

**CITY OF CROSBY
CROSBY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Crosby
Crosby, North Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinions

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crosby, North Dakota, as of and for the year ended December 31, 2023, and the related notes to the financial statements as listed in the table of contents, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
Discretely Presented Component Unit	Disclaimer
General Fund	Disclaimer
Voluntary Sidewalk Project Fund	Disclaimer
Hendrickson / Holmes Project Fund	Disclaimer
Municipal Highway Fund	Disclaimer
Water, Sewer & Treatment Plant Fund	Disclaimer
Landfill Fund	Disclaimer
Tree Fund	Disclaimer
Aggregate Remaining Fund Information	Disclaimer

Disclaimer of Opinions on the Governmental Activities, Business – Type Activities, Discretely Presented Component Unit, Each Major Fund and the Aggregate Remaining Fund Information

We do not express an opinion on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions on the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Crosby. Accordingly, we do not express an opinion on these financial statements.

Basis for Disclaimer of Opinions

Matter Giving Rise to Disclaimer of Opinion on the Governmental Activities, Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

We were engaged to conduct an 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. 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 Crosby, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

City of Crosby did not maintain detailed financial accounting records and supporting documentation for the year ended December 31, 2023.

Matter Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the City of Crosby Housing Authority have not been audited, and we were not engaged to audit the City of Crosby Housing Authority financial statements as a part of our audit of the City of Crosby's basic financial statements. City of Crosby Housing Authority's financial activities are included in the City of Crosby's basic financial statements as a part of the discretely presented component unit and represent 100 percent of the assets, net position, revenues and expenses of the City of Crosby's discretely presented component units.

Emphasis of Matters

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Governmental Activities, Business-Type Activities, Discretely Presented Component Unit, Each Major Fund and the Aggregate Remaining Fund Information. 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

generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 the City of Crosby'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 the City of Crosby'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.

Other Information

Disclaimer of Opinion on Supplementary Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025 on our consideration of the City of Crosby'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 Crosby'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 Crosby's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 21, 2025

CITY OF CROSBY
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2023

	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,162,124	\$ 829	\$ 4,162,953	\$ 88,956
Interfund balances	779,431	(779,431)	-	-
Total current assets	<u>4,941,555</u>	<u>(778,602)</u>	<u>4,162,953</u>	<u>88,956</u>
Non-current assets				
Capital assets, depreciable	<u>201,576</u>	<u>791,042</u>	<u>992,618</u>	<u>20,830</u>
Total non-current assets	<u>201,576</u>	<u>791,042</u>	<u>992,618</u>	<u>20,830</u>
Total assets	<u>5,143,131</u>	<u>12,440</u>	<u>5,155,571</u>	<u>109,786</u>
LIABILITIES				
Long term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>564,423</u>
NET POSITION				
Net investment in capital assets	201,576	791,042	992,618	(543,593)
Restricted for:				
Economic development	30,318	-	30,318	-
Emergency	54,817	-	54,817	-
Unrestricted	<u>4,856,420</u>	<u>(778,602)</u>	<u>4,077,818</u>	<u>88,956</u>
Total net position	<u>\$ 5,143,131</u>	<u>\$ 12,440</u>	<u>\$ 5,155,571</u>	<u>\$ (454,637)</u>

See Notes to the Financial Statements

CITY OF CROSBY
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Receipts and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	
Governmental activities:								
General government	\$ 739,552	\$ 7,576	\$ -	\$ -	\$ (731,976)		\$ (731,976)	
Public safety	204,055	-	-	-	(204,055)		(204,055)	
Highways and streets	1,240,175	-	-	-	(1,240,175)		(1,240,175)	
Culture and recreation	30,000	-	-	-	(30,000)		(30,000)	
Economic development	599,220	-	-	-	(599,220)		(599,220)	
Total governmental activities	<u>2,813,002</u>	<u>7,576</u>	<u>-</u>	<u>-</u>	<u>(2,805,426)</u>		<u>(2,805,426)</u>	
Business-type activities:								
Water, Sewer & Treatment Plant	1,095,519	504,860	-	-		\$ (590,659)	(590,659)	
Landfill	222,438	214,684	-	-		(7,754)	(7,754)	
Tree	18,306	24,424	-	-		6,118	6,118	
Total business-type activities	<u>1,336,263</u>	<u>743,968</u>	<u>-</u>	<u>-</u>		<u>(592,295)</u>	<u>(592,295)</u>	
Total primary government	<u>\$ 4,149,265</u>	<u>\$ 751,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,805,426)</u>	<u>(592,295)</u>	<u>(3,397,721)</u>	
Housing Authority	<u>\$ 143,777</u>	<u>\$ 163,056</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 19,279</u>
General receipts:								
Taxes:								
Property taxes					83,959	-	83,959	-
Cigarette tax					1,863	-	1,863	-
Sales taxes					623,172	-	623,172	-
Highway tax					232,024	-	232,024	-
Oil and gas tax					1,477,019	-	1,477,019	-
State aid					82,498	-	82,498	-
Interest income					55,526	-	55,526	-
Miscellaneous					52,020	4,243	56,263	1,410
Transfers In (Out)					(9,330)	9,330	-	-
Total general receipts					<u>2,598,751</u>	<u>13,573</u>	<u>2,612,324</u>	<u>1,410</u>
Change in net position					<u>(206,675)</u>	<u>(578,722)</u>	<u>(785,397)</u>	<u>20,689</u>
Net position - beginning					<u>5,349,806</u>	<u>591,162</u>	<u>5,940,968</u>	<u>(475,326)</u>
Net position - ending					<u>\$ 5,143,131</u>	<u>\$ 12,440</u>	<u>\$ 5,155,571</u>	<u>\$ (454,637)</u>

See Notes to the Financial Statements

CITY OF CROSBY
BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Voluntary Sidewalk Projects	Hendrickson / Holmes Infrastructure	Municipal Highway	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 4,074,728	\$ -	\$ -	\$ -	\$ 87,396	\$ 4,162,124
Due from other funds	2,330,440	-	-	-	-	2,330,440
Total assets	<u>\$ 6,405,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,396</u>	<u>\$ 6,492,564</u>
LIABILITIES						
Due to other funds	<u>\$ -</u>	<u>\$ 395,799</u>	<u>\$ 544,260</u>	<u>\$ 603,688</u>	<u>\$ 7,262</u>	<u>\$ 1,551,009</u>
FUND BALANCES						
Restricted	-	-	-	-	85,135	85,135
Committed	770,385	-	-	-	-	770,385
Unassigned	5,634,783	(395,799)	(544,260)	(603,688)	(5,001)	4,086,035
Total fund balances (deficit)	<u>6,405,168</u>	<u>(395,799)</u>	<u>(544,260)</u>	<u>(603,688)</u>	<u>80,134</u>	<u>4,941,555</u>
Total liabilities and fund balances	<u>\$ 6,405,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,396</u>	<u>\$ 6,492,564</u>

See Notes to the Financial Statements

CITY OF CROSBY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2023

Total Governmental Funds Balance	\$4,941,555
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	<u>201,576</u>
Net Position of Governmental Activities	<u><u>\$5,143,131</u></u>

See Notes to the Financial Statements

CITY OF CROSBY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Voluntary Sidewalk Projects	Hendrickson / Holmes Infrastructure	Municipal Highway	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 1,539,973	\$ 90,674	\$ -	\$ -	\$ 21,005	\$ 1,651,652
Sales taxes	623,172	-	-	-	-	623,172
Licenses and permits	7,576	-	-	-	-	7,576
Intergovernmental	84,360	-	-	141,350	-	225,710
Fines and forfeits	250	-	-	-	-	250
Interest	55,526	-	-	-	-	55,526
Miscellaneous	51,770	-	-	-	-	51,770
Total receipts	<u>2,362,627</u>	<u>90,674</u>	<u>-</u>	<u>141,350</u>	<u>21,005</u>	<u>2,615,656</u>
EXPENDITURES						
General government	711,460	-	-	-	5,035	716,495
Public safety	204,055	-	-	-	-	204,055
Highways and streets	943	486,473	544,260	208,499	-	1,240,175
Culture and recreation	30,000	-	-	-	-	30,000
Economic development	586,119	-	-	-	13,101	599,220
Total disbursements	<u>1,532,577</u>	<u>486,473</u>	<u>544,260</u>	<u>208,499</u>	<u>18,136</u>	<u>2,789,945</u>
Excess of revenues over (under) expenditures	<u>830,050</u>	<u>(395,799)</u>	<u>(544,260)</u>	<u>(67,149)</u>	<u>2,869</u>	<u>(174,289)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	11,226	-	11,226
Transfers out	<u>(20,556)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,556)</u>
Total other financing sources (uses)	<u>(20,556)</u>	<u>-</u>	<u>-</u>	<u>11,226</u>	<u>-</u>	<u>(9,330)</u>
Net change in fund balances	809,494	(395,799)	(544,260)	(55,923)	2,869	(183,619)
Fund balances - beginning	<u>5,595,674</u>	<u>-</u>	<u>-</u>	<u>(547,765)</u>	<u>77,265</u>	<u>5,125,174</u>
Fund balances - ending	<u>\$ 6,405,168</u>	<u>\$ (395,799)</u>	<u>\$ (544,260)</u>	<u>\$ (603,688)</u>	<u>\$ 80,134</u>	<u>\$ 4,941,555</u>

See Notes to the Financial Statements

CITY OF CROSBY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance - Governmental Funds	\$ (183,619)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Depreciation expense	<u>(23,056)</u>
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Change in Net Position	<u><u>\$ (206,675)</u></u>
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See Notes to the Financial Statements

CITY OF CROSBY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2023

	<u>Business-type Activities - Proprietary Funds</u>			
	<u>Water, Sewer & Treatment Plant</u>	<u>Landfill</u>	<u>Tree</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 829</u>	<u>\$ 829</u>
Total current assets	<u>-</u>	<u>-</u>	<u>829</u>	<u>829</u>
Non-current assets				
Capital assets, depreciable	<u>791,042</u>	<u>-</u>	<u>-</u>	<u>791,042</u>
Total non-current assets	<u>791,042</u>	<u>-</u>	<u>-</u>	<u>791,042</u>
Total assets	<u><u>\$ 791,042</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 829</u></u>	<u><u>\$ 791,871</u></u>
LIABILITIES				
Current liabilities				
Due to other funds	<u>\$ 427,225</u>	<u>\$ 271,151</u>	<u>\$ 81,055</u>	<u>\$ 779,431</u>
Total current liabilities	<u>427,225</u>	<u>271,151</u>	<u>81,055</u>	<u>779,431</u>
NET POSITION				
Net investment in capital assets	791,042	-	-	791,042
Unrestricted	(427,225)	(271,151)	(80,226)	(778,602)
Total net position	<u>363,817</u>	<u>(271,151)</u>	<u>(80,226)</u>	<u>12,440</u>
Total liabilities and net position	<u><u>\$ 791,042</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 829</u></u>	<u><u>\$ 791,871</u></u>

See Notes to the Financial Statements

CITY OF CROSBY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Proprietary Funds			
	Water, Sewer & Treatment Plant	Landfill	Tree	Total
OPERATING REVENUES				
Charges for sales and services				
Water, sewer, treatment plant operations	\$ 504,860	\$ -	\$ -	\$ 504,860
Landfill operations	-	214,684	-	214,684
Tree operations	-	-	24,424	24,424
Miscellaneous	4,243	-	-	4,243
Total operating revenues	509,103	214,684	24,424	748,211
OPERATING EXPENSES				
Salaries and benefits	110,520	-	-	110,520
Supplies, repairs and maintenance	253,488	-	18,306	271,794
Utilities	17,878	-	-	17,878
Professional fees	492,363	-	-	492,363
Miscellaneous	36,266	-	-	36,266
Sanitation expenses	-	222,438	-	222,438
Depreciation	185,004	-	-	185,004
Total operating expenses	1,095,519	222,438	18,306	1,336,263
Operating income (loss)	(586,416)	(7,754)	6,118	(588,052)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,330	-	-	9,330
Change in net position	(577,086)	(7,754)	6,118	(578,722)
Net position - beginning	940,903	(263,397)	(86,344)	591,162
Net position - ending	\$ 363,817	\$ (271,151)	\$ (80,226)	\$ 12,440

See Notes to the Financial Statements

CITY OF CROSBY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities - Proprietary Funds			
	Water, Sewer & Treatment Plant	Landfill	Tree	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 509,103	\$ 214,684	\$ 24,424	\$ 748,211
Payments to suppliers	(799,995)	(222,438)	(18,306)	(1,040,739)
Payments to employees	(110,520)	-	-	(110,520)
Net cash provided (used) by operating activities	(401,412)	(7,754)	6,118	(403,048)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund receipts	401,412	7,754	(5,289)	403,877
Net cash provided (used) by noncapital and related financing activities	401,412	7,754	(5,289)	403,877
Net change in cash and cash equivalents	-	-	829	829
Cash and cash equivalents, January 1	-	-	-	-
Cash and cash equivalents, December 31	\$ -	\$ -	\$ 829	\$ 829
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Net operating income (loss)	\$ (586,416)	\$ (7,754)	\$ 6,118	\$ (588,052)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	185,004	-	-	185,004
Net cash provided (used) by operating activities	\$ (401,412)	\$ (7,754)	\$ 6,118	\$ (403,048)

See Notes to the Financial Statements

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Crosby, North Dakota operates under a City Council form of government. The accounting policy of the City of Crosby is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

As discussed further in the "Measurement Focus" and "Basis of Accounting" sections in Note 1, these financial statements are presented on a modified cash basis of accounting. The basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Crosby. 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 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. These criteria include 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 upon the application of these criteria, the Crosby Housing Authority qualifies as a component unit of the City. Separate financial statements are not issued for the Crosby Housing Authority.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government of the City of Crosby. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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

Voluntary Sidewalk Projects Fund. This fund is used to account for the City's sidewalk capital project that is for special assessments that are being cost shared with the City residents.

Hendrickson / Holmes Infrastructure Fund. This fund is used to account for the associated capital project.

Municipal Highway Fund. This fund is used to account for money received to be used for street and highway upkeep and repairs and the related expenditures made.

The City reports the following major enterprise funds:

Water, Sewer, Treatment Plant Fund. This fund is used to account for customer receipts for water, sewer, and treatment plant fees and operating expenditures for water, sewer, and treatment plant services.

Landfill Fund. This fund is used to account for customer receipts for landfill fees and operating expenditures for landfill services.

Tree Fund. This fund is used to account for fees and operating expenditures for tree services.

Measurement Focus

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b) The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported on a modified cash basis. Proprietary fund equity is classified as net position.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The City’s financial statements are prepared under the modified cash basis of accounting.

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-like activities are presented using the modified cash basis of accounting. This basis recognizes assets and net position/fund equity, revenues/receipts, and expenditures/expenses/disbursements when they result from cash transactions in the government-wide statements, governmental fund and proprietary fund statements, with a provision for recording capital assets, depreciation on capital assets and debt. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

Capital Assets

Capital assets, which include infrastructure, property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

statements. All governmental and business-type activities capital assets in service as of December 31, 2020 are recorded at their insured values at that time as an estimate of the historical cost. Additions made after 2020 are recorded at cost. The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

The City does not have a dollar threshold at which assets are capitalized. Capital assets with an estimated useful life in excess of one year or more are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The City has established the following useful lives:

Buildings and improvements	30 years
Equipment	7-30 years

Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of net investment in capital assets or restricted.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission—the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The City Commission and City Auditor have 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 – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The City does not have a minimum fund balance policy.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Property Taxes

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes 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.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. However, since the statements are prepared on a modified cash basis, management does not consider there to be any significant estimates.

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budgetary Information:

The City Commission adopts an annual budget on a basis consistent with the modified cash basis of accounting 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:

- On or before August 10 of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing which is to be held after September 7 but before October 7, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Budget Amendments

The City's governing board did not amend the budgets during the year ended December 31, 2023.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the General Fund by \$259,977 for the year ended December 31, 2023. No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 3 DEPOSITS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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, irrevocable standby letters of credit issued by federal home loan banks of a rating of AA or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, 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.

The City maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2023, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and authorized collateral through local financial institutions. All of the City's deposits are covered by FDIC or pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance. The City does not have a limit on the amount the City may invest in any one issuer. The City does not have an investment policy that specifically addresses credit risk.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

<u>Governmental Activities:</u>	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance 12/31/2023</u>
Capital assets being depreciated:				
Equipment	\$ 214,510	\$ -	\$ -	\$ 214,510
Building and improvements	2,759,084	-	-	2,759,084
Total capital assets	<u>2,973,594</u>	<u>-</u>	<u>-</u>	<u>2,973,594</u>
Less accumulated depreciation:				
Equipment	10,726	21,451	-	32,177
Building and improvements	2,738,236	1,605	-	2,739,841
Total accumulated depreciation	<u>2,748,962</u>	<u>23,056</u>	<u>-</u>	<u>2,772,018</u>
Net capital assets	<u>\$ 224,632</u>	<u>\$ (23,056)</u>	<u>\$ -</u>	<u>\$ 201,576</u>
<u>Business-Type Activities:</u>	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Balance 12/31/2023</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 412,000	\$ -	\$ -	\$ 412,000
Equipment	1,905,610	-	-	1,905,610
Total capital assets	<u>2,317,610</u>	<u>-</u>	<u>-</u>	<u>2,317,610</u>
Less accumulated depreciation:				
Buildings and improvements	1,144	13,734	-	14,878
Equipment	1,340,420	171,270	-	1,511,690
Total accumulated depreciation	<u>1,341,564</u>	<u>185,004</u>	<u>-</u>	<u>1,526,568</u>
Net capital assets	<u>\$ 976,046</u>	<u>\$ (185,004)</u>	<u>\$ -</u>	<u>\$ 791,042</u>

Depreciation of \$23,056 was charged to general government.

NOTE 5 DEFICIT BALANCES

The following funds were in a deficit position at December 31, 2023:

Governmental Funds:	
Municipal Highway	\$ (603,688)
Voluntary Sidewalk Projects	(395,799)
Hendrickson / Holmes Infrastructure	(544,260)
Cemetery	(5,001)
Proprietary Funds:	
Landfill	(271,151)
Tree	(80,226)
Component Unit:	
Housing Authority	(454,637)

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The deficits will be alleviated by tax collections, fee collections, grant proceeds, or transfers from the general fund.

NOTE 6 DUE TO/DUE FROM OTHER FUNDS

The due to and due from other funds consist of cash overdrafts. They are not expected to be repaid in the next year. The due to and due from other funds are as follows as of December 31, 2023:

Fund	Due To	Due From
Governmental Funds		
General fund	\$ -	\$ 2,330,440
Voluntary sidewalk projects	395,799	-
Hendrickson/Holmes infrastructure	544,260	
Gas and oil production tax	-	
Municipal highway fund	603,688	-
Non-major governmental funds	7,262	-
Total governmental funds	<u>\$ 1,551,009</u>	<u>\$ 2,330,440</u>
Proprietary Funds		
Water, sewer, and treatment plant fund	\$ 427,225	\$ -
Landfill fund	271,151	-
Non-major proprietary funds	81,055	-
Total proprietary funds	<u>\$ 779,431</u>	<u>\$ -</u>

NOTE 7 TRANSFERS

Interfund transfers are as follows as of December 31, 2023:

	Transfer In	Transfer Out
Governmental Funds		
General fund	\$ -	\$ 20,556
Municipal highway fund	11,226	-
Total governmental funds	<u>11,226</u>	<u>20,556</u>
Proprietary Funds		
Water, Sewer & Treatment Plant	9,330	-
Total	<u>\$ 20,556</u>	<u>\$ 20,556</u>

Transfers consist of payroll expenses paid by the general fund on behalf of other funds.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 8 PENSION PLAN

The City participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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

Death and Disability Benefits

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

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Actual contributions to the plan for the year were \$16,243.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS

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

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

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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

OPEB Benefits

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

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

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

Actual contributions to the plan for the year were \$2,601.

NOTE 10 RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Crosby pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability.

CITY OF CROSBY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

The City of Crosby 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 State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Crosby has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance for its full-time employees.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 11 RELATED PARTIES

During the year ended December 31, 2023, the City had payments to related parties of \$42,507. Transactions consisted of construction work, utilities and insurance charges. These related parties are companies with connections to members on the board. Said members abstain from voting on decisions relating to the transactions relating to these companies.

NOTE 12 FUND BALANCES

At December 31, 2023, a summary of the governmental fund balance classifications is as follows:

	General	Voluntary Sidewalk Projects	Hendrickson / Holmes Infrastructure	Municipal Highway	Nonmajor Governmental Funds	Total
Restricted for:						
Economic development	\$ -	\$ -	\$ -	\$ -	\$ 30,318	\$ 30,318
Emergency	-	-	-	-	54,817	54,817
Committed for:						
Hospital and Parks and Rec sales tax	770,385	-	-	-	-	770,385
Unassigned	<u>5,634,783</u>	<u>(395,799)</u>	<u>(544,260)</u>	<u>(603,688)</u>	<u>(5,001)</u>	<u>4,086,035</u>
	<u>\$6,405,168</u>	<u>\$ (395,799)</u>	<u>\$ (544,260)</u>	<u>\$ (603,688)</u>	<u>\$ 80,134</u>	<u>\$ 4,941,555</u>

NOTE 13 COMMITMENTS

The City entered contracts of approximately \$746,811 during 2023 for sidewalk improvements, and water meeting and smart point upgrades that were not finished at year end. Amounts paid on these contracts totaled \$79,072 as of December 31, 2023.

NOTE 14 SUBSEQUENT EVENTS

In 2024, the City accepted a \$13,783,868 bid for a large infrastructure project, but cancelled the bid two months later. Amounts paid for preliminary and engineering costs on the project totaled approximately \$490,000. Subsequent events have been evaluated through January 21, 2025, which is the date these financial statements were available to be issued.

CITY OF CROSBY
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 67,000	\$ 1,539,973	\$ 1,472,973
Sales taxes	-	623,172	623,172
Licenses and permits	16,725	7,576	(9,149)
Intergovernmental	932,500	84,360	(848,140)
Fines and forfeits	1,000	250	(750)
Interest	4,500	55,526	51,026
Miscellaneous	120,000	51,770	(68,230)
Total revenues	<u>1,141,725</u>	<u>2,362,627</u>	<u>1,220,902</u>
EXPENDITURES			
Current:			
General government	636,300	711,460	(75,160)
Public safety	204,272	204,055	217
Highways and streets	28,000	943	27,057
Health and welfare	1,500	-	1,500
Culture and recreation	30,000	30,000	-
Economic development	372,528	586,119	(213,591)
Total expenditures	<u>1,272,600</u>	<u>1,532,577</u>	<u>(259,977)</u>
Excess of revenues over (under) expenditures	<u>(130,875)</u>	<u>830,050</u>	<u>960,925</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(20,556)	(20,556)
Total other financing sources (uses)	<u>-</u>	<u>(20,556)</u>	<u>(20,556)</u>
Excess of revenues and other sources over expenditures	<u>\$ (130,875)</u>	809,494	<u>\$ 940,369</u>
Fund balances - beginning		<u>5,595,674</u>	
Fund balances - ending		<u>\$ 6,405,168</u>	

CITY OF CROSBY
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
MUNICIPAL HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original & Final Budget	Actual	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 105,000	\$ 141,350	\$ 36,350
EXPENDITURES			
Highways and streets	300,000	208,499	91,501
Total expenditures	300,000	208,499	91,501
Excess of revenues over (under) expenditures	(195,000)	(67,149)	127,851
OTHER FINANCING SOURCES			
Transfers in	-	11,226	11,226
Total other financing sources	-	11,226	11,226
Excess of revenues and other sources under expenditures	<u>\$ (195,000)</u>	(55,923)	<u>\$ 139,077</u>
Fund balances - beginning		(547,765)	
Fund balances - ending		<u><u>\$ (603,688)</u></u>	

**INDEPENDENT AUDITOR'S 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**

To the City Commission
City of Crosby
Crosby, North Dakota

We were engaged to perform an audit 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 unit, each major fund, and the aggregate remaining fund information of the City of Crosby, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Crosby's basic financial statements and have issued our report thereon dated January 21, 2025. Our report disclaims an opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the related notes to the financial statements because adequate detailed financial reports and supporting documentation were not maintained and we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Our report also disclaims an opinion on the discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Crosby'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 Crosby's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Crosby's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2023-001 and 2023-002 in the accompanying schedule of findings and responses to be material weaknesses.

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. We consider the deficiency as described as item 2023-003 in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

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

City of Crosby's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Crosby's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Crosby's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 21, 2025

CITY OF CROSBY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-001: Material Weakness – Financial Statements and Material Journal Entries

Criteria

An appropriate system of internal controls requires that the City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current accounting principles and required financial statement disclosures.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of the City Council. However, the City does not have the internal resources to prepare full disclosure financial statements for external reporting. The City has elected to have the auditors assist in the preparation of the financial statements and notes. In addition, during our audit adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The City elected to not allocate resources for the preparation of the financial statements. The City's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Effect

There is an increased risk of material misstatement to the organization's financial statements. The City's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

We recommend the City 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. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist. Accounting personnel will also need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Actions

At this time, the City will assume the acquired risk as the City is small and has minimal staff. There are very few options for a CPA to help with preparation of the financials. The City will work toward preparing a financial assistance committee or a financial statement disclosure checklist as well as looking into opportunities for the City Auditors to get higher level training.

CITY OF CROSBY
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-002: Material Weakness – Bank Reconciliations

Criteria

An appropriate system of internal controls requires all activity is accurately recorded in the underlying general ledger accounts and properly stated in compliance with the modified cash basis of accounting.

Condition

The City maintains a bank reconciliation in an excel spreadsheet outside of the accounting software. Because of this, we are unable to determine if all cash receipts and disbursements are recorded in the accounting software. We were also unable to tie the reconciliation to the cash amount in the accounting software. Because of this, we were unable to express an opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the related notes to the financial statements.

Cause

The City maintains their bank reconciliation process outside of their accounting system.

Effect

There is an increased risk of material misstatement to the City's financial statements whether due to error or fraud if bank reconciliations are not completed in the accounting software.

Recommendation

We recommend the City resolve its unreconciled net difference, review its current procedures, and ensure that all bank reconciliations are accurately completed on a monthly basis in the accounting system.

Views of Responsible Officials and Planned Corrective Actions

The City of Crosby decided to change banks for their operating account so the City Auditor is going to reach out to the software company to try and have the reconciliations done in the accounting system.

CITY OF CROSBY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-003: Significant Deficiency – Segregation of Duties

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The City is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the City review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The City has taken corrective steps towards segregation of duties by separating current personnel between the duties of Accounts Payable and Accounts Receivable. Although both staff have access to these accounting modules, staff try to maintain separation. In addition, Payroll is always cross checked and verified before printing. All checks require a signature from the auditor's office and either the Mayor or Board President. City staff is cross trained and divide job responsibilities to keep the City protected.