

AUDIT REPORT

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

For the Years Ended December 31, 2017 and 2016

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, 2017 and 2016

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HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

LIST OF OFFICIALS

Allan Mautz	Commission President
Tim Johnson	Commission Vice President
Gary Emler	Commissioner
Darren Mund	Commissioner
Dan Nelson	Commissioner
Dan Frei	Park 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, 2017 and 2016, 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, 2017 and 2016, 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 management's discussion and analysis, 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 management's discussion and analysis, 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 management's discussion and analysis, 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 9, 2018 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 9, 2018

HAZEN PARKS AND RECREATION COMMISSION

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the Hazen Parks and Recreation Commission's financial performance provides an overall review of the commission's financial activities for the fiscal years ended December 31, 2017 and 2016. The intent of the MD&A is to look at the commission's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Net position of the commission increased \$293,276 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$1,520,861.
- * Total revenues from all sources were \$936,802.
- * Total expenses were \$643,526.
- * The commission's general fund had \$727,543 in total revenues and \$612,071 in total expenditures. Overall, the general fund balance increased by \$115,472 for the year ended December 31, 2017.

Key financial highlights for the year ended December 31, 2016 are as follows:

- * Net position of the commission increased \$236,969 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$1,227,585.
- * Total revenues from all sources were \$967,905.
- * Total expenses were \$730,937.
- * The commission's general fund had \$749,385 in total revenues and \$649,900 in total expenditures. There was a total of \$17,049 received from other financing sources. Overall, the general fund balance increased by \$116,534 for the year ended December 31, 2016.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the parks and recreation commission as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole parks and recreation commission, presenting both an aggregate view of the commission's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the commission's general fund, improvements fund, public relations fund and Hazen Bay fund with all other governmental funds presented in total in one column.

REPORTING ON THE PARKS AND RECREATION COMMISSION AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the commission to provide programs and activities and attempt to answer the question "How did the commission do financially during the years ended December 31, 2017 and 2016?"

The Statement of Net Position presents information on all the commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the commission is improving or deteriorating.

The Statement of Activities presents information on how the commission's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of payments made on long-term debt issues.

These two statements report the commission's net position and changes in that position. This change in net position is important because it tells the reader whether, for the commission as a whole, the financial position of the commission has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the commission reports governmental activities. Governmental activities are the activities where most of the commission's programs and services are reported including, but not limited to, general government, culture and recreation and debt service.

REPORTING ON THE PARKS AND RECREATION COMMISSION'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The commission uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the commission to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the commission's major funds. Using the criteria established by GASB Statement No. 34, the commission's general fund, improvements fund, public relations fund and Hazen Bay fund are considered "major funds".

The commission's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE PARKS AND RECREATION COMMISSION AS A WHOLE

Table I provides a summary of the commission's net position as of December 31, 2017 and 2016. A comparative analysis of commission-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the commission's net position increased by \$293,276 and by \$236,969 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the commission's financial position.

The commission's net position of \$1,520,861 and \$1,227,585 for the years ended December 31, 2017 and 2016, respectively, are segregated into three separate categories. Net investment in capital assets represents 57% of the commission's total net position for the year ended December 31, 2017. As of December 31, 2016, net investment in capital assets represented 62% of the commission's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 19% of the commission's net position for the year ended December 31, 2017. As of December 31, 2016, the restricted component of net position assets represented 18% of the commission's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 24% of the commission's net position for the year ended December 31, 2017. For the year ended December 31, 2016, the remaining unrestricted component of net position represents 20% of the commission's net position. The unrestricted component of net position is available to meet the commission's ongoing obligations.

Table I
 Net Position
 As of December 31, 2017 and 2016
 (With comparative totals for December 31, 2015)

	2017	2016	2015
Assets			
Current Assets	670,030	484,374	350,266
Capital Assets (net of accumulated depreciation)	1,922,680	1,947,342	1,971,164
Total Assets	2,592,710	2,431,716	2,321,430
Liabilities			
Current Liabilities	118,673	169,417	117,181
Long-Term Liabilities	953,176	1,034,714	1,213,633
Total Liabilities	1,071,849	1,204,131	1,330,814
Net Position			
Net Investment in Capital Assets	864,339	755,611	652,587
Restricted	290,299	220,114	202,540
Unrestricted	366,222	251,860	135,489
Total Net Position	1,520,861	1,227,585	990,616

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. A comparative analysis of district-wide data is presented for both current years and prior year.

Table II
 Changes in Net Position
 As of December 31, 2017 and 2016
 (With comparative totals for December 31, 2015)

	2017	2016	2015
Revenues			
Program Revenues:			
Charges for Services	457,866	512,728	339,539
Operating Grants and Contributions	33,500	46,500	60,490
General Revenues:			
Property Taxes	173,445	148,066	146,791
Other Taxes	169,387	134,501	148,655
State Aid - Unrestricted	31,323	34,996	51,699
Interest Earnings and Other Revenue	71,282	91,115	32,171
Total Revenues	936,802	967,905	779,344
Expenses			
General Government	154,073	163,085	169,052
Culture and Recreation	451,593	524,366	451,665
Other	2,419	2,950	1,235
Interest on Long-Term Debt	35,441	40,536	25,281
Total Expenses	643,526	730,937	647,235
Net Change in Position	293,276	236,969	132,109

Property taxes constituted 19%, unrestricted state aid 3%, operating grants and contributions 4% and charges for services made up 49% of the total revenues of governmental activities of the parks and recreation commission for the fiscal year ended December 31, 2017.

General government constituted 24% and culture and recreation 70% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

Property taxes constituted 15%, unrestricted state aid 4%, operating grants and contributions 5% and charges for services made up 53% of the total revenues of governmental activities of the parks and recreation commission for the fiscal year ended December 31, 2016.

General government constituted 22% and culture and recreation 72% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

Table III

Total and Net Cost of Services
As of December 31, 2017

	Total Cost Year Ended December 31, 2017	Net Cost Year Ended December 31, 2017
General Government	154,073	124,073
Culture and Recreation	451,593	(9,773)
Other	2,419	2,419
Interest on Long-Term Debt	35,441	35,441
Total Expenses	643,526	152,160

Total and Net Cost of Services
As of December 31, 2016

	Total Cost Year Ended December 31, 2016	Net Cost Year Ended December 31, 2016
General Government	163,085	133,085
Culture and Recreation	524,366	(4,862)
Other	2,950	2,950
Interest on Long-Term Debt	40,536	40,536
Total Expenses	730,937	171,709

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the commission's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the commission's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The commission's governmental funds had total revenue of \$936,802 and expenditures of \$787,172 for the year ended December 31, 2017. For the year ended December 31, 2016, the commission's governmental funds had total revenue of \$967,905 and expenditures of \$875,164. As of December 31, 2017 and 2016, the unassigned fund balance of the commission's general fund was \$379,731 and \$264,260, respectively.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2017 and 2016, the commission amended the general fund budgets. For the year ended December 31, 2017, the gross effect of the amendments was to increase estimated revenues by \$104,871. For the year ended December 31, 2016, the gross effect of the amendments was to increase estimated revenues by \$134,218 and appropriations by \$36,252.

Actual revenue for the year ended December 31, 2017 was \$9,980 more than budgeted. Actual expenditures for the year ended December 31, 2017 were under budget by \$27,760.

Actual revenue for the year ended December 31, 2016 was \$16,529 more than budgeted. Actual expenditures for the year ended December 31, 2016 were over budget by \$21,741.

CAPITAL ASSETS

As of June 30, 2017 and 2016, the commission had \$1,922,680 and \$1,947,342, respectively, invested in capital assets. Table IV shows the balances as of June 30, 2017, 2016 and 2015.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2017 and 2016
(With comparative totals for December 31, 2015)

	2017	2016	2015
Land	168,880	168,880	168,880
Construction in Progress			686,737
Buildings and Infrastructure	1,642,374	1,692,920	1,043,466
Machinery and Vehicles	111,426	85,542	72,081
Total (net of depreciation)	1,922,680	1,947,342	1,971,164

The December 31, 2017 total represents a decrease of \$24,662 in capital assets from January 1, 2017. The increase in machinery and vehicles is due to the purchase of a Bobcat skidsteer. The December 31, 2016 total represents a decrease of \$23,822 in capital assets from January 1, 2016. The decrease in construction in progress and increase in buildings and infrastructure is due to the completion of a RV park. The increase in machinery and vehicles is due to the purchase of a John Deere mower and gator. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2017, the commission had \$1,071,849 in outstanding debt of which \$118,673 was due within one year. As of December 31, 2016, the commission had \$1,204,131 in outstanding debt, of which \$169,417 was due within one year.

During fiscal years 2017 and 2016, the commission issued four new long-term debt obligations.

Capital Lease Payable, in the amount of \$17,049.00. The purpose was to finance the purchase of a John Deere mower. This lease will have a final payment on April 15, 2018.

Capital Lease Payable, in the amount of \$11,055.00. The purpose was to finance the purchase of a John Deere gator. This lease was paid off during 2017.

Bank Loan Payable, in the amount of \$13,262.71. The purpose was to fund the final construction of a RV park. This loan will have a final payment on October 22, 2030.

Bank Loan Payable, in the amount of \$36,026.12. The purpose was to finance the purchase of a Bobcat skidsteer. This loan will have a final payment on April 1, 2022.

For a detailed breakdown of the long-term debt, readers are referred to Note 6 to the audited financial statements which follow this analysis.

CONTACTING THE PARKS AND RECREATION COMMISSION FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons, taxpayers and creditors with a general overview of the parks and recreation commission's finances and to show the commission's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Monte Erhardt, Clerk, Hazen Parks and Recreation Commission, Hazen, ND 58545.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2017

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	670,030.28
Capital Assets (net of accumulated depreciation):	
Land	168,880.00
Buildings and Infrastructure	1,642,374.00
Machinery and Vehicles	111,426.00
Total Capital Assets	1,922,680.00
 Total Assets	 2,592,710.28
 <u>LIABILITIES:</u>	
Long-Term Liabilities:	
Due Within One Year:	
Capital Lease Payable	5,660.27
Bank Loans Payable	113,012.82
Due After One Year:	
Bank Loans Payable	939,667.13
Compensated Absences Payable	13,509.00
 Total Liabilities	 1,071,849.22
 <u>NET POSITION:</u>	
Net Investment in Capital Assets	864,339.78
Restricted for:	
Special Purposes	290,298.86
Unrestricted	366,222.42
 Total Net Position	 1,520,861.06

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, 2016

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	484,374.08
Capital Assets (net of accumulated depreciation):	
Land	168,880.00
Buildings and Infrastructure	1,692,920.00
Machinery	85,542.00
Total Capital Assets	1,947,342.00
 Total Assets	 2,431,716.08
 <u>LIABILITIES:</u>	
Long-Term Liabilities:	
Due Within One Year:	
Capital Leases Payable	19,610.86
Bank Loans Payable	149,806.44
Due After One Year:	
Capital Leases Payable	5,660.27
Bank Loans Payable	1,016,653.83
Compensated Absences Payable	12,400.00
Total Liabilities	1,204,131.40
 <u>NET POSITION:</u>	
Net Investment in Capital Assets	755,610.60
Restricted for:	
Special Purposes	220,114.29
Unrestricted	251,859.79
Total Net Position	1,227,584.68

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, 2017

	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	154,072.81		30,000.00
Culture and Recreation	451,593.15	457,865.91	3,500.00
Other	2,419.19		
Interest on Long-Term Debt	35,440.51		
			(124,072.81)
			9,772.76
			(2,419.19)
			(35,440.51)
			(152,159.75)
Total Governmental Activities	643,525.66	457,865.91	33,500.00
<hr style="border-top: 1px dashed black;"/>			
<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			136,914.01
Property taxes; levied for special purposes			36,530.77
Sales taxes			169,387.03
State aid - not restricted to specific program			31,322.57
Earnings on investments and other revenue			71,281.75
			445,436.13
Total General Revenues			445,436.13
			293,276.38
Change in Net Position			293,276.38
			1,227,584.68
Net Position - January 1			1,227,584.68
			1,520,861.06
Net Position - December 31			1,520,861.06

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, 2016

	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	163,084.81	30,000.00	(133,084.81)
Culture and Recreation	524,365.76	512,727.82	4,862.06
Other	2,949.58		(2,949.58)
Interest on Long-Term Debt	40,536.43		(40,536.43)
<hr/>			
Total Governmental Activities	730,936.58	512,727.82	46,500.00
<hr style="border-top: 1px dashed black;"/>			
<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			114,458.46
Property taxes; levied for special purposes			33,607.09
Sales taxes			134,501.24
State aid - not restricted to specific program			34,995.66
Earnings on investments and other revenue			91,115.19
Total General Revenues			408,677.64
Change in Net Position			236,968.88
Net Position - January 1			990,615.80
Net Position - December 31			1,227,584.68
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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, 2017

Major Funds

	General	Improvements	Public Relations	Hazen Bay	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	379,731.42	113,185.26	47,364.90	128,918.03	830.67	670,030.28
=====						
FUND BALANCES						
Restricted for:						
General Government					830.67	830.67
Improvements		113,185.26				113,185.26
Public Relations			47,364.90			47,364.90
Hazen Bay				128,918.03		128,918.03
Unassigned	379,731.42					379,731.42
=====						
Total Fund Balances	379,731.42	113,185.26	47,364.90	128,918.03	830.67	670,030.28
=====						

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, 2016

Major Funds

	General	Improvements	Public Relations	Hazen Bay	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Investments	264,259.79	91,373.36	45,146.05	83,257.36	337.52	484,374.08
=====						
FUND BALANCES						
Restricted for:						
General Government					337.52	337.52
Improvements		91,373.36				91,373.36
Public Relations			45,146.05			45,146.05
Hazen Bay				83,257.36		83,257.36
Unassigned	264,259.79					264,259.79

Total Fund Balances	264,259.79	91,373.36	45,146.05	83,257.36	337.52	484,374.08
=====						

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, 2017

Total Fund Balances for Governmental Funds		670,030.28
<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	2,462,677.00	
Less Accumulated Depreciation	(539,997.00)	
Net Capital Assets		1,922,680.00
<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, 2017 are:</p>		
Capital Lease Payable	(5,660.27)	
Bank Loans Payable	(1,052,679.95)	
Compensated Absences Payable	(13,509.00)	
Total Long-Term Liabilities		(1,071,849.22)
Total Net Position of Governmental Activities		1,520,861.06

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, 2016

Total Fund Balances for Governmental Funds		484,374.08
<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	2,417,647.00	
Less Accumulated Depreciation	(470,305.00)	
Net Capital Assets		1,947,342.00
<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, 2016 are:</p>		
Capital Leases Payable	(25,271.13)	
Bank Loans Payable	(1,166,460.27)	
Compensated Absences Payable	(12,400.00)	
Total Long-Term Liabilities		(1,204,131.40)
Total Net Position of Governmental Activities		1,227,584.68

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, 2017

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Improvements	Public Relations	Hazen Bay		
<u>Revenues:</u>						
Taxes	306,301.04	33,618.43			2,912.34	342,831.81
Participation and User Fees	295,994.32		5,593.21	156,278.38		457,865.91
Intergovernmental	61,322.57			3,500.00		64,822.57
Miscellaneous	63,924.57		1,563.70	5,793.48		71,281.75
Total Revenues	727,542.50	33,618.43	7,156.91	165,571.86	2,912.34	936,802.04
<u>Expenditures:</u>						
Current:						
General Government	152,963.81					152,963.81
Culture and Recreation	280,725.41	2,802.65	4,938.06	93,435.03		381,901.15
Other					2,419.19	2,419.19
Capital Outlay		45,030.00				45,030.00
Debt Service:						
Principal	147,686.34			21,730.96		169,417.30
Interest	30,695.31			4,745.20		35,440.51
Total Expenditures	612,070.87	47,832.65	4,938.06	119,911.19	2,419.19	787,171.96
Excess (Deficiency) of Revenues Over Expenditures	115,471.63	(14,214.22)	2,218.85	45,660.67	493.15	149,630.08
<u>Other Financing Sources:</u>						
Proceeds from Loan		36,026.12				36,026.12
Net Change in Fund Balances	115,471.63	21,811.90	2,218.85	45,660.67	493.15	185,656.20
Fund Balance - January 1	264,259.79	91,373.36	45,146.05	83,257.36	337.52	484,374.08
Fund Balance - December 31	379,731.42	113,185.26	47,364.90	128,918.03	830.67	670,030.28

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, 2016

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Improvements	Public Relations	Hazen Bay		
Revenues:						
Taxes	248,959.70	31,934.22			1,672.87	282,566.79
Participation and User Fees	368,351.58		8,134.94	136,241.30		512,727.82
Intergovernmental	64,995.66			16,500.00		81,495.66
Miscellaneous	67,078.11		16,049.32	7,987.76		91,115.19
Total Revenues	749,385.05	31,934.22	24,184.26	160,729.06	1,672.87	967,905.46
Expenditures:						
Current:						
General Government	151,470.73				11,451.08	162,921.81
Culture and Recreation	302,037.12	22,076.88	31,583.16	103,479.60		459,176.76
Other					2,949.58	2,949.58
Capital Outlay	17,049.00	13,263.00		11,055.00		41,367.00
Debt Service:						
Principal	143,924.15			24,287.94		168,212.09
Interest	35,419.02			5,117.41		40,536.43
Total Expenditures	649,900.02	35,339.88	31,583.16	143,939.95	14,400.66	875,163.67
Excess (Deficiency) of Revenues Over Expenditures	99,485.03	(3,405.66)	(7,398.90)	16,789.11	(12,727.79)	92,741.79
Other Financing Sources:						
Proceeds from Loan		13,262.71				13,262.71
Proceeds from Capital Leases	17,049.00			11,055.00		28,104.00
Total Other Financing Sources	17,049.00	13,262.71		11,055.00		41,366.71
Net Change in Fund Balances	116,534.03	9,857.05	(7,398.90)	27,844.11	(12,727.79)	134,108.50
Fund Balance - January 1	147,725.76	81,516.31	52,544.95	55,413.25	13,065.31	350,265.58
Fund Balance - December 31	264,259.79	91,373.36	45,146.05	83,257.36	337.52	484,374.08

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, 2017

Net Change in Fund Balances - Total Governmental Funds 185,656.20

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	45,030.00	
Current Year Depreciation Expense	(69,692.00)	(24,662.00)

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	(36,026.12)	
Repayment of Debt	169,417.30	133,391.18

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		(1,109.00)

Change in Net Position of Governmental Activities		293,276.38

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, 2016

Net Change in Fund Balances - Total Governmental Funds	134,108.50
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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	41,367.00	
Current Year Depreciation Expense	(65,189.00)	(23,822.00)

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	(41,366.71)	
Repayment of Debt	168,212.09	126,845.38

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	(163.00)

Change in Net Position of Governmental Activities	236,968.88

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, 2017 and 2016

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	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, 2017 the commission's carrying amount of deposits was \$670,030 and the bank balance was \$676,391. Of the bank balance, \$292,643 was covered by Federal Depository Insurance. The remaining balance of \$383,748 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the commission's carrying amount of deposits was \$484,374 and the bank balance was \$473,229. Of the bank balance, \$282,542 was covered by Federal Depository Insurance. The remaining balance of \$190,687 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, 2017 the commission held certificates of deposit in the amount of \$81,517, which are all considered deposits.

At December 31, 2016 the commission held certificates of deposit in the amount of \$85,315, 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>2017</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	201,927	45,030		246,957
Total	<u>2,248,767</u>	<u>45,030</u>		<u>2,293,797</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	353,920	50,546		404,466
Machinery	116,385	19,146		135,531
Total	<u>470,305</u>	<u>69,692</u>		<u>539,997</u>
Total capital assets being depreciated, net	<u>1,778,462</u>	<u>(24,662)</u>		<u>1,753,800</u>
Governmental Activities Capital Assets, Net	<u>1,947,342</u>	<u>(24,662)</u>	<u>-0-</u>	<u>1,922,680</u>

	<u>2016</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
Const. in Progress	686,737	13,263	700,000	
Total	<u>855,617</u>	<u>13,263</u>	<u>700,000</u>	<u>168,880</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,346,840	700,000		2,046,840
Machinery	173,823	28,104		201,927
Total	<u>1,520,663</u>	<u>728,104</u>		<u>2,248,767</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	303,374	50,546		353,920
Machinery	101,742	14,643		116,385
Total	<u>405,116</u>	<u>65,189</u>		<u>470,305</u>
Total capital assets being depreciated, net	<u>1,155,547</u>	<u>662,915</u>		<u>1,778,462</u>
Governmental Activities Capital Assets, Net	<u>1,971,164</u>	<u>676,178</u>	<u>700,000</u>	<u>1,947,342</u>

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

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
Culture and Recreation	69,692	65,189
	=====	=====

Note 5 CAPITAL LEASE PAYABLE

The commission has entered into the following lease agreement.

\$17,049.00 lease-purchase of a John Deere mower, due in final installment of \$5,930.63 on April 15, 2018; interest is at 4.25%.	5,660.27
	=====

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2017:

<u>Year Ending December 31</u>	<u>Governmental Activities Lease Payments</u>
2018	5,930.63
Less: amount representing interest	(270.36)
Present value of future minimum lease payments	5,660.27
	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2017</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Leases Payable	25,271		19,611	5,660	5,660
Bank Loans Payable	1,166,460	36,026	149,806	1,052,680	113,013
Compensated Absences *	12,400	1,109		13,509	
Total	1,204,131	37,135	169,417	1,071,849	118,673
	=====	=====	=====	=====	=====

	<u>2016</u>			Balance <u>December 31</u>	Due Within <u>One Year</u>
	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Leases Payable	18,500	28,104	21,333	25,271	19,611
Bank Loans Payable	1,300,077	13,263	146,880	1,166,460	149,806
Compensated Absences *	12,237	163		12,400	
Total	<u>1,330,814</u>	<u>41,530</u>	<u>168,213</u>	<u>1,204,131</u>	<u>169,417</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, 2017 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, 2017 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%.	110,853.97
\$650,000.00 Loan Payable with Union State Bank, due in annual installments of \$106,505.02 through October 22, 2019 and a final installment of \$91,904.78 on October 22, 2020; interest is at 3.5%.	284,674.10
\$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%.	621,125.76
\$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%.	36,026.12
Total Bank Loans Payable	<u>1,052,679.95</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>
2018	158,421.31	33,693.25
2019	166,436.24	25,678.32
2020	157,263.46	20,250.87
2021	70,480.83	15,128.71
2022	72,495.10	13,114.44
2023-2027	265,162.93	40,240.33
2028-2030	162,420.08	8,302.48
Total	<u>1,052,679.95</u>	<u>148,105.92</u>

Note 7 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 (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 commission pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$2,075,282 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 \$335,000 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 8 PENSION PLAN

The commission provides benefits for all of its full-time employees, through a defined contribution plan with Nationwide Retirement Solutions. 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 \$6,849.36 and \$6,419.75 during the years ended December 31, 2017 and 2016, respectively.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	250,907.00	355,778.00	306,301.04	(49,476.96)
Participation and User Fees	256,000.00	256,000.00	295,994.32	39,994.32
Intergovernmental	81,000.00	81,000.00	61,322.57	(19,677.43)
Miscellaneous	24,785.00	24,785.00	63,924.57	39,139.57
Total Revenues	612,692.00	717,563.00	727,542.50	9,979.50
<u>Expenditures:</u>				
Current:				
General Government	161,583.00	161,583.00	152,963.81	8,619.19
Culture and Recreation	299,866.35	299,866.35	280,725.41	19,140.94
Debt Service:				
Principal	147,686.34	147,686.34	147,686.34	
Interest	30,695.31	30,695.31	30,695.31	
Total Expenditures	639,831.00	639,831.00	612,070.87	27,760.13
Net Change in Fund Balances	(27,139.00)	77,732.00	115,471.63	37,739.63
Fund Balance - January 1	264,259.79	264,259.79	264,259.79	
Fund Balance - December 31	237,120.79	341,991.79	379,731.42	37,739.63

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	242,412.00	242,412.00	248,959.70	6,547.70
Participation and User Fees	255,490.00	389,708.05	368,351.58	(21,356.47)
Intergovernmental	75,951.00	75,951.00	64,995.66	(10,955.34)
Miscellaneous	24,785.00	24,785.00	67,078.11	42,293.11
Total Revenues	598,638.00	732,856.05	749,385.05	16,529.00
<u>Expenditures:</u>				
Current:				
General Government	161,583.00	161,583.00	151,470.73	10,112.27
Culture and Recreation	233,931.83	270,183.85	302,037.12	(31,853.27)
Capital Outlay	17,049.00	17,049.00	17,049.00	
Debt Service:				
Principal	143,924.15	143,924.15	143,924.15	
Interest	35,419.02	35,419.02	35,419.02	
Total Expenditures	591,907.00	628,159.02	649,900.02	(21,741.00)
Excess (Deficiency) of Revenues Over Expenditures	6,731.00	104,697.03	99,485.03	(5,212.00)
<u>Other Financing Sources:</u>				
Proceeds from Capital Lease	17,049.00	17,049.00	17,049.00	
Net Change in Fund Balances	23,780.00	121,746.03	116,534.03	(5,212.00)
Fund Balance - January 1	147,725.76	147,725.76	147,725.76	
Fund Balance - December 31	171,505.76	269,471.79	264,259.79	(5,212.00)

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Improvements Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,216.00	34,216.00	33,618.43	(597.57)
Intergovernmental	10,000.00	10,000.00		(10,000.00)
Total Revenues	44,216.00	44,216.00	33,618.43	(10,597.57)
<u>Expenditures:</u>				
Current:				
Culture and Recreation		2,833.00	2,802.65	30.35
Capital Outlay	45,000.00	45,000.00	45,030.00	(30.00)
Total Expenditures	45,000.00	47,833.00	47,832.65	0.35
Excess (Deficiency) of Revenues Over Expenditures	(784.00)	(3,617.00)	(14,214.22)	(10,597.22)
<u>Other Financing Sources:</u>				
Proceeds from Loan		25,429.00	36,026.12	10,597.12
Net Change in Fund Balances	(784.00)	21,812.00	21,811.90	(0.10)
Fund Balance - January 1	91,373.36	91,373.36	91,373.36	
Fund Balance - December 31	90,589.36	113,185.36	113,185.26	(0.10)

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Improvements Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	18,948.29	21,934.22	31,934.22	10,000.00
Intergovernmental	10,000.00	10,000.00		(10,000.00)
Total Revenues	28,948.29	31,934.22	31,934.22	
<u>Expenditures:</u>				
Current:				
Culture and Recreation	30,000.00	30,000.00	22,076.88	7,923.12
Capital Outlay	15,000.00	15,000.00	13,263.00	1,737.00
Total Expenditures	45,000.00	45,000.00	35,339.88	9,660.12
Excess (Deficiency) of Revenues Over Expenditures	(16,051.71)	(13,065.78)	(3,405.66)	9,660.12
<u>Other Financing Sources:</u>				
Proceeds from Loan	13,262.71	13,262.71	13,262.71	
Net Change in Fund Balances	(2,789.00)	196.93	9,857.05	9,660.12
Fund Balance - January 1	81,516.31	81,516.31	81,516.31	
Fund Balance - December 31	78,727.31	81,713.24	91,373.36	9,660.12

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Public Relations Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	10,200.00	10,200.00	5,593.21	(4,606.79)
Miscellaneous	7,140.00	7,140.00	1,563.70	(5,576.30)
Total Revenues	17,340.00	17,340.00	7,156.91	(10,183.09)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	21,250.00	21,250.00	4,938.06	16,311.94
Net Change in Fund Balances	(3,910.00)	(3,910.00)	2,218.85	6,128.85
Fund Balance - January 1	45,146.05	45,146.05	45,146.05	
Fund Balance - December 31	41,236.05	41,236.05	47,364.90	6,128.85

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Public Relations Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and Uses Fees	11,100.00	11,100.00	8,134.94	(2,965.06)
Miscellaneous	10,280.00	13,084.26	16,049.32	2,965.06
Total Revenues	21,380.00	24,184.26	24,184.26	
<u>Expenditures:</u>				
Current:				
Culture and Recreation	25,350.00	31,583.16	31,583.16	
Net Change in Fund Balances	(3,970.00)	(7,398.90)	(7,398.90)	
Fund Balance - January 1	52,544.95	52,544.95	52,544.95	
Fund Balance - December 31	48,574.95	45,146.05	45,146.05	

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Hazen Bay Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	109,000.00	164,297.00	156,278.38	(8,018.62)
Intergovernmental			3,500.00	3,500.00
Miscellaneous	1,275.00	1,275.00	5,793.48	4,518.48
Total Revenues	110,275.00	165,572.00	165,571.86	(0.14)
<u>Expenditures:</u>				
Current:				
Culture and Recreation	101,163.84	101,163.84	93,435.03	7,728.81
Debt Service:				
Principal	21,730.96	21,730.96	21,730.96	
Interest	4,745.20	4,745.20	4,745.20	
Total Expenditures	127,640.00	127,640.00	119,911.19	7,728.81
Net Change in Fund Balances	(17,365.00)	37,932.00	45,660.67	7,728.67
Fund Balance - January 1	83,257.36	83,257.36	83,257.36	
Fund Balance - December 31	65,892.36	121,189.36	128,918.03	7,728.67

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Hazen Bay Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Participation and User Fees	93,445.00	143,904.06	136,241.30	(7,662.76)
Intergovernmental			16,500.00	16,500.00
Miscellaneous	5,770.00	5,770.00	7,987.76	2,217.76
Total Revenues	99,215.00	149,674.06	160,729.06	11,055.00
<u>Expenditures:</u>				
Current:				
Culture and Recreation	83,589.65	90,924.60	103,479.60	(12,555.00)
Capital Outlay	11,055.00	11,055.00	11,055.00	
Debt Service:				
Principal	24,287.94	24,287.94	24,287.94	
Interest	5,117.41	5,117.41	5,117.41	
Total Expenditures	124,050.00	131,384.95	143,939.95	(12,555.00)
Excess (Deficiency) of Revenues Over Expenditures	(24,835.00)	18,289.11	16,789.11	(1,500.00)
<u>Other Financing Sources:</u>				
Proceeds from Capital Lease	11,055.00	11,055.00	11,055.00	
Net Change in Fund Balances	(13,780.00)	29,344.11	27,844.11	(1,500.00)
Fund Balance - January 1	55,413.25	55,413.25	55,413.25	
Fund Balance - December 31	41,633.25	84,757.36	83,257.36	(1,500.00)

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

NOTES TO THE BUDGETARY COMPARISON SCHEDULES
December 31, 2017 and 2016

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, 2017 and 2016:

	<u>2017</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
	<u>Estimated Revenue</u>		
General Fund	612,692	104,871	717,563
<u>Special Revenue Funds</u>			
Hazen Bay	110,275	55,297	165,572
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Improvements	45,000	2,833	47,833
	<u>Other Financing Sources</u>		
<u>Special Revenue Fund</u>			
Improvements		25,429	25,429

2016

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Estimated Revenue</u>			
General Fund	598,638	134,218	732,856
<u>Special Revenue Funds</u>			
Improvements	28,948	2,986	31,934
Public Relations	21,380	2,804	24,184
Hazen Bay	99,215	50,459	149,674
<u>Appropriations</u>			
General Fund	591,907	36,252	628,159
<u>Special Revenue Funds</u>			
Public Relations	25,350	6,233	31,583
Hazen Bay	124,050	7,335	131,385
Social Security		9,769	9,769
Share of Special Assess.	1,700	1,250	2,950
Pension		1,682	1,682

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ending December 31, 2016:

General Fund	21,741.00
<u>Special Revenue Funds</u>	
Hazen Bay	12,555.00
Social Security	.01

No remedial action is anticipated or required by the commission regarding these excess expenditures.

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Years Ended December 31, 2017 and 2016

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
Major Governmental Funds:						
General Fund	264,259.79	727,542.50			612,070.87	379,731.42
Improvements	91,373.36	69,644.55			47,832.65	113,185.26
Public Relations	45,146.05	7,156.91			4,938.06	47,364.90
Hazen Bay	83,257.36	165,571.86			119,911.19	128,918.03
Total Major Governmental Funds	484,036.56	969,915.82			784,752.77	669,199.61
Non-Major Governmental Fund:						
Share of Special Assessments	337.52	2,912.34			2,419.19	830.67
Total All Funds	484,374.08	972,828.16			787,171.96	670,030.28
=====						
	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Governmental Funds:						
General Fund	147,725.76	749,385.05			632,851.02	264,259.79
Improvements	81,516.31	45,196.93			35,339.88	91,373.36
Public Relations	52,544.95	24,184.26			31,583.16	45,146.05
Hazen Bay	55,413.25	160,729.06			132,884.95	83,257.36
Total Major Governmental Funds	337,200.27	979,495.30			832,659.01	484,036.56
Non-Major Governmental Funds:						
Social Security	9,768.96				9,768.96	
Share of Special Assessments	1,614.23	1,672.87			2,949.58	337.52
Pension	1,682.12				1,682.12	
Total Non-Major Governmental Funds	13,065.31	1,672.87			14,400.66	337.52
Total All Funds	350,265.58	981,168.17			847,059.67	484,374.08
=====						

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, 2017 and 2016, 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 9, 2018.

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 II-1 and II-2, 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 9, 2018

HAZEN PARKS AND RECREATION COMMISSION
Hazen, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2017 and 2016

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 No

* Significant deficiency(ies) identified? Yes None Reported

Noncompliance Material to financial
statements noted? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

Condition: The commission has one person responsible for most accounting functions.

Criteria: There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the commission.

Effect: There is no segregation of duties as one 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 financial statements. This increases the risk of misstatement of the commission's financial condition.

Recommendation: Due to the size of the commission, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response: No response is considered necessary.

2. Financial Statement Preparation

Condition: The commission's financial statements as of December 31, 2017 and 2016 are prepared by the commission's external auditors.

Criteria: A good system of internal controls requires the commission to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the commission must maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

Recommendation: We recommend the commission obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

Client Response: It is not cost effective for the commission to prepare its own financial statements.

Rath & Mehrer, P.C.

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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, 2017 and 2016 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 3 to 4 weeks during the summer season. In addition, fees (cash and checks) collected for the rental of RV lots and camping sites were also not being turned over on a timely basis and only limited documentation was provided to the city's office staff to support the cash and checks being turned in. 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. We recommend that the parks and recreation commission require employees to turn in receipts on a timely basis and to provide support for funds being turned over. This involves requiring the pool to turn over collections on a daily basis and to reconcile the cash drawer to a set amount. The commission should also devise a system that would document the number of RV lots and camping sites rented that would allow city staff to reconcile to funds being turned over 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 9, 2018