

AUDIT REPORT

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

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For the Years Ended December 31, 2019 and 2018

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HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

LIST OF OFFICIALS

Al Mautz	Commission President
Darren Mund	Commission Vice President
Derek Czywczyński	Commissioner
Bret Johnsrud	Commissioner
Dan Nelson	Commissioner
Dan Frei	Park Board Director
Monte Erhardt	Clerk

Rath & Mehrer, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Hazen Parks and Recreation Commission
Hazen, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hazen Parks and Recreation Commission, Hazen, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hazen Parks and Recreation Commission, Hazen, North Dakota, as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the commission's basic financial statements. The budgeting comparison information and schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The budgeting comparison information and schedules of fund activity arising from cash transactions were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 budgeting comparison information and schedules of fund activity arising from cash transactions are 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 20, 2020 on our consideration of the commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the commission's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

March 20, 2020

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	537,258.18
Capital Assets (net of accumulated depreciation):	
Land	168,880.00
Buildings and Infrastructure	1,541,282.00
Machinery and Vehicles	101,329.00
Total Capital Assets	1,811,491.00
 Total Assets	 2,348,749.18
<u>LIABILITIES:</u>	
Long-Term Liabilities:	
Due Within One Year:	
Bank Loans Payable	156,185.11
Due After One Year:	
Bank Loans Payable	584,747.84
Compensated Absences Payable	16,802.00
Total Liabilities	757,734.95
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,070,558.05
Restricted for:	
Special Purposes	316,495.69
Unrestricted	203,960.49
Total Net Position	1,591,014.23

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2018

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	519,234.24
Capital Assets (net of accumulated depreciation):	
Land	168,880.00
Buildings and Infrastructure	1,591,828.00
Machinery	117,356.00
Total Capital Assets	1,878,064.00
 Total Assets	 2,397,298.24
<u>LIABILITIES:</u>	
Long-Term Liabilities:	
Due Within One Year:	
Bank Loans Payable	168,375.10
Due After One Year:	
Bank Loans Payable	740,932.95
Compensated Absences Payable	15,704.00
Total Liabilities	925,012.05
<u>NET POSITION:</u>	
Net Investment in Capital Assets	968,755.95
Restricted for:	
Special Purposes	261,068.75
Unrestricted	242,461.49
Total Net Position	1,472,286.19

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>			
General Government	167,261.48	40,000.00	(127,261.48)
Culture and Recreation	459,232.83	276,750.93	(141,416.56)
Other	4,095.05		(4,095.05)
Interest on Long-Term Debt	28,230.22		(28,230.22)
<hr/>			
Total Governmental Activities	658,819.58	276,750.93	(301,003.31)
<hr style="border-top: 1px dashed black;"/>			
<u>General Revenues:</u>			
<u>Taxes:</u>			
Property taxes; levied for general purposes			140,412.09
Property taxes; levied for special purposes			36,197.57
Sales taxes			122,888.70
State aid - not restricted to specific program			37,328.19
Earnings on investments and other revenue			82,904.80
Total General Revenues			419,731.35
Change in Net Position			118,728.04
Net Position - January 1			1,472,286.19
Net Position - December 31			1,591,014.23
<hr style="border-top: 1px dashed black;"/>			

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>			
General Government	162,260.09	40,000.00	(122,260.09)
Culture and Recreation	507,863.34	276,071.52	(222,208.89)
Other	4,194.74		(4,194.74)
Interest on Long-Term Debt	31,186.86		(31,186.86)
<hr/>			
Total Governmental Activities	705,505.03	276,071.52	(379,850.58)
<hr style="border-top: 1px dashed black;"/>			
<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			132,752.13
Property taxes; levied for special purposes			37,348.82
Sales taxes			67,874.88
State aid - not restricted to specific program			33,613.72
Earnings on investments and other revenue			59,686.16
Total General Revenues			331,275.71
Change in Net Position			(48,574.87)
Net Position - January 1			1,520,861.06
Net Position - December 31			1,472,286.19

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds				Other	Total
	General	Improvements	Public Relations	Hazen Bay	Governmental Funds	Governmental Funds
ASSETS:						
Cash and Investments	220,762.49	146,251.04	61,208.98	108,402.84	632.83	537,258.18
=====						
FUND BALANCES						
Restricted for:						
General Government					632.83	632.83
Improvements		146,251.04				146,251.04
Public Relations			61,208.98			61,208.98
Hazen Bay				108,402.84		108,402.84
Unassigned	220,762.49					220,762.49
=====						
Total Fund Balances	220,762.49	146,251.04	61,208.98	108,402.84	632.83	537,258.18
=====						

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2018

	Major Funds					
	General	Improvements	Public Relations	Hazen Bay	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>						
Cash and Investments	258,165.49	130,773.24	45,823.63	84,128.63	343.25	519,234.24
<u>FUND BALANCES</u>						
Restricted for:						
General Government					343.25	343.25
Improvements		130,773.24				130,773.24
Public Relations			45,823.63			45,823.63
Hazen Bay				84,128.63		84,128.63
Unassigned	258,165.49					258,165.49
Total Fund Balances	258,165.49	130,773.24	45,823.63	84,128.63	343.25	519,234.24

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		537,258.18
<p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,499,222.00	
Less Accumulated Depreciation	(687,731.00)	
Net Capital Assets	1,811,491.00	1,811,491.00
<p>Long-term liabilities applicable to the commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:</p>		
Bank Loans Payable	(740,932.95)	
Compensated Absences Payable	(16,802.00)	
Total Long-Term Liabilities	(757,734.95)	(757,734.95)
Total Net Position of Governmental Activities		1,591,014.23

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds		519,234.24
<p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,492,497.00	
Less Accumulated Depreciation	(614,433.00)	
Net Capital Assets		1,878,064.00
<p>Long-term liabilities applicable to the commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:</p>		
Bank Loans Payable	(909,308.05)	
Compensated Absences Payable	(15,704.00)	
Total Long-Term Liabilities		(925,012.05)
Total Net Position of Governmental Activities		1,472,286.19

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

Major Funds

	General	Improvements	Public Relations	Hazen Bay	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	263,300.79	31,812.94			4,384.63	299,498.36
Participation and User Fees	106,389.52		20,748.99	149,612.42		276,750.93
Intergovernmental	77,328.19			41,065.34		118,393.53
Miscellaneous	64,463.21		14,963.13	3,478.46		82,904.80
Total Revenues	511,481.71	31,812.94	35,712.12	194,156.22	4,384.63	777,547.62
Expenditures:						
Current:						
General Government	166,163.48					166,163.48
Culture and Recreation	200,222.83	16,335.14	20,326.77	149,050.09		385,934.83
Other					4,095.05	4,095.05
Capital Outlay	6,725.00					6,725.00
Debt Service:						
Principal	150,894.57			17,480.53		168,375.10
Interest	24,878.83			3,351.39		28,230.22
Total Expenditures	548,884.71	16,335.14	20,326.77	169,882.01	4,095.05	759,523.68
Net Change in Fund Balances	(37,403.00)	15,477.80	15,385.35	24,274.21	289.58	18,023.94
Fund Balance - January 1	258,165.49	130,773.24	45,823.63	84,128.63	343.25	519,234.24
Fund Balance - December 31	220,762.49	146,251.04	61,208.98	108,402.84	632.83	537,258.18

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	Major Funds					Total Governmental Funds
	General	Improvements	Public Relations	Hazen Bay	Other Governmental Funds	
Revenues:						
Taxes	200,627.01	33,641.50			3,707.32	237,975.83
Participation and User Fees	113,851.13		6,643.03	155,577.36		276,071.52
Intergovernmental	73,613.72			9,582.93		83,196.65
Miscellaneous	54,790.12		120.37	4,775.67		59,686.16
Total Revenues	442,881.98	33,641.50	6,763.40	169,935.96	3,707.32	656,930.16
Expenditures:						
Current:						
General Government	160,065.09					160,065.09
Culture and Recreation	221,106.34	16,053.52	8,304.67	187,962.81		433,427.34
Other					4,194.74	4,194.74
Capital Outlay	29,820.00					29,820.00
Debt Service:						
Principal	147,265.45			22,586.72		169,852.17
Interest	27,011.03			4,175.83		31,186.86
Total Expenditures	585,267.91	16,053.52	8,304.67	214,725.36	4,194.74	828,546.20
Excess (Deficiency) of Revenues Over Expenditures	(142,385.93)	17,587.98	(1,541.27)	(44,789.40)	(487.42)	(171,616.04)
Other Financing Sources:						
Proceeds from Loan	20,820.00					20,820.00
Net Change in Fund Balances	(121,565.93)	17,587.98	(1,541.27)	(44,789.40)	(487.42)	(150,796.04)
Fund Balance - January 1	379,731.42	113,185.26	47,364.90	128,918.03	830.67	670,030.28
Fund Balance - December 31	258,165.49	130,773.24	45,823.63	84,128.63	343.25	519,234.24

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	18,023.94
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	6,725.00	
Current Year Depreciation Expense	(73,298.00)	(66,573.00)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the 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. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	0.00	
Repayment of Debt	168,375.10	168,375.10

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 Increase in Compensated Absences		(1,098.00)

Change in Net Position of Governmental Activities	118,728.04
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The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds (150,796.04)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	29,820.00	
Current Year Depreciation Expense	(74,436.00)	(44,616.00)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the 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. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	(20,820.00)	
Repayment of Debt	169,852.17	149,032.17

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 Increase in Compensated Absences		(2,195.00)

Change in Net Position of Governmental Activities		(48,574.87)

The accompanying notes are an integral part of these financial statements.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the commission have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the commission. The commission has considered all potential component units for which the commission is financially accountable and other organizations for which the nature and significance of their relationships with the commission are such that exclusion would cause the commission's financial statements to be misleading or incomplete. The Government 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 commission 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 commission.

Based on these criteria, there are no component units to be included within the Hazen Parks and Recreation Commission as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the Hazen Parks and Recreation Commission. 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 nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the commission'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, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the commission's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The commission reports the following major governmental funds:

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

Improvements. This fund accounts for a special levy used for various improvements and upkeep of park property.

Public Relations. This fund is used to accumulate donations and other revenues to help fund the summer baseball and softball programs.

Hazen Bay. This fund accounts for the daily operations of the Hazen Bay recreation and camping site.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

In the fund financial statements all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the parks and recreation commission utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	40 to 50 years
Machinery	5 to 10 years

F. Compensated Absences

Vested or accumulated vacation leave and vested sick leave are reported in the government-wide statement of net position. Compensation for unused vacation leave and 25% of vested sick leave will be granted to all full-time employees upon termination of employment with the parks and recreation commission.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

G. 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. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Equity

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

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

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

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

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

Assigned - Fund balances are reported as assigned when amounts are constrained by the commission's intent to be used for specific purposes, but are neither restricted nor committed.

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

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the commission's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the commission's policy to use fund balance in the following order:

- * Committed
- * Assigned
- * Unassigned

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

I. 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.

J. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the commission requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2019 the commission's carrying amount of deposits was \$537,258 and the bank balance was \$537,048. Of the bank balance, \$292,841 was covered by Federal Depository Insurance. The remaining balance of \$244,207 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the commission's carrying amount of deposits was \$519,234 and the bank balance was \$519,404. Of the bank balance, \$292,735 was covered by Federal Depository Insurance. The remaining balance of \$226,669 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2019 the commission held certificates of deposit in the amount of \$82,084, which are all considered deposits.

At December 31, 2018 the commission held certificates of deposit in the amount of \$81,772, which are all considered deposits.

Concentration of Credit Risk

The commission does not have a limit on the amount the commission may invest in any one issuer.

Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	168,880			168,880
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,046,840			2,046,840
Machinery	276,777	6,725		283,502
Total	<u>2,323,617</u>	<u>6,725</u>		<u>2,330,342</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	455,012	50,546		505,558
Machinery	159,421	22,752		182,173
Total	<u>614,433</u>	<u>73,298</u>		<u>687,731</u>
Total capital assets being depreciated, net	<u>1,709,184</u>	<u>(66,573)</u>		<u>1,642,611</u>
Governmental Activities Capital Assets, Net	<u>1,878,064</u>	<u>(66,573)</u>	<u>-0-</u>	<u>1,811,491</u>

	<u>2018</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	168,880			168,880
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,046,840			2,046,840
Machinery	246,957	29,820		276,777
Total	<u>2,293,797</u>	<u>29,820</u>		<u>2,323,617</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	404,466	50,546		455,012
Machinery	135,531	23,890		159,421
Total	<u>539,997</u>	<u>74,436</u>		<u>614,433</u>
Total capital assets being depreciated, net	<u>1,753,800</u>	<u>(44,616)</u>		<u>1,709,184</u>
Governmental Activities Capital Assets, Net	<u>1,922,680</u>	<u>(44,616)</u>	<u>-0-</u>	<u>1,878,064</u>

Depreciation expense was charged to functions/programs of the commission as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
Culture and Recreation	73,298	74,436
	=====	=====

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2019</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Loans Payable	909,308		168,375	740,933	156,185
Compensated Absences *	15,704	1,098		16,802	
Total	<u>925,012</u>	<u>1,098</u>	<u>168,375</u>	<u>757,735</u>	<u>156,185</u>
	=====	=====	=====	=====	=====

	<u>2018</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Lease Payable	5,660		5,660		
Bank Loans Payable	1,052,680	20,820	164,192	909,308	168,375
Compensated Absences *	13,509	2,195		15,704	
Total	<u>1,071,849</u>	<u>23,015</u>	<u>169,852</u>	<u>925,012</u>	<u>168,375</u>
	=====	=====	=====	=====	=====

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Outstanding debt at December 31, 2019 consists of the following:

Bank Loans Payable. The commission has entered into loan agreements to provide funds for the purpose of purchasing cabins/concession, a 2017 Bobcat skidsteer, construction of the park's pool and a RV park. Bank loans payable at December 31, 2019 are as follows:

\$177,235.19 Loan Payable with Union State Bank, due in annual installments of \$20,831.92 through October 1, 2023; interest is 3.5%.	76,446.99
\$20,820.00 Loan Payable with Union State Bank, due in annual installments of \$4,490.76 through October 22, 2019 and a final installment of \$1,496.92 on April 15, 2023; interest is at 3%.	14,222.64
\$650,000.00 Loan Payable with Union State Bank, due in final installment of \$91,904.78 on October 22, 2020; interest is at 3.5%.	88,374.42
\$700,000.00 Loan Payable with Union State Bank, due in annual installments of \$56,907.52 through October 22, 2030; interest is at 2.5%.	539,654.57
\$36,026.12 Loan Payable with Union State Bank, due in annual installments of \$7,870.10 through April 1, 2022; interest is at 3%.	22,234.33
Total Bank Loans Payable	<u>740,932.95</u>
	=====

The annual requirements to amortize the outstanding bank loans payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	160,315.87	21,689.21
2021	74,731.59	15,368.71
2022	76,880.86	13,219.44
2023	68,153.59	11,082.77
2024	47,760.95	9,146.57
2025-2029	257,589.35	26,948.25
2030	55,500.74	1,406.78
Total	740,932.95	98,861.73
	=====	=====

Note 6 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The commission pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$2,115,780 for public assets.

The commission also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The commission 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 commission with a blanket fidelity bond coverage in the amount of \$285,456 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The commission has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 7 PENSION PLAN

The commission provides benefits for all of its full-time employees, through a defined contribution plan with Nationwide Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The commission contributes 7% of the employee's gross salary for the year. The employer contributions were \$7,507.29 and \$7,169.06 during the years ended December 31, 2019 and 2018, respectively.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	253,457.00	253,457.00	263,300.79	9,843.79
Participation and User Fees	129,900.00	129,900.00	106,389.52	(23,510.48)
Intergovernmental	79,400.00	79,400.00	77,328.19	(2,071.81)
Miscellaneous	46,864.00	46,864.00	64,463.21	17,599.21
Total Revenues	509,621.00	509,621.00	511,481.71	1,860.71
<u>Expenditures:</u>				
Current:				
General Government	168,259.00	168,259.00	166,163.48	2,095.52
Culture and Recreation	262,648.00	262,648.00	200,222.83	62,425.17
Capital Outlay	6,725.00	6,725.00	6,725.00	
Debt Service:				
Principal	150,900.00	150,900.00	150,894.57	5.43
Interest	24,879.00	24,879.00	24,878.83	0.17
Total Expenditures	613,411.00	613,411.00	548,884.71	64,526.29
Net Change in Fund Balances	(103,790.00)	(103,790.00)	(37,403.00)	66,387.00
Fund Balance - January 1	258,165.49	258,165.49	258,165.49	
Fund Balance - December 31	154,375.49	154,375.49	220,762.49	66,387.00

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	269,089.07	269,089.07	200,627.01	(68,462.06)
Participation and User Fees	247,900.00	247,900.00	113,851.13	(134,048.87)
Intergovernmental	78,000.00	78,000.00	73,613.72	(4,386.28)
Miscellaneous	35,435.00	35,435.00	54,790.12	19,355.12
Total Revenues	630,424.07	630,424.07	442,881.98	(187,542.09)
<u>Expenditures:</u>				
Current:				
General Government	168,038.00	168,038.00	160,065.09	7,972.91
Culture and Recreation	322,664.00	322,664.00	221,106.34	101,557.66
Capital Outlay	20,820.00	20,820.00	29,820.00	(9,000.00)
Debt Service:				
Principal	147,265.00	147,265.00	147,265.45	(0.45)
Interest	27,011.00	27,011.00	27,011.03	(0.03)
Total Expenditures	685,798.00	685,798.00	585,267.91	100,530.09
Excess (Deficiency) of Revenues Over Expenditures	(55,373.93)	(55,373.93)	(142,385.93)	(87,012.00)
<u>Other Financing Sources:</u>				
Proceeds from Loan	20,820.00	20,820.00	20,820.00	
Net Change in Fund Balances	(34,553.93)	(34,553.93)	(121,565.93)	(87,012.00)
Fund Balance - January 1	379,731.42	379,731.42	379,731.42	
Fund Balance - December 31	345,177.49	345,177.49	258,165.49	(87,012.00)

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Improvements Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	32,374.00	32,374.00	31,812.94	(561.06)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	45,000.00	45,000.00	16,335.14	28,664.86
Net Change in Fund Balances	(12,626.00)	(12,626.00)	15,477.80	28,103.80
Fund Balance - January 1		130,773.24	130,773.24	
Fund Balance - December 31	(12,626.00)	118,147.24	146,251.04	28,103.80

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Improvements Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,213.00	34,213.00	33,641.50	(571.50)
Intergovernmental	5,000.00	5,000.00		(5,000.00)
Total Revenues	39,213.00	39,213.00	33,641.50	(5,571.50)
<u>Expenditures:</u>				
<u>Current:</u>				
Culture and Recreation	45,000.00	45,000.00	16,053.52	28,946.48
Net Change in Fund Balances	(5,787.00)	(5,787.00)	17,587.98	23,374.98
Fund Balance - January 1	113,185.26	113,185.26	113,185.26	
Fund Balance - December 31	107,398.26	107,398.26	130,773.24	23,374.98

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Public Relations Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	3,150.00	20,748.99	20,748.99	
Miscellaneous	11,200.00	14,963.13	14,963.13	
Total Revenues	14,350.00	35,712.12	35,712.12	
<u>Expenditures:</u>				
Current:				
Culture and Recreation	22,450.00	22,450.00	20,326.77	2,123.23
Net Change in Fund Balances	(8,100.00)	13,262.12	15,385.35	2,123.23
Fund Balance - January 1	45,823.63	45,823.63	45,823.63	
Fund Balance - December 31	37,723.63	59,085.75	61,208.98	2,123.23

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Public Relations Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and Uses Fees	8,500.00	8,500.00	6,643.03	(1,856.97)
Miscellaneous	3,640.00	3,640.00	120.37	(3,519.63)
Total Revenues	12,140.00	12,140.00	6,763.40	(5,376.60)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	21,250.00	21,250.00	8,304.67	12,945.33
Net Change in Fund Balances	(9,110.00)	(9,110.00)	(1,541.27)	7,568.73
Fund Balance - January 1	47,364.90	47,364.90	47,364.90	
Fund Balance - December 31	38,254.90	38,254.90	45,823.63	7,568.73

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Hazen Bay Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	134,250.00	186,733.82	149,612.42	(37,121.40)
Intergovernmental			41,065.34	41,065.34
Miscellaneous	6,650.00	6,650.00	3,478.46	(3,171.54)
Total Revenues	140,900.00	193,383.82	194,156.22	772.40
<u>Expenditures:</u>				
Current:				
Culture and Recreation	137,770.00	153,450.01	149,050.09	4,399.92
Debt Service:				
Principal	17,481.00	17,481.00	17,480.53	0.47
Interest	3,351.00	3,351.00	3,351.39	(0.39)
Total Expenditures	158,602.00	174,282.01	169,882.01	4,400.00
Net Change in Fund Balances	(17,702.00)	19,101.81	24,274.21	5,172.40
Fund Balance - January 1	84,128.63	84,128.63	84,128.63	
Fund Balance - December 31	66,426.63	103,230.44	108,402.84	5,172.40

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Hazen Bay Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	119,000.00	164,477.99	155,577.36	(8,900.63)
Intergovernmental			9,582.93	9,582.93
Miscellaneous	5,480.00	5,480.00	4,775.67	(704.33)
Total Revenues	124,480.00	169,957.99	169,935.96	(22.03)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	105,772.00	187,962.36	187,962.81	(0.45)
Debt Service:				
Principal	22,587.00	22,587.00	22,586.72	0.28
Interest	4,176.00	4,176.00	4,175.83	0.17
Total Expenditures	132,535.00	214,725.36	214,725.36	(0.00)
Net Change in Fund Balances	(8,055.00)	(44,767.37)	(44,789.40)	(22.03)
Fund Balance - January 1	128,918.03	128,918.03	128,918.03	
Fund Balance - December 31	120,863.03	84,150.66	84,128.63	(22.03)

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

NOTES TO THE BUDGETARY COMPARISON SCHEDULES
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the commission clerk prepares the preliminary budget. The commission budget is prepared for the general and special revenue funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any receipts and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the commission's budgets for the years ending December 31, 2019 and 2018:

	<u>2019</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Estimated Revenue</u>		
<u>Special Revenue Funds</u>			
Public Relations	14,350	21,362	35,712
Hazen Bay	140,900	52,484	193,384
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Hazen Bay	158,602	15,680	174,282
	<u>2018</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Estimated Revenue</u>		
<u>Special Revenue Fund</u>			
Hazen Bay	124,480	45,478	169,958
	<u>Appropriations</u>		
<u>Special Revenue Funds</u>			
Hazen Bay	132,535	82,190	214,725
Share of Special Assess.	3,300	895	4,195

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Years Ended December 31, 2019 and 2018

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds:</u>						
General Fund	258,165.49	511,481.71			548,884.71	220,762.49
Improvements	130,773.24	31,812.94			16,335.14	146,251.04
Public Relations	45,823.63	35,712.12			20,326.77	61,208.98
Hazen Bay	84,128.63	194,156.22			169,882.01	108,402.84
Total Major Governmental Funds	518,890.99	773,162.99			755,428.63	536,625.35
<u>Non-Major Governmental Fund:</u>						
Share of Special Assessments	343.25	4,384.63			4,095.05	632.83
Total All Funds	519,234.24	777,547.62			759,523.68	537,258.18

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds:</u>						
General Fund	379,731.42	463,701.98			585,267.91	258,165.49
Improvements	113,185.26	33,641.50			16,053.52	130,773.24
Public Relations	47,364.90	6,763.40			8,304.67	45,823.63
Hazen Bay	128,918.03	169,935.96			214,725.36	84,128.63
Total Major Governmental Funds	669,199.61	674,042.84			824,351.46	518,890.99
<u>Non-Major Governmental Fund:</u>						
Share of Special Assessments	830.67	3,707.32			4,194.74	343.25
Total All Funds	670,030.28	677,750.16			828,546.20	519,234.24

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Hazen Parks and Recreation Commission
Hazen, 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, each major fund and the aggregate remaining fund information of the Hazen Parks and Recreation Commission, Hazen, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the commission's basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the commission'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the commission'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. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Commission's Response to Findings

The commission's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The commission's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 20, 2020

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
* Significant deficiency(ies) identified?	_____ <u>X</u> Yes	_____ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ <u>X</u> No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2019-001 Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The commission has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The commission does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The commission is aware of the condition and segregates duties whenever possible.

2. 2019-002 Financial Statement Preparation

Criteria: A good system of internal controls requires the commission to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the commission must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The commission's financial statements, including the accompanying note disclosures, are prepared by the commission's external auditors.

Cause: The commission feels it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

Views of Responsible Officials: The commission will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

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Governing Board
Hazen Parks and Recreation Commission
Hazen, North Dakota

Our audits of the financial records of the Hazen Parks and Recreation Commission, Hazen, North Dakota, for the years ended December 31, 2019 and 2018 has disclosed opportunities for improvements in the operations of the parks and recreation commission. Items which we believe should be brought to your attention are set forth below:

* * * * *

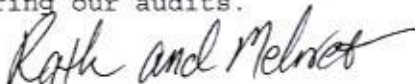
Deposits

During the course of our audit, it came to our attention that park personnel were not turning in cash and checks to the City of Hazen's office staff on a timely basis. The city's staff is responsible for writing receipts and depositing the funds. It was noted that pool receipts were only being turned over every few weeks during the summer season. Due to the limited personnel involved in collecting receipts and that some patrons pay with cash, the risk of misappropriation of funds increases. The parks and recreation commission should incorporate additional controls to offset these risks. This would start with the commission having a policy that all moneys collected from camp grounds and the pool be turned over, at the minimum, once a week. A second control that should be incorporated is that the pool keeps a set amount of cash on hand in the cash drawer and reconciles the cash drawer back to this original amount after each deposit. Currently, the pool is providing a deposit sheet showing revenue type, quantity, rate and total by revenue type to the city's business office. The business office writes a receipt based on this amount. The reconciliation would be that the total amount shown as the deposit on the deposit report would bring the cash drawer back to the original set amount of cash on hand. We would recommend that the Hazen Parks and Recreation Commission incorporate these additional procedures to provide better controls over cash and checks collected and turned over to the city's business office for deposit.

* * * * *

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the parks and recreation commission, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the parks and recreation commission during our audits.



Rath and Mehrer, P.C.

March 20, 2020