

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**DEVILS LAKE PARK DISTRICT
DEVILS LAKE, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2011

	<u>Page(s)</u>
Park District Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	9
Notes to the Financial Statements	10 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	20
Notes to the Required Supplementary Information	21
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	23
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	24 - 25
Schedule of Findings and Questioned Costs	26

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

OFFICIALS

December 31, 2011

Joe Mertens

President

Mark Hendrickson
Mike Frykman
Kale Stromme
Jamie Beck

Vice-President
Commissioner
Commissioner
Commissioner

Heather Brandvold
Terry Wallace
Val Wilhelmi

Office Manager/Clerk
Superintendent
Treasurer

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Park District Board
Devils Lake Park District
Devils Lake, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Park District, Devils Lake, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the Devils Lake Park District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Devils Lake Park District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Park District, Devils Lake, North Dakota, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the Devils Lake Park District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express any opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

DEVILS LAKE PARK DISTRICT

Independent Auditor's Report - Continued

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Devils Lake Park District's financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the information such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

December 19, 2012

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	\$ 262,988
Taxes Receivable	32,508
Accounts Receivable	2,751
Intergovernmental Receivable	83,221
Capital Assets (not being depreciated):	
Land	245,595
Construction in Progress	72,641
Capital Assets (being depreciated):	
Buildings	1,011,838
Infrastructure	1,189,459
Playground Equipment	36,825
Vehicles and Equipment	49,940
Total Capital Assets	<u>\$ 2,606,298</u>
Total Assets	<u>\$ 2,987,766</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 12,623
Long-Term Liabilities:	
Due Within One Year:	
Special Assessments	48,935
Line of Credit Payable	50,000
Compensated Absences Payable	2,683
Due After One Year:	
Special Assessments	372,855
Line of Credit Payable	125,000
Compensated Absences Payable	24,151
Total Liabilities	<u>\$ 636,247</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets, net of related debt	\$ 2,431,298
Restricted for:	
Capital Projects	43,464
Other	41,567
Unrestricted	<u>(164,810)</u>
Total Net Assets	<u>\$ 2,351,519</u>

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<u>Governmental Activities:</u>					
General Government	\$ 647,209	\$ -	\$ -	\$ -	\$ (647,209)
Culture and Recreation	492,721	221,901	50,637	72,641	(147,542)
Interest Expense	37,543	-	-	-	(37,543)
Total Governmental Activities	\$ 1,177,473	\$ 221,901	\$ 50,637	\$ 72,641	\$ (832,294)
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes					\$ 453,674
Property taxes; levied for capital projects					56,871
Property taxes; levied for debt service					120,436
State revenue sharing and other unrestricted grants					179,684
Interest					986
Miscellaneous Revenue					<u>117,840</u>
Total General Revenues					\$ 929,491
Change in Net Assets					\$ 97,197
Net Assets - January 1					\$ 2,254,322
Net Assets - December 31					\$ 2,351,519

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	Major Funds					Total Governmental Funds
	General	Capital Projects Fund	Special Assessments	Pool Sinking & Interest	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 61,744	\$ -	\$ 64,340	\$ 57,267	\$ 79,637	\$ 262,988
Accounts Receivable	2,751	-	-	-	-	2,751
Intergovernmental Receivable	49,328	33,893	-	-	-	83,221
Taxes Receivable	20,338	2,905	3,744	3,032	2,489	32,508
Due from Other Funds	67,827	-	-	-	-	67,827
Total Assets	\$ 201,988	\$ 36,798	\$ 68,084	\$ 60,299	\$ 82,126	\$ 449,295
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 12,623	\$ -	\$ -	\$ -	\$ -	\$ 12,623
Due to Other Funds	-	67,827	-	-	-	67,827
Deferred Revenue	20,338	2,905	3,744	3,032	2,489	32,508
Total Liabilities	\$ 32,961	\$ 70,732	\$ 3,744	\$ 3,032	\$ 2,489	\$ 112,958
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ 40,559	\$ 40,559
Debt Service	-	-	64,340	57,267	-	121,607
Other	-	-	-	-	39,078	39,078
<u>Unassigned</u>	169,027	(33,934)	-	-	-	135,093
Total Fund Balances	\$ 169,027	\$ (33,934)	\$ 64,340	\$ 57,267	\$ 79,637	\$ 336,337
Total Liabilities and Fund Balances	\$ 201,988	\$ 36,798	\$ 68,084	\$ 60,299	\$ 82,126	\$ 449,295

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* for Governmental Funds \$ 336,337

Total *net assets* reported for government activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 5,715,393	
Less Accumulated Depreciation	<u>(3,109,095)</u>	
Net Capital Assets		2,606,298

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 32,508

Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net assets. Balances at December 31, 2011 are:

Special Assessments Payable	\$ (421,790)	
Loan Payable	(175,000)	
Compensated Absences	<u>(26,834)</u>	<u>(623,624)</u>

Total Net Assets of Governmental Activities \$ 2,351,519

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Major Funds					Total Governmental Funds
	General	Capital Projects Fund	Special Assessments	Pool Sinking & Interest	Other Governmental Funds	
<u>Revenues:</u>						
Taxes	\$ 421,742	\$ 58,827	\$ 68,048	\$ 58,507	\$ 47,450	\$ 654,574
Intergovernmental	179,684	50,637	-	-	-	230,321
Charges for Services	221,901	-	-	-	-	221,901
Interest Income	782	-	-	204	-	986
Miscellaneous	107,238	10,602	-	-	-	117,840
Total Revenues	\$ 931,347	\$ 120,066	\$ 68,048	\$ 58,711	\$ 47,450	\$ 1,225,622
<u>Expenditures:</u>						
Current:						
Culture and Recreation	\$ 347,097	\$ -	\$ -	\$ -	\$ -	\$ 347,097
General Government	516,540	-	-	-	47,715	564,255
Capital Outlay	-	82,312	-	-	-	82,312
Debt Service:						
Principal	-	50,000	48,936	55,000	6,694	160,630
Interest and Fees	-	5,866	28,044	3,192	441	37,543
Total Expenditures	\$ 863,637	\$ 138,178	\$ 76,980	\$ 58,192	\$ 54,850	\$ 1,191,837
Excess (Deficiency) of Revenues Over Expenditures	\$ 67,710	\$ (18,112)	\$ (8,932)	\$ 519	\$ (7,400)	\$ 33,785
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ 28,000	\$ -	\$ -	\$ -	\$ 26,000	\$ 54,000
Transfers Out	(54,000)	-	-	-	-	(54,000)
Total Other Financing Sources and Uses	\$ (26,000)	\$ -	\$ -	\$ -	\$ 26,000	\$ -
Net Change in Fund Balances	\$ 41,710	\$ (18,112)	\$ (8,932)	\$ 519	\$ 18,600	\$ 33,785
Fund Balance - January 1	\$ 127,317	\$ (15,822)	\$ 73,272	\$ 56,748	\$ 61,037	\$ 302,552
Fund Balance - December 31	\$ 169,027	\$ (33,934)	\$ 64,340	\$ 57,267	\$ 79,637	\$ 336,337

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 33,785

The change in net assets 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 outlays in the current year.

Current Year Capital Outlay	\$ 88,714	
Current Year Depreciation Expense	<u>(161,461)</u>	(72,747)

The issuance of debt increases long-term liabilities, while the repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt payments exceeded issuance of leases.

General Obligation Bonds Repayment	\$ 55,000	
Special Assessments Repayment	48,935	
Capital Leases Repayment	6,695	
Loan Repayment	<u>50,000</u>	160,630

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.

Increase in Compensated Absences		(878)
----------------------------------	--	-------

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

	<u>(23,593)</u>
--	-----------------

Change in Net Assets of Governmental Activities	<u>\$ 97,197</u>
---	------------------

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Devils Lake Park District, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the park district's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Devils Lake Park District. The park district has considered all potential component units for which the park district is financially accountable and other organizations for which the nature and significance of their relationships with the park district such that exclusion would cause the park district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Devils Lake Park District 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 Devils Lake Park District.

Based on these criteria, there are no component units to be included within the Devils Lake Park District as a reporting entity.

B. Government-wide and fund financial statements

Government-wide statements: The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the park district's funds including its fiduciary funds and blended component unit. Separate statements for each fund category-*governmental* and *fiduciary*-are presented. 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the park district considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the park district.

The park district reports the following major governmental funds:

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

Special Assessments Fund. – The special assessments fund is used to account for financial resources to be used for the payment of the park district's share of special assessments on park property. Restricted tax levies are deposited into this fund.

Park Sinking & Interest Fund. – The pool sinking and interest fund is used to account for financial resources to be used for the payment of principal and interest on the park district's general obligation bonds. Restricted tax levies are deposited into this fund.

Capital Projects Fund. – The construction fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Restricted tax levies and intergovernmental revenues are deposited into this fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Cash and Investments

Cash consists of amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit stated at cost with maturities in excess of 90 days.

E. Capital Assets

PRIMARY GOVERNMENT:

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

General infrastructure assets consist of the road and bridge projects constructed in 2010 and are reported at historical cost. 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:

ASSETS	YEARS
Infrastructure	10 – 30
Buildings	20 – 50
Playground Equipment	20
Vehicles and Equipment	5 – 15

F. Compensated Absences

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Vacation time is allowed to accrue to a maximum of 200 hours. When the limit is reached, employees will cease to accrue more vacation time until existing levels fall below 200 hours. Vested or accumulated vacation leave is reported in the government-wide statement of net assets. No liability is recorded for non-vesting accumulating rights to receive sick leave 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 assets. 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 Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Devils Lake Park District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

On March 11, 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2011. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Devils Lake Park District only has restricted and unassigned fund balances at December 31, 2011.

Restricted Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund for debt service, capital projects and other purposes.
 - Restricted grants/reimbursements – primarily state revenue sharing.

Net Assets Equity:

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

Invested in capital assets, net of related debt, is reported for capital assets less accumulated depreciation and any related debt (bonds payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements and shown for capital projects and other.

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund. The unrestricted net assets are available to meet the district's ongoing obligations.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The governing board approved the following budget amendments to the park district budget.

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$840,214	\$25,973	\$866,187
Capital Projects	60,500	77,678	138,178

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, the park district 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.

DEVILS LAKE PARK DISTRICT

Notes to the Financial Statements – Continued

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

At year ended December 31, 2011, the park district's carrying amount of deposits was \$262,063, and the bank balance was \$268,264, all of which was covered by Federal Depository Insurance.

Credit Risk:

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

- (a) 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.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2011, the park district held certificates of deposit in the amount of \$62,564, which are all considered deposits.

Concentration of Credit Risk:

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

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from individuals for services performed by the park district. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of state revenue sharing payments received after year-end.

NOTE 6: TAXES RECEIVABLE

The taxes receivable represents the past four years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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.

DEVILS LAKE PARK DISTRICT

Notes to the Financial Statements – Continued

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 7: DUE TO / FROM OTHER FUNDS

Due to and from other funds consist of negative cash balances of individual funds. These balances at December 31, 2011 consist of the following:

Due To	Due From	Amount
General Fund	Capital Projects	\$67,827

NOTE 8: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2011 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 9: DEFERRED REVENUES

Deferred revenues on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available at year-end.

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011:

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$ 245,596	\$ -	\$ -	\$ 245,596
Construction in Progress	-	72,641	-	72,641
Total Capital Assets, Not Being Depreciated	\$ 245,596	\$ 72,641	\$ -	\$ 318,237
<i>Capital assets being depreciated:</i>				
Buildings	\$2,916,545	\$ 16,073	\$ -	\$2,932,618
Playground Equipment	73,500	-	-	73,500
Vehicles and Equipment	227,650	-	-	227,650
Infrastructure	2,163,389	-	-	2,163,389
Total Capital Assets, Being Depreciated	\$5,381,084	\$ 16,073	\$ -	\$5,397,157
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$1,866,196	\$ 54,584	\$ -	\$1,920,780
Playground Equipment	33,000	3,675	-	36,675
Vehicles and Equipment	160,813	16,897	-	177,710
Infrastructure	887,624	86,307	-	973,931
Total Accumulated Depreciation	\$2,947,633	\$ 161,463	\$ -	\$3,109,096
Total Capital Assets Being Depreciated, Net	\$2,433,451	\$(145,390)	\$ -	\$2,288,061
Governmental Activities Capital Assets, Net	\$2,679,047	\$ (72,749)	\$ -	\$2,606,298

DEVILS LAKE PARK DISTRICT
Notes to the Financial Statements – Continued

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

Governmental Activities:	Amounts
General Operations	\$ 82,954
Culture and Recreation	78,509
Total Depreciation Expense-Governmental Activities	\$161,463

NOTE 11: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Capital Leases	\$ 6,695	\$ -	\$ 6,695	\$ -	\$ -
G.O. Bonds	55,000	-	55,000	-	-
Special Assessments	470,726	-	48,936	421,790	48,935
Loan	225,000	-	50,000	175,000	50,000
Compensated Absences *	25,956	878	-	26,834	2,683
Total Governmental Activities	\$783,377	\$878	\$160,631	\$623,624	\$101,618

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

Long-term debt at December 31, 2011 is comprised of the following individual issues:

Special Assessments Payable to the city represents special assessments levied by the City of Devils Lake, ND against the park district for the district's share of the benefit derived from city funded improvements. Payable in annual installments of \$36,510 to \$48,729 through 2018; with interest at 5.5% to 6.0%.	<u>\$421,790</u>
Loan Payable to Bremer Bank, due in annual installments of \$50,000 to \$125,000 through 2012; with interest at 3.25%.	<u>175,000</u>
Total Long-Term Debt (excluding compensated absences and capital leases)	<u>\$596,790</u>

The annual debt service requirements for all long-term debt outstanding, except compensated absences and capital leases, as of December 31, 2011 are as follows:

Year Ending	GOVERNMENTAL ACTIVITIES			
	Special Assessments		Loan Payable	
	Principal	Interest	Principal	Interest
12-31-11				
2012	\$ 48,936	\$ 25,157	\$ 50,000	\$4,681
2013	48,936	22,271	125,000	1,366
2014	48,936	19,385	-	-
2015	38,936	16,499	-	-
2016	38,936	14,163	-	-
2017 - 2021	192,256	35,917	-	-
2022 - 2026	4,854	582	-	-
Total	\$421,790	\$133,974	\$175,000	\$6,047

NOTE 12: RISK MANAGEMENT

The Devils Lake Park District 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 Devils Lake Park District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and one million automobile liability and \$232,135 for public assets coverage.

The Devils Lake Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Devils Lake Park District 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 two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$211,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Devils Lake Park District has workers compensation with the North Dakota Workforce Safety and Insurance. The park district pays for a single health insurance policy, 90% of a single plus dependents policy and 80% of a family policy for full time employees.

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

NOTE 13: PENSION PLAN

The park district contributes to a simplified employee pension plan for park district employees in the form of a deferred compensation program. The park district contributes 8% of employee's salary to the plan and employees can contribute any amount to the plan. For the years ended December 31, 2011, 2010, and 2009, the park district contributed \$22,241, \$16,410, and \$18,237, respectively.

NOTE 14: DEFICIT BALANCES

The following fund was in a deficit position at December 31, 2011:

Fund	2011
Capital Projects – Construction	(\$67,827)

The above deficit will be eliminated through transfers in 2011.

NOTE 15: TRANSFERS

The Park District made the following transfers in 2011:

Fund	Transfers In	Transfers Out
General	\$28,000	\$54,000
Other Governmental Funds	26,000	-
Total Transfers	\$54,000	\$54,000

DEVILS LAKE PARK DISTRICT
Notes to the Financial Statements – Continued

NOTE 16: COMMITMENTS

At December 31, 2011, the Devils Lake Park District had commitments for remaining project costs related to Ruger Park Improvements. As of December 31, 2011, the remaining construction commitments are as follows:

Project	Project Amount	Change Orders	Total Project	Total Completed	Remaining Project	Retainage
Ruger Park Improvements	\$124,374	\$ -	\$124,374	\$72,641	\$51,733	\$ -

NOTE 17: CONTINGENT LIABILITIES

The Devils Lake Park District settled a lawsuit related to a drowning that occurred at the Mike Dosch Memorial Swimming Pool, which is owned and operated by the park district. The lawsuit was settled in the amount of \$143,750. The park district was insured through the North Dakota Insurance Reserve Fund.

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 418,000	\$ 418,000	\$ 421,742	\$ 3,742
Intergovernmental	134,067	134,067	179,684	45,617
Charges for Services	214,000	214,000	221,901	7,901
Interest	1,200	1,200	782	(418)
Miscellaneous	103,500	103,500	107,238	3,738
Total Revenues	\$ 870,767	\$ 870,767	\$ 931,347	\$ 60,580
<u>Expenditures:</u>				
<u>Current:</u>				
General Government	\$ 518,787	\$ 522,813	\$ 516,540	\$ 6,273
Culture and Recreation	321,427	343,374	347,097	(3,723)
Total Expenditures	\$ 840,214	\$ 866,187	\$ 863,637	\$ 2,550
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,553	\$ 4,580	\$ 67,710	\$ 63,130
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Transfers Out	(54,000)	(54,000)	(54,000)	-
Total Other Financing Sources and Uses	\$ (26,000)	\$ (26,000)	\$ (26,000)	\$ -
Net Change in Fund Balances	\$ 4,553	\$ (21,420)	\$ 41,710	\$ 63,130
Fund Balance - January 1	\$ 127,317	\$ 127,317	127,317	\$ -
Fund Balance - December 31	\$ 131,870	\$ 105,897	\$ 169,027	\$ 63,130

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

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund, Special Revenue Funds, and Debt Service Funds. Budgetary comparison schedules are presented for the general fund and any major special revenue funds.

- The park board adopts an “appropriated budget” on the modified accrual basis of accounting.
- Annually on or before September tenth, the park district prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund, each special revenue fund and each debt service fund of the park district.
- The park board shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the park board shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied.
- After the budget hearing and on or before October 7th, the park board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- Each budget is controlled by the park district business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Social Security	Employee Retirement	Equipment Replacement	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and Investments	\$ 22,557	\$ 16,521	\$ 40,559	\$ 79,637
Taxes Receivable	1,466	1,023	-	2,489
Total Assets	<u>\$ 24,023</u>	<u>\$ 17,544</u>	<u>\$ 40,559</u>	<u>\$ 82,126</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Deferred Revenue	\$ 1,466	\$ 1,023	\$ -	\$ 2,489
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Capital Projects	\$ -	\$ -	\$ 40,559	\$ 40,559
Other	22,557	16,521	-	39,078
Total Fund Balances	<u>\$ 22,557</u>	<u>\$ 16,521</u>	<u>\$ 40,559</u>	<u>\$ 79,637</u>
Total Liabilities and Fund Balances	<u>\$ 24,023</u>	<u>\$ 17,544</u>	<u>\$ 40,559</u>	<u>\$ 82,126</u>

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Social Security	Employee Pension	Equipment Replacement	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes	\$ 27,751	\$ 19,699	\$ -	\$ 47,450
Total Revenues	\$ 27,751	\$ 19,699	\$ -	\$ 47,450
<u>Expenditures:</u>				
Current:				
General Government	\$ 29,652	\$ 18,063	\$ -	\$ 47,715
Debt Service:				
Principal	-	-	6,694	6,694
Interest and Fees	-	-	441	441
Total Expenditures	\$ 29,652	\$ 18,063	\$ 7,135	\$ 54,850
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,901)	\$ 1,636	\$ (7,135)	\$ (7,400)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 26,000	\$ 26,000
Net Change in Fund Balances	\$ (1,901)	\$ 1,636	\$ 18,865	\$ 18,600
Fund Balance - January 1	\$ 24,458	\$ 14,885	\$ 21,694	\$ 61,037
Fund Balance - December 31	\$ 22,557	\$ 16,521	\$ 40,559	\$ 79,637

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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*

Park District Board
Devils Lake Park District
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Park District, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Devils Lake Park District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Devils Lake Park District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Devils Lake Park District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Devils Lake Park District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Devils Lake Park District'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted one matter that we have reported to management of the Devils Lake Park District in a separate letter dated December 19, 2012.

This report is intended solely for the information and use of management, the park district board, and others within the park district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

December 19, 2012

DEVILS LAKE PARK DISTRICT
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Governmental Activities	Unqualified
Each Major Governmental Fund	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

Section II - Financial Statement Findings

No matters were reported.