



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

City of Washburn

Washburn, North Dakota

Audit Report for the Years Ended December 31, 2023 and 2022

City of Washburn Code: PS28100



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Office of the
State Auditor

CITY OF WASHBURN

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CITY OF WASHBURN

City Officials

December 31, 2023 and 2022

CITY OFFICIALS

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

Commissioner - President
Commissioner – Vice President
Commissioner
Commissioner
Commissioner

Chelsey Brandt

Auditor

STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

Board of City Commissioners
City of Washburn
Washburn, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Washburn, North Dakota, as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise City of Washburn's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, and each major fund of City of Washburn, North Dakota, as of December 31, 2023 and 2022, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 our audit in accordance with GAAS 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 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* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Washburn's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025 on our consideration of City of Washburn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Washburn's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Washburn's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 18, 2025

CITY OF WASHBURN
Statement of Net Position
December 31, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Library	Airport
ASSETS					
Cash and Investments	\$ 3,748,289	\$ 976,595	\$ 4,724,884	\$ 123,483	\$ 83,934
Utility Billings Receivable	-	64,419	64,419	-	-
Accounts Receivable	13,874	-	13,874	-	-
Intergovernmental Receivable	31,276	-	31,276	-	-
Due from County	4,426	-	4,426	107	107
Taxes Receivable	9,698	-	9,698	576	579
Special Assessments Receivable	5,496,622	-	5,496,622	-	-
Capital Assets					
Nondepreciable	2,688,679	-	2,688,679	-	961,199
Depreciable, Net	9,068,841	8,929,723	17,998,564	-	1,795,259
Total Assets	\$ 21,061,705	\$ 9,970,737	\$ 31,032,442	\$ 124,166	\$ 2,841,078
LIABILITIES					
Accounts Payable	\$ 52,294	\$ 9,718	\$ 62,012	\$ -	\$ 10,083
Salaries Payable	2,280	1,159	3,439	-	-
Grants Received in Advance	199,850	-	199,850	-	-
Retainage Payable	98,041	-	98,041	-	-
Interest Payable	37,063	6,675	43,738	-	957
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	797,267	260,000	1,057,267	-	1,013
Compensated Absences Payable	1,376	-	1,376	-	-
Due After One Year					
Long-Term Debt	7,049,783	1,155,000	8,204,783	-	68,987
Compensated Absences Payable	12,387	-	12,387	-	-
Total Liabilities	\$ 8,250,341	\$ 1,432,552	\$ 9,682,893	\$ -	\$ 81,040
NET POSITION					
Net Investment in Capital Assets	\$ 9,370,030	\$ 7,514,723	\$ 16,884,753	\$ -	\$ -
Restricted					
Debt Service	145	-	145	-	-
Capital Projects	1,132,518	-	1,132,518	-	-
General Government	1,580,597	-	1,580,597	-	-
Public Works	531,330	-	531,330	-	-
Emergencies	16,468	-	16,468	-	-
Economic/Job Development	12,691	-	12,691	-	-
Culture and Recreation	-	-	-	124,166	-
Unrestricted	167,585	1,023,462	1,191,047	-	2,760,038
Total Net Position	\$ 12,811,364	\$ 8,538,185	\$ 21,349,549	\$ 124,166	\$ 2,760,038

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, 2023

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
PRIMARY GOVERNMENT									
Governmental Activities									
General Government	\$ 502,533	\$ 25,197	\$ -	\$ -	\$ (477,336)		\$ (477,336)		
Public Safety	569,057	-	-	-	(569,057)		(569,057)		
Public Works	704,413	-	640,785	225,498	161,870		161,870		
Culture and Recreation	155,070	-	-	-	(155,070)		(155,070)		
Other	-	-	-	-	-		-		
Interest & Fees on Long-Term Debt	180,938	-	-	-	(180,938)		(180,938)		
Total Governmental Activities	\$ 2,212,054	\$ 25,197	\$ 640,785	\$ 225,498	\$ (1,320,574)		\$ (1,320,574)		
BUSINESS-TYPE ACTIVITIES									
Water	\$ 550,104	\$ 516,922	\$ 3,806	\$ -	\$ -	\$ (29,376)	\$ (29,376)		
Sewer	168,759	129,081	-	-	-	(39,678)	-		
Garbage	99,833	109,324	-	-	-	9,491	-		
Total Business-Type Activities	\$ 818,696	\$ 755,327	\$ 3,806	\$ -	\$ -	\$ (59,563)	\$ (29,376)		
Total Primary Government	\$ 3,030,750	\$ 780,524	\$ 644,591	\$ 225,498	\$ (1,320,574)	\$ (59,563)	\$ (1,349,950)		
COMPONENT UNITS									
Library	\$ 29,383	\$ -	\$ -	\$ -			\$ (29,383)	\$ -	
Airport	195,225	34,120	70,004	319,984			-	228,883	
Total Component Units	\$ 224,608	\$ 34,120	\$ 70,004	\$ 319,984			\$ (29,383)	\$ 228,883	
GENERAL REVENUES									
Taxes									
Property Taxes					\$ 336,236	\$ -	\$ 336,236	\$ 19,292	\$ 19,302
Sales Taxes					364,963	-	364,963	-	-
Non-Restricted Grants and Contributions					592,003	-	592,003	2,409	-
Unrestricted Investment Earnings					14,423	-	14,423	-	-
Miscellaneous					130,140	-	130,140	7,417	1,707
Total General Revenues and Transfers					\$ 1,437,765	\$ -	\$ 1,437,765	\$ 29,118	\$ 21,009
Changes in Net Position					\$ 117,191	\$ (59,563)	\$ 57,628	\$ (265)	\$ 249,892
Net Position - January 1					\$ 12,694,173	\$ 8,597,748	\$ 21,291,921	\$ 124,431	\$ 2,510,146
Net Position - December 31					\$ 12,811,364	\$ 8,538,185	\$ 21,349,549	\$ 124,166	\$ 2,760,038

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

CITY OF WASHBURN

Balance Sheet – Governmental Funds
December 31, 2023

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 967,930	\$ 2,145,310	\$ 635,049	\$ -	\$ 3,748,289
Accounts Receivable	13,874	-	-	-	13,874
Intergovernmental Receivable	20,945	10,331	-	-	31,276
Due from County	1,762	-	-	2,664	4,426
Taxes Receivable	9,552	-	-	145	9,697
Special Assessments Receivable	-	-	-	5,496,622	5,496,622
Due from Other Funds	-	-	711,829	-	711,829
Total Assets	\$ 1,014,063	\$ 2,155,641	\$ 1,346,878	\$ 5,499,431	\$ 10,016,013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 28,748	\$ 6,456	\$ 17,090	\$ -	\$ 52,294
Salaries Payable	2,280	-	-	-	2,280
Retainage Payable	-	-	98,041	-	98,041
Grants Received in Advance	100,621	-	99,229	-	199,850
Due to Other Funds	-	-	-	711,829	711,829
Total Liabilities	\$ 131,649	\$ 6,456	\$ 214,360	\$ 711,829	\$ 1,064,294
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 9,552	\$ -	\$ -	\$ 145	\$ 9,697
Uncollected Special Assessments Receivable	-	-	-	5,496,622	5,496,622
Total Deferred Inflows of Resources	\$ 9,552	\$ -	\$ -	\$ 5,496,767	\$ 5,506,319
Total Liabilities & Deferred Inflows of Resources	\$ 141,201	\$ 6,456	\$ 214,360	\$ 6,208,596	\$ 6,570,613
FUND BALANCES					
Restricted					
Capital Projects Funds	\$ -	\$ -	\$ 749,297	\$ -	\$ 749,297
General Government	-	1,580,597	-	-	1,580,597
Public Works/Streets	-	539,429	-	-	539,429
Emergency	-	16,468	-	-	16,468
Economic Development	-	12,691	-	-	12,691
Assigned					
Public Works/Streets	-	-	383,221	-	383,221
Unassigned					
General Fund	872,862	-	-	-	872,862
Negative Fund Balances	-	-	-	(709,165)	(709,165)
Total Fund Balances	\$ 872,862	\$ 2,149,185	\$ 1,132,518	\$ (709,165)	\$ 3,445,400
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,014,063	\$ 2,155,641	\$ 1,346,878	\$ 5,499,431	\$ 10,016,013

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

CITY OF WASHBURN

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2023

Total Fund Balances for Governmental Funds \$ 3,445,400

Total *net position* 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. 11,757,520

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	\$ 9,698	
Special Assessments Receivable	<u>5,496,622</u>	5,506,320

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	\$ (7,847,050)	
Interest Payable	(37,063)	
Compensated Absences	<u>(13,763)</u>	<u>(7,897,876)</u>

Total Net Position of Governmental Activities \$ 12,811,364

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, 2023

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 330,862	\$ -	\$ -	\$ -	\$ 330,862
Special Assessment Taxes	-	-	-	837,323	837,323
Sales Taxes	-	364,963	-	-	364,963
Licenses, Permits and Fees	19,843	-	-	-	19,843
Intergovernmental	555,383	145,135	532,270	-	1,232,788
Fines, Forfeitures and Penalties	5,354	-	-	-	5,354
Interest	3,782	8,063	2,578	-	14,423
Miscellaneous	30,142	99,998	-	-	130,140
Total Revenues	\$ 945,366	\$ 618,159	\$ 534,848	\$ 837,323	\$ 2,935,696
EXPENDITURES					
Current					
General Government	\$ 443,595	\$ 10,031	\$ -	\$ -	\$ 453,626
Public Safety	212,506	-	-	-	212,506
Public Works	1,420	229,880	2,577,005	-	2,808,305
Culture and Recreation	147,328	-	-	-	147,328
Capital Outlay	100,043	-	-	-	100,043
Debt Service					
Principal	-	32,069	-	705,000	737,069
Interest	-	3,109	-	148,112	151,221
Fees	-	-	-	16,510	16,510
Total Expenditures	\$ 904,892	\$ 275,089	\$ 2,577,005	\$ 869,622	\$ 4,626,608
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,474	\$ 343,070	\$ (2,042,157)	\$ (32,299)	\$ (1,690,912)
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	\$ -	\$ -	\$ 2,174,719	\$ -	\$ 2,174,719
Net Change in Fund Balances	\$ 40,474	\$ 343,070	\$ 132,562	\$ (32,299)	\$ 483,807
Fund Balance - January 1	\$ 832,388	\$ 1,806,115	\$ 999,956	\$ (676,866)	\$ 2,961,593
Fund Balance - December 31	\$ 872,862	\$ 2,149,185	\$ 1,132,518	\$ (709,165)	\$ 3,445,400

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, 2023

Net Change in *Fund Balances* - Total Governmental Funds \$ 483,807

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	\$ 2,119,086	
Current Year Depreciation Expense	<u>(426,862)</u>	1,692,224

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	\$ (1,532)	
Net Change in Interest Payable	<u>(3,668)</u>	(5,200)

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	\$ (9,539)	
Issuance of Long-Term Debt	(2,174,719)	
Repayment of Long-Term Debt	<u>737,069</u>	(1,447,189)

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	\$ 5,374	
Net Change in Special Assessments Receivable	<u>(611,825)</u>	<u>(606,451)</u>

Change in Net Position of Governmental Activities \$ 117,191

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

CITY OF WASHBURN

Statement of Net Position – Proprietary Funds
 For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current Assets				
Cash and Investments	\$ 203,102	\$ 700,528	\$ 72,965	\$ 976,595
Utility Billings Receivable	40,649	12,563	11,207	64,419
Total Current Assets	\$ 243,751	\$ 713,091	\$ 84,172	\$ 1,041,014
Noncurrent Assets				
Capital Assets, Net	\$ 7,616,504	\$ 1,313,219	\$ -	\$ 8,929,723
Total Assets	\$ 7,860,255	\$ 2,026,310	\$ 84,172	\$ 9,970,737
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 7,224	\$ 2,494	\$ -	\$ 9,718
Salaries Payable	336	823	-	1,159
Interest Payable	4,642	2,033	-	6,675
Long-Term Debt	240,000	20,000	-	260,000
Total Current Liabilities	\$ 252,202	\$ 25,350	\$ -	\$ 277,552
Noncurrent Liabilities				
Long-Term Debt	\$ 870,000	\$ 285,000	\$ -	\$ 1,155,000
Total Liabilities	\$ 1,122,202	\$ 310,350	\$ -	\$ 1,432,552
NET POSITION				
Net Investment in Capital Assets	\$ 6,506,504	\$ 1,008,219	\$ -	\$ 7,514,723
Unrestricted	231,549	707,741	84,172	1,023,462
Total Net Position	\$ 6,738,053	\$ 1,715,960	\$ 84,172	\$ 8,538,185

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
 December 31, 2023

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 516,922	\$ 129,081	\$ 109,324	\$ 755,327
Total Operating Revenues	<u>\$ 516,922</u>	<u>\$ 129,081</u>	<u>\$ 109,324</u>	<u>\$ 755,327</u>
OPERATING EXPENSES				
Salaries and Wages	\$ 69,735	\$ 83,289	\$ -	\$ 153,024
Health Insurance	7,655	21,972	-	29,627
Utilities	26,888	3,104	-	29,992
Supplies, Maintenance, and Repairs	147,446	21,680	-	169,126
Contract	-	-	99,833	99,833
Other	1,880	84	-	1,964
Airport Lot Rent				-
Depreciation	274,500	30,771	-	305,271
Total Operating Expenses	<u>\$ 528,104</u>	<u>\$ 160,900</u>	<u>\$ 99,833</u>	<u>\$ 788,837</u>
Operating Income	<u>\$ (11,182)</u>	<u>\$ (31,819)</u>	<u>\$ 9,491</u>	<u>\$ (33,510)</u>
NONOPERATING REVENUES (EXPENSES)				
State Grant	\$ 3,806	\$ -	\$ -	\$ 3,806
Interest Expense and Service Charges	(22,000)	(7,859)	-	(29,859)
Total Nonoperating Revenues (Expenses)	<u>\$ (18,194)</u>	<u>\$ (7,859)</u>	<u>\$ -</u>	<u>\$ (26,053)</u>
Change in Net Position	<u>\$ (29,376)</u>	<u>\$ (39,678)</u>	<u>\$ 9,491</u>	<u>\$ (59,563)</u>
Net Position - January 1	<u>\$ 6,767,429</u>	<u>\$ 1,755,638</u>	<u>\$ 74,681</u>	<u>\$ 8,597,748</u>
Net Position - December 31	<u>\$ 6,738,053</u>	<u>\$ 1,715,960</u>	<u>\$ 84,172</u>	<u>\$ 8,538,185</u>

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, 2023

	<u>Business-type Activities - Enterprise Funds</u>			
	Water Fund	Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 520,399	\$ 129,278	\$ 109,154	\$ 758,831
Payments to Suppliers	(176,325)	(22,879)	(99,833)	(299,037)
Payments to Employees	(77,761)	(105,506)	-	(183,267)
Net Cash Provided (Used) by Operating Activities	<u>\$ 266,313</u>	<u>\$ 893</u>	<u>\$ 9,321</u>	<u>\$ 276,527</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State Grants	\$ 3,806	\$ -	\$ -	\$ 3,806
Principal Paid on Capital Debt	(240,000)	(20,000)	-	(260,000)
Interest and Fees Paid on Capital Debt	(24,500)	(8,125)	-	(32,625)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (260,694)</u>	<u>\$ (28,125)</u>	<u>\$ -</u>	<u>\$ (288,819)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	<u>\$ 5,619</u>	<u>\$ (27,232)</u>	<u>\$ 9,321</u>	<u>\$ (12,292)</u>
Cash and Cash Equivalents - January 1	<u>\$ 197,483</u>	<u>\$ 727,760</u>	<u>\$ 63,644</u>	<u>\$ 988,887</u>
Cash and Cash Equivalents - December 31	<u>\$ 203,102</u>	<u>\$ 700,528</u>	<u>\$ 72,965</u>	<u>\$ 976,595</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	<u>\$ (11,182)</u>	<u>\$ (31,819)</u>	<u>\$ 9,491</u>	<u>\$ (33,510)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 274,500	\$ 30,771	\$ -	\$ 305,271
Change in Assets and Liabilities				
Utility Billings Receivable	3,477	198	(170)	3,505
Salaries Payable	(371)	(246)	-	(617)
Accounts Payable	(111)	1,989	-	1,878
Net Cash Provided (Used) by Operating Activities	<u>\$ 266,313</u>	<u>\$ 893</u>	<u>\$ 9,321</u>	<u>\$ 276,527</u>

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

CITY OF WASHBURN

Statement of Net Position

December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Library	Airport
ASSETS					
Cash and Investments	\$ 3,232,023	\$ 988,887	\$ 4,220,910	\$ 124,116	\$ 60,940
Utility Billings Receivable	-	67,924	67,924	-	-
Accounts Receivable	879	-	879	-	-
Intergovernmental Receivable	32,162	-	32,162	-	-
Taxes Receivable	4,324	-	4,324	315	316
Special Assessments Receivable	6,108,447	-	6,108,447	-	-
Capital Assets					
Nondepreciable	629,817	-	629,817	-	959,240
Depreciable, Net	9,435,479	9,234,994	18,670,473	-	1,521,646
Total Assets	\$ 19,443,131	\$ 10,291,805	\$ 29,734,936	\$ 124,431	\$ 2,542,142
LIABILITIES					
Accounts Payable	\$ 100,457	\$ 7,838	\$ 108,295	\$ -	\$ 31,997
Salaries Payable	3,164	1,776	4,940	-	-
Grants Received in Advance	199,850	-	199,850	-	-
Interest Payable	33,395	9,443	42,838	-	-
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	727,529	250,000	977,529	-	-
Compensated Absences Payable	1,223	-	1,223	-	-
Due After One Year					
Long-Term Debt	5,672,332	1,425,000	7,097,332	-	-
Compensated Absences Payable	11,008	-	11,008	-	-
Total Liabilities	\$ 6,748,958	\$ 1,694,057	\$ 8,443,015	\$ -	\$ 31,997
NET POSITION					
Net Investment in Capital Assets	\$ 9,740,487	\$ 7,559,994	\$ 17,300,481	\$ -	\$ 2,448,889
Restricted					
Debt Service	82	-	82	-	-
Capital Projects	999,956	-	999,956	-	-
General Government	1,251,390	-	1,251,390	-	-
Public Works	521,213	-	521,213	-	-
Emergencies	16,468	-	16,468	-	-
Economic/Job Development	9,411	-	9,411	-	-
Culture and Recreation	-	-	-	124,431	-
Unrestricted	155,166	1,037,754	1,192,920	-	61,256
Total Net Position	\$ 12,694,173	\$ 8,597,748	\$ 21,291,921	\$ 124,431	\$ 2,510,145

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, 2022

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
PRIMARY GOVERNMENT									
Governmental Activities									
General Government	\$ 370,931	\$ 34,529	\$ -	\$ -	\$ (336,402)		\$ (336,402)		
Public Safety	530,046	-	-	-	(530,046)		(530,046)		
Public Works	388,814	-	104,931	246,516	(37,367)		(37,367)		
Culture and Recreation	30,875	-	-	-	(30,875)		(30,875)		
Interest & Fees on Long-Term Debt	184,877	-	-	-	(184,877)		(184,877)		
Total Governmental Activities	\$ 1,505,543	\$ 34,529	\$ 104,931	\$ 246,516	\$ (1,119,567)		\$ (1,119,567)		
BUSINESS-TYPE ACTIVITIES									
Water	\$ 551,205	\$ 552,224	\$ -	\$ -	\$ -	\$ 1,019	\$ 1,019		
Sewer	160,443	127,771	-	-	-	(32,672)	-		
Garbage	92,920	108,401	-	-	-	15,481	-		
Total Business-Type Activities	\$ 804,568	\$ 788,396	\$ -	\$ -	\$ -	\$ (16,172)	\$ 1,019		
Total Primary Government	\$ 2,310,111	\$ 822,925	\$ 104,931	\$ 246,516	\$ (1,119,567)	\$ (16,172)	\$ (1,118,548)		
COMPONENT UNITS									
Library	\$ 26,361	\$ -	\$ -	\$ -			\$ (26,361)	\$ -	
Airport	145,598	28,687	(5,843)	817,686			-	694,932	
Total Component Units	\$ 171,959	\$ 28,687	\$ (5,843)	\$ 817,686			\$ (26,361)	\$ 694,932	
GENERAL REVENUES									
Taxes									
Property Taxes					\$ 261,188	\$ -	\$ 261,188	\$ 18,959	\$ 18,742
Sales Taxes					386,514	-	386,514	-	-
Non-Restricted Grants and Contributions					485,443	-	485,443	83,441	-
Unrestricted Investment Earnings					7,580	6,902	14,482	-	-
Miscellaneous					31,718	-	31,718	5,670	1,444
Total General Revenues and Transfers					\$ 1,172,443	\$ 6,902	\$ 1,179,345	\$ 108,070	\$ 20,186
Changes in Net Position					\$ 52,876	\$ (9,270)	\$ 43,606	\$ 81,709	\$ 715,118
Net Position - January 1					\$ 12,974,589	\$ 8,607,018	\$ 21,581,607	\$ 42,722	\$ 1,795,028
Prior Period Adjustments					\$ (333,292)	\$ -	\$ (333,292)	\$ -	\$ -
Net Position - January 1, as restated					\$ 12,641,297	\$ 8,607,018	\$ 21,248,315	\$ 42,722	\$ 1,795,028
Net Position - December 31					\$ 12,694,173	\$ 8,597,748	\$ 21,291,921	\$ 124,431	\$ 2,510,146

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

CITY OF WASHBURN

Balance Sheet – Governmental Funds

December 31, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 956,146	\$ 1,805,558	\$ 470,319	\$ -	\$ 3,232,023
Accounts Receivable	879	-	-	-	879
Intergovernmental Receivable	21,574	10,588	-	-	32,162
Taxes Receivable	4,242	-	-	82	4,324
Special Assessments Receivable	-	-	-	6,108,447	6,108,447
Due from Other Funds	-	-	676,866	-	676,866
Total Assets	\$ 982,841	\$ 1,816,146	\$ 1,147,185	\$ 6,108,529	\$ 10,054,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 42,426	\$ 10,031	\$ 48,000	\$ -	\$ 100,457
Salaries Payable	3,164	-	-	-	3,164
Grants Received in Advance	100,621	-	99,229	-	199,850
Due to Other Funds	-	-	-	676,866	676,866
Total Liabilities	\$ 146,211	\$ 10,031	\$ 147,229	\$ 676,866	\$ 980,337
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 4,242	\$ -	\$ -	\$ 82	\$ 4,324
Uncollected Special Assessments Receivable	-	-	-	6,108,447	6,108,447
Total Deferred Inflows of Resources	\$ 4,242	\$ -	\$ -	\$ 6,108,529	\$ 6,112,771
Total Liabilities & Deferred Inflows of Resources	\$ 150,453	\$ 10,031	\$ 147,229	\$ 6,785,395	\$ 7,093,108
FUND BALANCES					
Restricted					
Capital Projects Funds	\$ -	\$ -	\$ 619,313	\$ -	\$ 619,313
General Government	-	1,251,390	-	-	1,251,390
Public Works/Streets	-	528,846	-	-	528,846
Emergency	-	16,468	-	-	16,468
Economic Development	-	9,411	-	-	9,411
Assigned					
Public Works/Streets	-	-	380,643	-	380,643
Unassigned					
General Fund	832,388	-	-	-	832,388
Negative Fund Balances	-	-	-	(676,866)	(676,866)
Total Fund Balances	\$ 832,388	\$ 1,806,115	\$ 999,956	\$ (676,866)	\$ 2,961,593
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 982,841	\$ 1,816,146	\$ 1,147,185	\$ 6,108,529	\$ 10,054,701

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

CITY OF WASHBURN

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2022

Total Fund Balances for Governmental Funds \$ 2,961,593

Total *net position* 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. 10,065,296

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	\$ 4,324	
Special Assessments Receivable	6,108,447	6,112,771
	<hr/>	

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	\$ (6,399,861)	
Interest Payable	(33,395)	
Compensated Absences	(12,231)	(6,445,487)
	<hr/>	<hr/>

Total Net Position of Governmental Activities \$ 12,694,173

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, 2022

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 262,366	\$ -	\$ -	\$ -	\$ 262,366
Special Assessment Taxes	-	-	-	879,916	879,916
Sales Taxes	-	386,514	-	-	386,514
Licenses, Permits and Fees	28,316	-	-	-	28,316
Intergovernmental	483,232	107,142	-	-	590,374
Fines, Forfeitures and Penalties	6,213	-	-	-	6,213
Interest	662	1,215	5,703	-	7,580
Miscellaneous	31,717	-	-	-	31,717
Total Revenues	\$ 812,506	\$ 494,871	\$ 5,703	\$ 879,916	\$ 2,192,996
EXPENDITURES					
Current					
General Government	\$ 321,247	\$ -	\$ -	\$ -	\$ 321,247
Public Safety	199,350	-	-	-	199,350
Public Works	69,500	256,120	48,000	-	373,620
Culture and Recreation	23,133	-	-	-	23,133
Debt Service					
Principal	-	31,095	-	731,576	762,671
Interest	-	4,083	-	154,533	158,616
Fees	-	-	-	18,330	18,330
Total Expenditures	\$ 613,230	\$ 291,298	\$ 48,000	\$ 904,439	\$ 1,856,967
Excess (Deficiency) of Revenues Over Expenditures	\$ 199,276	\$ 203,573	\$ (42,297)	\$ (24,523)	\$ 336,029
Net Change in Fund Balances	\$ 199,276	\$ 203,573	\$ (42,297)	\$ (24,523)	\$ 336,029
Fund Balance - January 1	\$ 671,380	\$ 1,613,502	\$ 1,042,253	\$ (649,640)	\$ 2,677,495
Prior Period Adjustment	\$ (38,268)	\$ (10,960)	\$ -	\$ (2,703)	\$ (51,931)
Fund Balance - January 1, as restated	\$ 633,112	\$ 1,602,542	\$ 1,042,253	\$ (652,343)	\$ 2,625,564
Fund Balance - December 31	\$ 832,388	\$ 1,806,115	\$ 999,956	\$ (676,866)	\$ 2,961,593

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 336,029

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	\$ 21,115	
Current Year Depreciation Expense	<u>(420,855)</u>	(399,740)

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	\$ (3,575)	
Net Change in Interest Payable	<u>2,203</u>	(1,372)

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	\$ (10,134)	
Repayment of Long-Term Debt	<u>762,671</u>	752,537

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	\$ (1,178)	
Net Change in Special Assessments Receivable	<u>(633,400)</u>	<u>(634,578)</u>

Change in Net Position of Governmental Activities \$ 52,876

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

CITY OF WASHBURN

Statement of Net Position – Proprietary Funds
 For the Year Ended December 31, 2022

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current Assets				
Cash and Investments	\$ 197,483	\$ 727,760	\$ 63,644	\$ 988,887
Utility Billings Receivable	44,126	12,761	11,037	67,924
Total Current Assets	\$ 241,609	\$ 740,521	\$ 74,681	\$ 1,056,811
Noncurrent Assets				
Capital Assets, Net	\$ 7,891,004	\$ 1,343,990	\$ -	\$ 9,234,994
Total Assets	\$ 8,132,613	\$ 2,084,511	\$ 74,681	\$ 10,291,805
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 7,334	\$ 504	\$ -	\$ 7,838
Salaries Payable	707	1,069	-	1,776
Interest Payable	7,143	2,300	-	9,443
Long-Term Debt	230,000	20,000	-	250,000
Total Current Liabilities	\$ 245,184	\$ 23,873	\$ -	\$ 269,057
Noncurrent Liabilities				
Long-Term Debt	\$ 1,120,000	\$ 305,000	\$ -	\$ 1,425,000
Total Liabilities	\$ 1,365,184	\$ 328,873	\$ -	\$ 1,694,057
NET POSITION				
Net Investment in Capital Assets	\$ 6,541,004	\$ 1,018,990	\$ -	\$ 7,559,994
Unrestricted	226,425	736,648	74,681	1,037,754
Total Net Position	\$ 6,767,429	\$ 1,755,638	\$ 74,681	\$ 8,597,748

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, 2022

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Garbage Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 552,224	\$ 127,771	\$ 108,401	\$ 788,396
Total Operating Revenues	<u>\$ 552,224</u>	<u>\$ 127,771</u>	<u>\$ 108,401</u>	<u>\$ 788,396</u>
OPERATING EXPENSES				
Salaries and Wages	\$ 74,357	\$ 76,294	\$ -	\$ 150,651
Health Insurance	13,031	17,264	-	30,295
Utilities	28,520	5,513	-	34,033
Supplies, Maintenance, and Repairs	125,726	5,098	-	130,824
Contract	-	-	92,920	92,920
Other	5,295	16,878	-	22,173
Depreciation	274,951	30,770	-	305,721
Total Operating Expenses	<u>\$ 521,880</u>	<u>\$ 151,817</u>	<u>\$ 92,920</u>	<u>\$ 766,617</u>
Operating Income	<u>\$ 30,344</u>	<u>\$ (24,046)</u>	<u>\$ 15,481</u>	<u>\$ 21,779</u>
NONOPERATING REVENUES (EXPENSES)				
State Grant	\$ 6,902	\$ -	\$ -	\$ 6,902
Interest Expense and Service Charges	(29,325)	(8,626)	-	(37,951)
Total Nonoperating Revenues (Expenses)	<u>\$ (22,423)</u>	<u>\$ (8,626)</u>	<u>\$ -</u>	<u>\$ (31,049)</u>
Change in Net Position	<u>\$ 7,921</u>	<u>\$ (32,672)</u>	<u>\$ 15,481</u>	<u>\$ (9,270)</u>
Net Position - January 1	<u>\$ 6,759,508</u>	<u>\$ 1,788,310</u>	<u>\$ 59,200</u>	<u>\$ 8,607,018</u>
Net Position - December 31	<u>\$ 6,767,429</u>	<u>\$ 1,755,638</u>	<u>\$ 74,681</u>	<u>\$ 8,597,748</u>

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, 2022

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 545,019	\$ 127,960	\$ 108,345	\$ 781,324
Payments to Suppliers	(176,634)	(31,261)	(101,953)	(309,848)
Payments to Employees	(88,102)	(93,171)	-	(181,273)
Net Cash Provided (Used) by Operating Activities	\$ 280,283	\$ 3,528	\$ 6,392	\$ 290,203
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State Grants	\$ 6,902	\$ -	\$ -	\$ 6,902
Principal Paid on Capital Debt	(230,000)	(20,000)	-	(250,000)
Interest and Fees Paid on Capital Debt	(29,325)	(8,625)	-	(37,950)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (252,423)	\$ (28,625)	\$ -	\$ (281,048)
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 27,860	\$ (25,097)	\$ 6,392	\$ 9,155
Cash and Cash Equivalents - January 1	\$ 169,623	\$ 752,857	\$ 57,252	\$ 979,732
Cash and Cash Equivalents - December 31	\$ 197,483	\$ 727,760	\$ 63,644	\$ 988,887
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 30,344	\$ (24,046)	\$ 15,481	\$ 21,779
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	\$ 274,951	\$ 30,770	\$ -	\$ 305,721
Change in Assets and Liabilities				
Utility Billings Receivable	(7,205)	189	(56)	(7,072)
Salaries Payable	(714)	387	-	(327)
Accounts Payable	(17,093)	(3,772)	(9,033)	(29,898)
Net Cash Provided (Used) by Operating Activities	\$ 280,283	\$ 3,528	\$ 6,392	\$ 290,203

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

CITY OF WASHBURN

Notes to the Financial Statements

For the Years Ended December 31, 2023 and 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Washburn ("City") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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.

Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause its 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 unit discussed below is included within the City's reporting entity because of the significance of its operational or financial relationship with the City.

Component Units

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

Discretely Presented Component Units: The component unit columns in the government wide financial statements include the financial data of the City's one component unit. This component unit is reported in a separate column 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 primary government, the City, and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with 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. Separate statements for each fund category, *governmental*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

CITY OF WASHBURN

Notes to the Financial Statements - Continued

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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.

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

CITY OF WASHBURN

Notes to the Financial Statements - Continued

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the City during the years ended December 31, 2023 and 2022 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 of the City are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Years
Building & 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 Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 Balances

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 3rd parties (state and federal governments for various grants & reimbursements).

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

CITY OF WASHBURN

Notes to the Financial Statements - Continued

reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net Position/Fund Balance of the City as of January 1, 2022 has been restated for adjustments to Uncertified Special Assessments Receivable and for removing receivable and due from county amounts are as shown below. The results of the adjustments decreased Net Position/Fund Balance for the City.

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 12,974,589
Adjustments to restate the January 1, 2021 Net Position:	
Special Assessment Receivable	(281,361)
Receivables and Due from County Amounts	(51,931)
Net Position January 1, as restated	\$ 12,641,297

Primary Government - General Fund	Amounts
Beginning Fund Balance, as previously reported	\$ 671,380
Adjustments to restate the January 1, 2021 Fund Balance:	
Receivables and Due from County Amounts	(38,268)
Fund Balance January 1, as restated	\$ 633,112

Primary Government - Special Revenue Funds	Amounts
Beginning Fund Balance, as previously reported	\$ 1,613,502
Adjustments to restate the January 1, 2021 Fund Balance:	
Receivables and Due from County Amounts	(10,960)
Fund Balance January 1, as restated	\$ 1,602,542

CITY OF WASHBURN

Notes to the Financial Statements - Continued

Primary Government - Debt Service Fund	Amounts
Beginning Fund Balance, as previously reported	\$ (649,640)
Adjustments to restate the January 1, 2021 Fund Balance:	
Receivables and Due from County Amounts	(2,703)
Fund Balance January 1, as restated	\$ (652,343)

NOTE 3 DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2023, the City's carrying amount of deposits totaled \$4,825,001, and the bank balances totaled \$4,826,170. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the City's carrying amount of deposits totaled \$4,321,027, and the bank balances totaled \$4,321,221. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2023, the Library's carrying amount of deposits totaled \$23,366, and the bank balances totaled \$23,366, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2022, the Library's carrying amount of deposits totaled \$24,000, and the bank balances totaled \$24,000, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2023, the Airport's carrying amount of deposits totaled \$83,934, and the bank balances totaled \$83,069, all of which were covered by Federal Depository Insurance.

At year ended December 31, 2022, the Airport's carrying amount of deposits totaled \$28,634, and the bank balances totaled \$92,294, all of which were covered by Federal Depository Insurance.

CITY OF WASHBURN

Notes to the Financial Statements - Continued

NOTE 4 PROPERTY TAXES

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

NOTE 5 CAPITAL ASSETS

Primary Government

The following is a summary of changes in capital assets for the years ended December 31, 2023 and 2022 for the City:

Governmental Activities	Balance 1/1/23	Increases	Decreases	Transfers	Balance 12/31/23
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 629,817	\$ 2,058,862	\$ -	\$ -	\$ 2,688,679
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,395,012	\$ -	\$ -	\$ -	\$ 13,395,012
Machinery & Equipment	1,191,113	60,224	-	-	1,251,337
Total Capital Assets, Being Depreciated	\$ 14,586,125	\$ 60,224	\$ -	\$ -	\$ 14,646,349
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 4,427,992	\$ 329,817	\$ -	\$ -	\$ 4,757,809
Machinery & Equipment	722,654	97,045	-	-	819,699
Total Accumulated Depreciation	\$ 5,150,646	\$ 426,862	\$ -	\$ -	\$ 5,577,508
Total Capital Assets Being Depreciated, Net	\$ 9,435,479	\$ (366,638)	\$ -	\$ -	\$ 9,068,841
Total Capital Assets, Net	\$ 10,065,296	\$ 1,692,224	\$ -	\$ -	\$ 11,757,520

Governmental Activities	Balance 1/1/22	Increases	Decreases	Transfers	Balance 12/31/22
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 629,817	\$ -	\$ -	\$ -	\$ 629,817
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,395,012	\$ -	\$ -	\$ -	\$ 13,395,012
Machinery & Equipment	1,169,998	21,115	-	-	1,191,113
Total Capital Assets, Being Depreciated	\$ 14,565,010	\$ 21,115	\$ -	\$ -	\$ 14,586,125
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 4,096,675	\$ 331,317	\$ -	\$ -	\$ 4,427,992
Machinery & Equipment	633,116	89,538	-	-	722,654
Total Accumulated Depreciation	\$ 4,729,791	\$ 420,855	\$ -	\$ -	\$ 5,150,646
Total Capital Assets Being Depreciated, Net	\$ 9,835,219	\$ (399,740)	\$ -	\$ -	\$ 9,435,479
Total Capital Assets, Net	\$ 10,465,036	\$ (399,740)	\$ -	\$ -	\$ 10,065,296

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

Governmental Activities	2023	2022
General Government	\$ 47,842	\$ 47,842
Public Works	356,084	350,077
Public Safety	15,194	15,194
Culture and Recreation	7,742	7,742
Total Depreciation Expense	\$ 426,862	\$ 420,855

CITY OF WASHBURN

Notes to the Financial Statements - Continued

Business-Type Activities

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

Business-Type Activities	Balance 1/1/23	Increases	Decreases	Transfers	Balance 12/31/23
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,393,232	\$ -	\$ -	\$ -	\$ 13,393,232
Machinery & Equipment	71,804	-	-	-	71,804
Total Capital Assets, Being Depreciated	\$ 13,465,036	\$ -	\$ -	\$ -	\$ 13,465,036
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 4,161,170	\$ 304,538	\$ -	\$ -	\$ 4,465,708
Machinery & Equipment	68,873	732	-	-	69,605
Total Accumulated Depreciation	\$ 4,230,043	\$ 305,270	\$ -	\$ -	\$ 4,535,313
Toal Capital Assets, Net	\$ 9,234,993	\$ (305,270)	\$ -	\$ -	\$ 8,929,723

Business-Type Activities	Balance 1/1/22	Increases	Decreases	Transfers	Balance 12/31/22
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 13,393,232	\$ -	\$ -	\$ -	\$ 13,393,232
Machinery & Equipment	71,804	-	-	-	71,804
Total Capital Assets, Being Depreciated	\$ 13,465,036	\$ -	\$ -	\$ -	\$ 13,465,036
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 3,856,631	\$ 304,538	\$ -	\$ -	\$ 4,161,169
Machinery & Equipment	67,689	1,184	-	-	68,873
Total Accumulated Depreciation	\$ 3,924,320	\$ 305,722	\$ -	\$ -	\$ 4,230,042
Toal Capital Assets, Net	\$ 9,540,716	\$ (305,722)	\$ -	\$ -	\$ 9,234,994

Depreciation expense was charged to the unrestricted function.

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the years ended 2023 and 2022:

Airport	Balance 1/1/23	Increases	Decreases	Transfers	Balance 12/31/23
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 959,240	\$ 1,960	\$ -		\$ 961,200
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 2,074,559	\$ 350,000	\$ -		\$ 2,424,559
Machinery & Equipment	108,954	-	-	-	108,954
Total Capital Assets, Being Depreciated	\$ 2,183,513	\$ 350,000	\$ -	\$ -	\$ 2,533,513
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 572,439	\$ 70,790	\$ -	\$ -	\$ 643,229
Machinery & Equipment	89,428	5,597	-	-	95,025
Total Accumulated Depreciation	\$ 661,867	\$ 76,387	\$ -	\$ -	\$ 738,254
Toal Capital Assets, Net	\$ 2,480,886	\$ 275,573	\$ -	\$ -	\$ 2,756,459

CITY OF WASHBURN

Notes to the Financial Statements - Continued

Airport	Balance 1/1/22	Increases	Decreases	Transfers	Balance 12/31/22
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 98,070	\$ 861,170	\$ -		\$ 959,240
<i>Capital assets, being depreciated</i>					
Buildings & Infrastructure	\$ 2,074,559	\$ -	\$ -		\$ 2,074,559
Machinery & Equipment	108,954	-	-	-	108,954
Total Capital Assets, Being Depreciated	\$ 2,183,513	\$ -	\$ -	\$ -	\$ 2,183,513
<i>Less accumulated depreciation for</i>					
Buildings & Infrastructure	\$ 506,314	\$ 66,124	\$ -	\$ -	\$ 572,438
Machinery & Equipment	83,832	5,597	-	-	89,429
Total Accumulated Depreciation	\$ 590,146	\$ 71,721	\$ -	\$ -	\$ 661,867
Total Capital Assets, Net	\$ 1,691,437	\$ 789,449	\$ -	\$ -	\$ 2,480,886

Depreciation expense was charged to the unrestricted function.

NOTE 6 LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2023 and 2022, the following changes occurred in governmental activities long-term liabilities:

Governmental Activities	Balance 1/1/23	Increases	Decreases	Balance 12/31/23	Due Within One Year
Long-Term Debt					
Notes Payable	\$ 99,251	\$ -	\$ 32,069	\$ 67,182	\$ 33,073
Special Assessment Bonds	6,368,424	-	705,000	5,663,424	674,967
Special Assessment Loans Payables	-	2,174,719	-	2,174,719	98,767
Bond Discount	(67,814)	-	(9,539)	(58,275)	(9,539)
Total Long-Term Debt	\$ 6,399,861	\$ 2,174,719	\$ 727,530	\$ 7,847,050	\$ 797,268
Compensated Absences	\$ 12,231	\$ 19,385	\$ 17,853	\$ 13,763	\$ 1,376
Total Long-Term Liabilities	\$ 6,412,092	\$ 2,194,104	\$ 745,383	\$ 7,860,813	\$ 798,644

Governmental Activities	Balance 1/1/22	Increases	Decreases	Balance 12/31/22	Due Within One Year
Long-Term Debt					
Capital Lease Payable	\$ 130,346	\$ -	\$ 31,095	\$ 99,251	\$ 31,095
Special Assessment Bonds	7,100,000	-	731,576	6,368,424	705,000
Bond Discount	(77,949)	-	(10,135)	(67,814)	(9,540)
Total Long-Term Debt	\$ 7,152,397	\$ -	\$ 752,536	\$ 6,399,861	\$ 726,555
Compensated Absences	\$ 8,656	\$ 16,193	\$ 12,617	\$ 12,232	\$ 1,223
Total Long-Term Liabilities	\$ 7,161,053	\$ 16,193	\$ 765,153	\$ 6,412,093	\$ 727,778

Through the end of 2023, \$3,090,000 has been authorized for the City for a Street Replacement loan. Through the end of 2023, the City had drawn down \$2,174,719 of the available \$3,090,000. The unused portion of the loan at the end of 2023 for the City was \$915,281.

CITY OF WASHBURN

Notes to the Financial Statements - Continued

Business-Type Activities

The following changes occurred in long-term liabilities for the years ended 2023 and 2022:

Business-Type Activities	Balance 1/1/23	Increases	Decreases	Balance 12/31/23	Due Within One Year
Long-Term Debt					
Revenue Bonds Payable	\$ 1,675,000	\$ -	\$ 260,000	\$ 1,415,000	\$ 260,000

Business-Type Activities	Balance 1/1/22	Increases	Decreases	Balance 12/31/22	Due Within One Year
Long-Term Debt					
Revenue Bonds Payable	\$ 1,925,000	\$ -	\$ 250,000	\$ 1,675,000	\$ 250,000

The annual requirements to amortize the outstanding long-term debt at December 31, 2023 is as follows:

PRIMARY GOVERNMENT									
	Governmental Activities							Business-Type Activities	
Year Ending December 31	Special Assessment Bonds Payable		Bond Discount	Special Assessment Loans Payable		Note Payable		Bonds Payable	
	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 674,967	\$ 129,750	\$ (9,539)	\$ 98,767	\$ 42,507	\$ 33,073	\$ 2,105	\$ 260,000	\$ 20,025
2025	535,000	118,618	(7,942)	99,754	40,522	34,109	1,069	260,000	15,800
2026	515,000	108,320	(7,972)	100,752	38,517	-	-	150,000	11,600
2027	520,000	97,875	(7,972)	101,759	36,492	-	-	150,000	10,171
2028	510,000	89,996	(7,882)	102,777	34,446	-	-	155,000	8,750
2029-2033	1,800,000	290,345	(9,426)	529,508	140,829	-	-	325,000	25,504
2034-2038	1,108,457	58,260	(7,542)	556,518	86,538	-	-	115,000	3,500
2039-2043	-	-	-	584,884	45,074	-	-	-	-
Total	\$ 5,663,424	\$ 893,164	\$ (58,275)	\$2,174,719	\$ 464,925	\$ 67,182	\$ 3,174	\$ 1,415,000	\$ 95,350

Discretely Presented Component Units

City of Washburn Airport

The following changes occurred in long-term liabilities for the year ended December 31, 2023:

Washburn Airport	Balance 1/1/23	Increases	Decreases	Balance 12/31/23	Due Within One Year
Long-Term Debt					
Loan Payable	\$ -	\$ 70,000	\$ -	\$ 70,000	\$ 1,013

CITY OF WASHBURN

Notes to the Financial Statements - Continued

The annual requirements to amortize the outstanding long-term debt at December 31, 2023 is as follows:

CITY OF WASHBURN AIRPORT		
Year Ending December 31	Loans Payable	
	Principal	Interest
2024	\$ 1,013	\$ 2,134
2025	1,776	1,371
2026	1,811	1,335
2027	1,848	1,299
2028	1,884	1,262
2029-2033	10,008	5,719
2034-2038	11,055	4,677
2039-2043	12,212	3,521
2044-2048	13,490	2,243
2049-2053	14,903	837
Total	\$ 70,000	\$ 24,398

Through the end of 2023, \$350,000 has been authorized for the Airport for an Infrastructure loan. Through the end of 2023, the Airport had drawn down \$70,000 of the available \$350,000. The unused portion of the loan at the end of 2023 for the Airport was \$280,000.

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 \$18,790, \$12,905 and \$7,850, for the years ending December 31, 2023, 2022, and 2021 respectively.

CITY OF WASHBURN

Notes to the Financial Statements - Continued

NOTE 8 DEFICIT FUND BALANCES

The City had the following deficit fund balances at December 21, 2023 and 2022:

	2023
Debt Service Fund	
Special Assessment Fund	(796,433)
Fund 501 - 072.81	(914)
Fund 502 - 074.81	10,548
Fund 503 - 075.81	(3,715)
Fund 504 - 091.81	(14,648)
City Assessments	1,049
Fund 507 - 142.81	(4,561)
Fund 508 - 143.81	(2,731)
Fund 510 - 144.81	(16,540)
Fund 511 - 146.81	5,227
Fund 512 - 145.81	(5,709)
Fund 513 - 141.81	274
Fund 515 - 161.81	(47,446)
Fund 516 - 163.81	7,842
Fund 517 - 164.81	(5,024)
Fund 518 - 174.81	(14,080)
Fund 519 - 171.81	6,133
Fund 520 - 172.81	(103)
Fund 521 - 173.81	8,328
Fund 522 - 092.81	(5,155)
Fund 523 - 094.81	(13,772)
Fund 524 - 095.81	5,830
Fund 525 - 071.81	(1,924)
Fund 526 - 162.81	(1,752)
Fund 527 - 230.81	(5,588)
Special Assessment Deficiency	185,699
Total Debt Service Fund	\$ (709,165)

CITY OF WASHBURN

Notes to the Financial Statements - Continued

	2022
Debt Service Fund	
Special Assessment Fund	\$ (821,195)
Fund 501 - 072.81	(914)
Fund 502 - 074.81	5,220
Fund 503 - 075.81	(1,776)
Fund 504 - 091.81	(7,754)
City Assessments	104
Fund 507 - 142.81	(1,194)
Fund 508 - 143.81	(2,090)
Fund 510 - 144.81	(6,864)
Fund 511 - 146.81	2,291
Fund 512 - 145.81	(2,899)
Fund 513 - 141.81	1,105
Fund 515 - 161.81	(22,336)
Fund 516 - 163.81	2,668
Fund 517 - 164.81	(2,750)
Fund 518 - 174.81	(3,544)
Fund 519 - 171.81	6,892
Fund 520 - 172.81	939
Fund 521 - 173.81	4,539
Fund 522 - 092.81	(1,822)
Fund 523 - 094.81	(7,065)
Fund 524 - 095.81	3,553
Fund 525 - 071.81	(1,924)
Fund 526 - 162.81	(1,575)
Fund 527 - 230.81	559
Special Assessment Deficiency	180,966
Total Debt Service Fund	\$ (676,866)

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

NOTE 9 RISK MANAGEMENT

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

In 1986, 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 pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and for automobile, and \$1,762,299 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 \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

CITY OF WASHBURN

Notes to the Financial Statements - Continued

NOTE 10 COMMITMENTS

The City had open construction commitments as of December 31, 2023 as follows:

Project	Original Contract	Change Orders	Total Contract with Change Orders	Total Completed	Retainage	Remaining Balance includes Retainages	% Complete
2023 Street Improvements	1,901,643	2,190	1,903,833	1,862,780	98,041	139,095	97.84%
Total	\$ 1,901,643	\$ 2,190	\$ 1,903,833	\$ 1,862,780	\$ 98,041	\$ 139,095	97.84%

CITY OF WASHBURN

Budgetary Comparison Schedule - General Fund

December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ -	\$ -	\$ 330,862	\$ 330,862
Licenses, Permits and Fees	29,250	29,250	19,843	(9,407)
Intergovernmental	358,500	358,500	555,383	196,883
Fines, Forfeitures and Penalties	-	-	5,354	5,354
Interest	-	-	3,782	3,782
Miscellaneous	30,200	30,200	30,142	(58)
Total Revenues	\$ 417,950	\$ 417,950	\$ 945,366	\$ 527,416
EXPENDITURES				
Current				
General Government	\$ 526,333	\$ 526,333	\$ 443,595	\$ 82,738
Public Safety	223,406	223,406	212,506	10,900
Public Works	40,000	40,000	1,420	38,580
Culture & Recreation	28,000	28,000	147,328	(119,328)
Capital Outlay	-	-	100,043	(100,043)
Total Expenditures	\$ 817,739	\$ 817,739	\$ 904,892	\$ (87,153)
Excess (Deficiency) of Revenues Over Expenditures	\$ (399,789)	\$ (399,789)	\$ 40,474	\$ 440,263
Fund Balances - January 1	\$ 832,388	\$ 832,388	\$ 832,388	\$ -
Fund Balances - December 31	<u>\$ 422,599</u>	<u>\$ 422,599</u>	<u>\$ 872,862</u>	<u>\$ 450,263</u>

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

CITY OF WASHBURN

Budgetary Comparison Schedule - Special Revenue Fund
 December 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Sales Tax	\$ 300,000	\$ 300,000	\$ 364,963	\$ 64,963
Intergovernmental	111,200	111,200	145,135	33,935
Interest Income	1,200	1,200	8,063	6,863
Miscellaneous	-	-	99,998	99,998
Total Revenues	\$ 412,400	\$ 412,400	\$ 618,159	\$ 205,759
EXPENDITURES				
Current				
General Government	\$ 6,000	\$ 6,000	\$ 10,031	\$ (4,031)
Public Works	125,540	125,540	229,880	(104,340)
Debt Service:				
Principal	-	-	32,069	(32,069)
interest	-	-	3,109	(3,109)
Total Expenditures	\$ 131,540	\$ 131,540	\$ 275,089	\$ (143,549)
Excess (Deficiency) of Revenues Over Expenditures	\$ 280,860	\$ 280,860	\$ 343,070	\$ 62,210
Net Change in Fund Balances	\$ 280,860	\$ 280,860	\$ 343,070	\$ 62,210
Fund Balances - January 1	\$ 1,806,115	\$ 1,806,115	\$ 1,806,115	\$ -
Fund Balances - December 31	<u>\$ 2,086,975</u>	<u>\$ 2,086,975</u>	<u>\$ 2,149,185</u>	<u>\$ 62,210</u>

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

CITY OF WASHBURN

Budgetary Comparison Schedule - General Fund

December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ -	\$ -	\$ 262,366	\$ 262,366
Licenses, Permits and Fees	27,300	27,300	28,316	1,016
Intergovernmental	292,000	292,000	483,232	191,232
Fines, Forfeitures and Penalties	5,000	5,000	6,213	1,213
Interest	600	600	662	62
Miscellaneous	38,800	38,800	31,717	(7,083)
Total Revenues	\$ 363,700	\$ 363,700	\$ 812,506	\$ 448,806
EXPENDITURES				
Current				
General Government	\$ 434,114	\$ 434,114	\$ 321,247	\$ 112,867
Public Safety	209,115	209,115	199,350	9,765.00
Public Works	40,000	40,000	69,500	(29,500)
Culture & Recreation	28,000	28,000	23,133	4,867.00
Total Expenditures	\$ 711,229	\$ 711,229	\$ 613,230	\$ 97,999
Excess (Deficiency) of Revenues Over Expenditures	\$ (347,529)	\$ (347,529)	\$ 199,276	\$ 546,805
Fund Balances - January 1	\$ 671,380	\$ 671,380	\$ 671,380	\$ -
Fund Balances - December 31	\$ 323,851	\$ 323,851	\$ 832,388	\$ 508,537

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

CITY OF WASHBURNBudgetary Comparison Schedule - Special Revenue Fund
December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Sales Tax	\$ 240,000	\$ 240,000	\$ 386,514	\$ 146,514
Intergovernmental	107,000	107,000	107,142	142
Interest Income	1,770	1,770	1,215	(555)
Miscellaneous	1,200	1,200	-	(1,200)
Total Revenues	\$ 349,970	\$ 349,970	\$ 494,871	\$ 144,901
EXPENDITURES				
Current				
General Government	\$ -	\$ -	\$ -	\$ -
Public Works	106,813	106,813	256,120	(149,307)
Debt Service:				
Principal	-	-	31,095	(31,095)
interest	-	-	4,083	(4,083)
Total Expenditures	\$ 106,813	\$ 106,813	\$ 291,298	\$ (184,485)
Excess (Deficiency) of Revenues Over Expenditures	\$ 243,157	\$ 243,157	\$ 203,573	\$ (39,584)
Fund Balances - January 1	\$ 1,613,502	\$ 1,613,502	\$ 1,613,502	\$ -
Fund Balances - December 31	\$ 1,856,659	\$ 1,856,659	\$ 1,806,115	\$ (50,544)

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

CITY OF WASHBURN

Notes to the Required Supplementary Information
For the Years Ended December 31, 2023 and 2022

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting, 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 September tenth, 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 (NDCC 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 (NDCC 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 7th 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 (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, 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 (NDCC 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 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 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 of the members of the governing body (NDCC 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. The 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 (NDCC 40-40-21).

CITY OF WASHBURN

Notes to the Required Supplementary Information - Continued

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal years 2023 and 2022, City of Washburn had the following fund expenditures in excess of budgeted amounts:

2023 Major Fund	Expenditures		
	Budget	Actual	Overspent
General Fund	\$ 817,739	\$ 904,892	\$ (87,153)
Special Revenue Funds	131,540	275,089	(143,549)

2022 Major Fund	Expenditures		
	Budget	Actual	Overspent
General Fund	\$ 711,229	\$ 613,230	\$ 97,999
Special Revenue Funds	106,813	291,298	(184,485)

CITY OF WASHBURN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

ALN Number	Program Title	Pass-Through Grantor's Number	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the Federal Aviation Administration			
20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs*	N/A	<u>\$ 776,816</u>
Total U.S. Department of Transportation			<u>\$ 776,816</u>
Total Expenditures of Federal Awards			<u>\$ 776,816</u>

*Note: The Washburn Airport Authority is a discretely presented component unit of the City of Washburn

See notes to the Schedule of Expenditures of Federal Awards

CITY OF WASHBURN

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Washburn under programs of the federal government for the years ended December 31, 2022. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City of Washburn, it is not intended to and does not present the financial position or changes in net position of the Airport. Expenditures represent only the federally funded portions of the program. City of Washburn records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for the City of Washburn's federal grant activity. The City of Washburn's summary of significant accounting policies is presented in Note 1 in the City of Washburn's basic financial statements.

NOTE 3 PASS-THROUGH GRANT NUMBER

For federal programs marked "N/A", the City was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The Airport does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate

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

Independent Auditor's Report

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, and each major fund City of Washburn as of and for the years ended December 31, 2023 and 2022, 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 March 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Washburn's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 2023-001, 2023-002, 2023-003, and 2023-004 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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Washburn's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
March 18, 2025

STATE AUDITOR
Joshua C. Gallion



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of City Commissioners
City of Washburn
Washburn, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Washburn's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Washburn's major federal programs for the year ended December 31, 2022. City of Washburn's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Washburn complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Washburn and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Washburn's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Washburn's federal programs.

CITY OF WASHBURN

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Washburn's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Washburn's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 City of Washburn's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Washburn's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Washburn's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 18, 2025

CITY OF WASHBURN

Summary of Auditor’s Results

For the Years Ended December 31, 2023 and 2022

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified

Internal control over financial reporting

Material weaknesses identified? X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses? Yes X None Noted

Noncompliance material to financial statements noted? Yes X None Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? Yes X None noted

Reportable conditions identified not considered to be material weaknesses? Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? Yes X None noted

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF WASHBURN

Schedule of Audit Findings and Questioned Costs
For the Years Ended December 31, 2023 and 2022

SECTION I – FINANCIAL STATEMENT FINDINGS

2023-001 – 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 receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

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.

Cause

Management has chosen to allocate its economic resources to other functions of the component units.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

Repeat Finding

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we 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

See Corrective Action Plan

2023- 002 – SPECIAL ASSESSMENT REPORTING – MATERIAL WEAKNESS

Condition

The City of Washburn’s special assessment funds have been steadily decreasing in the past few years. Starting in 2022, the City created separate special assessment funds for each special, although they did not set up beginning balances for those funds. Additionally, as citizens pay off their specials it is going into Debt Service Fund 500 instead of the respective special assessment funds. As of the end of 2022, the overall special assessment funds report a cumulative negative balance of \$855,129.92. As of the end of 2023, the funds report a cumulative negative balance of \$894,826.12.

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.

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.

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.

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

See Corrective Action Plan

2023- 003 – MATERIAL AUDIT ADJUSTMENTS – CITY AND COMPONENT UNIT – MATERIAL WEAKNESS

Condition

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

Effect

There is an increased risk of material misstatement to the City of Washburn's financial statements.

Cause

The City of Washburn may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

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

Repeat Finding

Yes.

Recommendation

We recommend the City of Washburn review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

City of Washburn's Response

See Corrective Action Plan

2023- 004 – SPECIAL ASSESSMENT REPORTING – MATERIAL WEAKNESS

Condition

The City of Washburn is manually tracking special assessment balances of each parcel in excel causing some parcels to not get updated if specials are paid off. Due to this, audit adjustments were needed in the amount of \$46,600 for 2023 and \$24,272 for 2022. In addition, in 2022, a prior period adjustment was necessary in the amount of \$71,902 for the early payoffs.

Effect

The special assessment receivable amount may have been materiality misstated without audit adjustments.

Cause

The City of Washburn may not have policies and procedures in place to ensure special assessments receivable are complete and accurate.

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 maintaining special assessment balances, management is responsible for adequate internal controls to ensure special assessment districts have the appropriate balances.

Repeat Finding

No.

Recommendation

We recommend the City of Washburn establish policies and procedures to ensure proper tracking of the City's special assessment receivable balances. We further recommend the City look into software capabilities to assist with the tracking and updating of special assessments.

City of Washburn's Response

See Corrective Action Plan.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



City of Washburn
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Date: March 12, 2025
To: Joshua C. Gallion, ND State Auditor
From: Chelsey Brandt, City Auditor
RE: City of Washburn – FY2023-2022 Management's Response

Contact Person Responsible for Corrective Acton Plan: Chelsey Brandt, City Auditor

Section I – Financial Statement Findings:

2023-001 – 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 receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Management'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.

Anticipated Completion Date:

FY 2025

2023- 002 – SPECIAL ASSESSMENT REPORTING – MATERIAL WEAKNESS

Condition:

The City of Washburn's special assessment funds have been steadily decreasing in the past few years. Starting in 2022, the City created separate special assessment funds for each special, although they did not set up beginning balances for those funds. Additionally, as citizens pay off their specials it is going into Debt Service Fund 500 instead of the respective special assessment funds. As of the end of 2022, the overall special assessment funds report a cumulative negative balance of \$855,129.92. As of the end of 2023, the funds report a cumulative negative balance of \$894,826.12.

Management's Response:

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

Anticipated Completion Date:

FY 2025

CITY OF WASHBURN

Management’s Corrective Action Plan
For the Years Ended December 31, 2023 and 2022

2023- 003 – MATERIAL AUDIT ADJUSTMENTS – CITY AND COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

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

Management’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.

Anticipated Completion Date:

FY 2025

2023- 004 – SPECIAL ASSESSMENT REPORTING – MATERIAL WEAKNESS

Condition:

The City of Washburn is manually tracking special assessment balances of each parcel in excel causing some parcels to not get updated if specials are paid off. Due to this, audit adjustments were needed in the amount of \$46,600 for 2023 and \$24,272 for 2022. In addition, in 2022, a prior period adjustment was necessary in the amount of \$71,902 for the early payoffs.

Management’s Response:

We Agree.

Anticipated Completion Date:

FY 2025



City of Washburn
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Date: March 12, 2025
To: Joshua C. Gallion, ND State Auditor
From: Chelsey Brandt, City Auditor
RE: City of Washburn – 2021 Schedule of Prior Year Findings

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.

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.

Current Status:

The City of Washburn is a small community. There is not enough work to hire another person in this office. We do the best we can with the two of us in here.

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.

Recommendation:

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

Current Status:

We are looking at ways to fix these and why they are negative balances.

CITY OF WASHBURN

Status of Prior Year Recommendations
For the Years Ended December 31, 2023 and 2022

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.

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.

Current Status:

The City of Washburn has since started doing this.

2021-004 – ADJUSTING JOURNAL ENTRIES – 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.

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.

Current Status:

We will work more diligently to ensure these mistakes aren't made.



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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