>\$ 60,280</u>	<u>\$ 891,123</u>
Cash and Cash Equivalents - December 31	<u>\$ 169,623</u>	<u>\$ 752,857</u>	<u>\$ 57,252</u>	<u>\$ 979,732</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	<u>\$ 63,762</u>	<u>\$ 23,612</u>	<u>\$ (10,238)</u>	<u>\$ 77,136</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 278,471	\$ 30,770	\$ -	\$ 309,241
Change in Assets and Liabilities				
Utility Billings Receivable	10,451	(418)	(1,823)	8,210
Salaries Payable	(51)	680	-	629
Accounts Payable	22,906	(955)	9,033	30,984
Unearned Revenue	(19,910)	-	-	(19,910)
Net Cash Provided (Used) by Operating Activities	<u>\$ 355,629</u>	<u>\$ 53,689</u>	<u>\$ (3,028)</u>	<u>\$ 406,290</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, 2021

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	<u>Custodial Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ -</u>
<b>LIABILITIES</b>	
Funds Held for Other Governmental Units	<u>\$ -</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, 2021

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	<u>Custodial Funds</u>
<b>ADDITIONS</b>	
Tax Collections for Other Governments	<u>\$ 8,439</u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	<u>\$ 8,439</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, 2021

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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 City reports the following fiduciary funds:

Custodial Fund - These funds account for assets by the City 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, 2021 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

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*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 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, 2021, the City's carrying amount of deposits totaled \$3,801,637, and the bank balances totaled \$3,806,183. 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.

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

At year ended December 31, 2021, the Library’s carrying amount of deposits totaled \$23,101, and the bank balances totaled \$23,101, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2021, the Airport’s carrying amount of deposits totaled \$103,247, and the bank balances totaled \$103,247, all of which were covered by Federal Depository Insurance.

**NOTE 3 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 4 CAPITAL ASSETS**

**Primary Government**

**Governmental Activities**

The following is a summary of changes in capital assets for the year ended 2021:

<b>Governmental Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 628,137	\$ 1,680	\$ -	\$ -	\$ 629,817
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,395,012	\$ -	\$ -	\$ -	\$ 13,395,012
Machinery & Equipment	996,948	173,050	-	-	1,169,998
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 14,391,960</b>	<b>\$ 173,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,565,010</b>
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 3,731,986	\$ 364,689	\$ -	\$ -	\$ 4,096,675
Machinery & Equipment	543,544	89,572	-	-	633,116
<b>Total Accumulated Depreciation</b>	<b>\$ 4,275,530</b>	<b>\$ 454,261</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,729,791</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 10,116,430</b>	<b>\$ (281,211)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,835,219</b>
<b>Total Capital Assets, Net</b>	<b>\$ 10,744,567</b>	<b>\$ (279,531)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,465,036</b>

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

<b>Governmental Activities</b>	<b>2021</b>
General Government	\$ 50,196
Public Works	381,129
Public Safety	15,194
Culture and Recreation	7,742
<b>Total Depreciation Expense</b>	<b>\$ 454,261</b>

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

**Business-Type Activities**

The following is a summary of changes in capital assets for the year ended 2021:

<b>Business-Type Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 236,448	\$ 59,112	\$ -	\$ (295,560)	\$ -
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,097,672	\$ -	\$ -	\$ 295,560	\$ 13,393,232
Machinery & Equipment	71,804	-	-	-	71,804
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 13,169,476</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 295,560</b>	<b>\$ 13,465,036</b>
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 3,552,094	\$ 304,537	\$ -	\$ -	\$ 3,856,631
Machinery & Equipment	62,986	4,703	-	-	67,689
<b>Total Accumulated Depreciation</b>	<b>\$ 3,615,080</b>	<b>\$ 309,240</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,924,320</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 9,790,844</b>	<b>\$ (250,128)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,540,716</b>

Depreciation expense was charged to the unrestricted function.

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the year ended 2021:

<b>Airport</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 181,275	\$ 186,023	\$ -	\$ (269,228)	\$ 98,070
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 1,805,331	\$ -	\$ -	\$ 269,228	\$ 2,074,559
Machinery & Equipment	108,954	-	-	-	108,954
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,914,285</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 269,228</b>	<b>\$ 2,183,513</b>
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 440,190	\$ 66,124	\$ -	\$ -	\$ 506,314
Machinery & Equipment	78,235	5,597	-	-	83,832
<b>Total Accumulated Depreciation</b>	<b>\$ 518,425</b>	<b>\$ 71,721</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 590,146</b>
<b>Toal Capital Assets, Net</b>	<b>\$ 1,577,135</b>	<b>\$ 114,302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,691,437</b>

Depreciation expense was charged to the unrestricted function.

**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

**NOTE 5 LONG-TERM LIABILITIES**

**Primary Government**

**Governmental Activities**

The following changes occurred in long-term liabilities for the year ended 2021:

<b>Governmental Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Capital Lease Payable	\$ -	\$ 164,621	\$ 34,275	\$ 130,346	\$ 31,095
Special Assessment Bonds	7,840,000	-	740,000	7,100,000	730,000
Bond Discount	(88,083)	-	(10,134)	(77,949)	(10,135)
<b>Total Long-Term Debt</b>	<b>\$ 7,751,917</b>	<b>\$ 164,621</b>	<b>\$ 764,141</b>	<b>\$ 7,152,397</b>	<b>\$ 750,960</b>
Compensated Absences *	\$ 9,292	\$ -	\$ 636	\$ 8,656	\$ 866
<b>Total Long-Term Liabilities</b>	<b>\$ 7,761,209</b>	<b>\$ 164,621</b>	<b>\$ 764,777</b>	<b>\$ 7,161,053</b>	<b>\$ 751,826</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 2021:

<b>Business-Type Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Revenue Bonds Payable	\$ 2,170,000	\$ -	\$ 245,000	\$ 1,925,000	\$ 250,000

The annual requirements to amortize the outstanding long-term debt at December 31, 2021 is as follows:

<b>PRIMARY GOVERNMENT</b>							
<b>Year Ending December 31</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			
	<b>Special Assessment Bonds Payable</b>		<b>Bond Discount</b>	<b>Capital Lease Payable</b>		<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 730,000	\$ 154,532	\$ (10,136)	\$ 31,095	\$ 4,083	\$ 250,000	\$ 28,325
2023	705,000	141,956	(9,539)	32,069	3,109	260,000	24,250
2024	675,000	129,750	(9,539)	33,073	2,105	260,000	20,025
2025	535,000	118,618	(7,972)	34,109	1,069	260,000	15,800
2026	515,000	108,320	(7,972)	-	-	150,000	11,600
2027 - 2031	2,100,000	391,236	(19,595)	-	-	540,000	37,125
2032 - 2036	1,660,000	142,360	(9,426)	-	-	205,000	10,800
2037 - 2041	180,000	2,880	(3,770)	-	-	-	-
<b>Total</b>	<b>\$ 7,100,000</b>	<b>\$ 1,189,652</b>	<b>\$ (77,949)</b>	<b>\$ 130,346</b>	<b>\$ 10,366</b>	<b>\$ 1,925,000</b>	<b>\$ 147,925</b>



**CITY OF WASHBURN**

Notes to the Financial Statements – Continued

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**NOTE 6 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 \$1,694,254 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 7 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 \$7,850, \$8,088, and 11,704, for the years ending December 31, 2021, 2020, and 2019 respectively.

**NOTE 8 DEFICIT FUND BALANCES**

The City had the following deficit fund balances at December 21, 2021:

	<b>2021</b>
<b>Debt Service Fund</b>	
Special Assessment Fund	\$ (824,706)
Special Assessment Deficiency	175,066
<b>Total Debt Service Fund</b>	<b>\$ (649,640)</b>

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

**CITY OF WASHBURN**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 216,725	\$ 216,725
Licenses, Permits and Fees	21,000	21,000	27,336	6,336
Intergovernmental	292,200	292,200	360,111	67,911
Fines, Forfeitures and Penalties	8,000	8,000	5,400	(2,600)
Interest	1,200	1,200	346	(854)
Miscellaneous	29,500	29,500	75,817	46,317
<b>Total Revenues</b>	<b>\$ 351,900</b>	<b>\$ 351,900</b>	<b>\$ 685,735</b>	<b>\$ 333,835</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 459,299	\$ 459,299	\$ 538,309	\$ (79,010)
Public Safety	122,757	122,757	191,507	(68,750.00)
Public Works	32,000	32,000	26,380	5,620
Culture & Recreation	8,000	8,000	25,413	(17,413.00)
<b>Total Expenditures</b>	<b>\$ 622,056</b>	<b>\$ 622,056</b>	<b>\$ 781,609</b>	<b>\$ (159,553)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (270,156)</b>	<b>\$ (270,156)</b>	<b>\$ (95,874)</b>	<b>\$ 174,282</b>
<b>Fund Balances - January 1</b>	<b>\$ 767,254</b>	<b>\$ 767,254</b>	<b>\$ 767,254</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 497,098</b>	<b>\$ 497,098</b>	<b>\$ 671,380</b>	<b>\$ 174,282</b>

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Sales Tax	\$ 200,000	\$ 200,000	\$ 346,241	\$ 146,241
Intergovernmental	100,000	100,000	113,311	13,311
Interest Income	3,020	3,020	797	(2,223)
Miscellaneous	1,500	1,500	25,591	24,091
<b>Total Revenues</b>	<b>\$ 304,520</b>	<b>\$ 304,520</b>	<b>\$ 485,940</b>	<b>\$ 181,420</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,000	\$ 2,000	\$ 8,465	\$ (6,465)
Public Works	108,850	108,850	272,517	(163,667)
Debt Service:				
Principal	-	-	34,275	(34,275)
interest	-	-	902	(902)
<b>Total Expenditures</b>	<b>\$ 110,850</b>	<b>\$ 110,850</b>	<b>\$ 316,159</b>	<b>\$ (205,309)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 193,670</b>	<b>\$ 193,670</b>	<b>\$ 169,781</b>	<b>\$ (23,889)</b>
<b>Fund Balances - January 1</b>	<b>\$ 1,443,721</b>	<b>\$ 1,443,721</b>	<b>\$ 1,443,721</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,637,391</b>	<b>\$ 1,637,391</b>	<b>\$ 1,613,502</b>	<b>\$ (23,889)</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, 2021

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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).

**CITY OF WASHBURN**

Schedule of Fund Activity - Cash Basis - Continued

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**NOTE 2 BUDGET TO ACTUAL RECONCILIATION**

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

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
<b>Special Revenue Fund</b>			
Expenditures	\$ 480,780	\$ (164,621)	\$ 316,159
Lease Proceeds	164,621	(164,621)	-

**NOTE 3 EXPENDITURES IN EXCESS OF BUDGET**

During fiscal year 2021, City of Washburn had the following fund expenditures in excess of budgeted amounts:

<b>Major Fund</b>	<b>Expenditures</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
<b>General Fund</b>	\$ 622,056	\$ 781,609	\$ (159,553)
<b>Special Revenue Funds</b>	110,850	316,159	(205,309)

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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**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, 2021, and the related notes to the financial statements, which collectively comprise City of Washburn's basic financial statements, and have issued our report thereon dated December 8, 2022.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006 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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**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2021-003.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Washburn's response to the findings identified in our audit and 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 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.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
December 8, 2022

**CITY OF WASHBURN**

Summary of Auditor's Results  
For the Year Ended December 31, 2021

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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, 2021

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## 2021-001      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 have segregation of duties more adequately in place.

**2021-002      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 2021, the fund reports a negative balance of \$828,506.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to issuing special assessment debt, management is responsible for adequate internal controls to ensure project costs correlate with each special assessment debt issuance.

**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**

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

**2021-003 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**

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

**2021-004 AUDIT ADJUSTMENT – MATERIAL WEAKNESS**

**Condition**

Auditor-identified adjusting entries for intergovernmental receivables and accounts payable were proposed and accepted by the City of Washburn. The City of Washburn’s financial statements were adjusted accordingly.

**Effect**

Inadequate internal controls over recording transactions affects the City of Washburn’s ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Cause**

City of Washburn does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

**Criteria**

City of Washburn is responsible for ensuring its annual financial statements, including intergovernmental receivables and accounts payable, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

**Prior Recommendation**

No.

**Recommendation**

We recommend City of Washburn review all receivable and payable entries to ensure its financial statements are accurately presented and in accordance with GAAP.

**City of Washburn’s Response**

We Agree. We will review receivable and payable entries to ensure all to ensure our financial statements are accurately presented and in accordance with GAAP.

**2021-005 EXPENDITURE SUPPORTING DOCUMENTATION – MATERIAL WEAKNESS – COMPONENT UNIT – LIBRARY BOARD**

**Condition**

Washburn Library was unable to provide supporting documentation for 2 out of the 5 expenditures tested, totaling \$312 in 2021. Projecting this error to the total population results in a potential error of approximately \$7,752 to the financial statements.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to expenditure transactions, management is responsible for adequate internal controls surrounding the review process and for obtaining supporting documentation for all transactions.

**Cause**

City of Washburn Library does not have a filing system in place to ensure records are ready and available.

**Effect**

City of Washburn Library may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

**Repeat Finding**

No.

**Recommendation**

We recommend City of Washburn Library Board ensure all payments for goods and services have supporting documentation. We further recommend City of Washburn Library Board review its current record keeping procedures and update, if necessary, to decrease the risk of loss whether due to error or fraud.

**City of Washburn Library’s Response**

We agree, we will make sure we save all documentation and receipts going forward.

**2021-006 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS – COMPONENT UNIT – WASHBURN AIRPORT AUTHORITY**

**Condition**

Auditor-identified adjusting entries in the amount of \$28,844 for 2021 capital assets construction in progress (CIP) were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The adjustments were proposed and accepted by the Washburn Airport Authority management.

**Effect**

The financial statements may have been misstated if the capital assets had not been adjusted during the audit.

**Cause**

The Washburn Airport Authority may not have been aware of all costs to report during the preparation of the yearly capital asset listing.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the capital assets, management is responsible for adequate internal controls surrounding the review process and subsidiary ledger reconciliations.

**Prior Recommendation**

No.

**Recommendation**

We recommend the Washburn Airport Authority review the capital asset additions and deletions list along with the construction in progress (CIP) listing to ensure that the capital asset listing is free of material misstatement.

**Washburn Airport Authority’s Response**

We Agree. We will be reviewing our capital asset maintenance procedures to ensure all capital assets are included in our additions and deletions listing.

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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December 8, 2022

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, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 17, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Washburn are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Washburn during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

### **Difficulties Encountered in Performing the Audit**

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

**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 list all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
<b><u>Governmental Funds</u></b>		
<b>General Fund</b>		
<u>To Record Intergovernmental Receivables</u>		
Intergovernmental Receivable	22,562	-
Revenue	-	22,562
<u>To Record Accounts Payable</u>		
Expenditure	92,648	-
Accounts Payable	-	92,648
<b>Special Revenue Fund</b>		
<u>To Record Intergovernmental Receivables</u>		
Intergovernmental Receivable	10,273	-
Revenue	-	10,273
<b><u>Enterprise Funds</u></b>		
<b>Water Fund</b>		
<u>To Record Accounts Payable</u>		
Expenditure	14,982	-
Accounts Payable	-	14,982
<b>Garbage Fund</b>		
<u>To Record Accounts Payable</u>		
Expenditure	8,243	-
Accounts Payable	-	8,243
<b><u>Component Units</u></b>		
<b>Airport</b>		
<u>To Record Intergovernmental Receivables</u>		
Intergovernmental Receivable	5,768	-
Accounts Receivable	-	5,768
<u>To Record Accounts Payable</u>		
Expenditure	5,769	-
Accounts Payable	-	5,769



**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 December 8, 2022.

**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.

**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.

**Other Matters**

We applied certain limited procedures to the *budgetary comparison information and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**Restriction on Use**

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  
December 8, 2022



NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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