

AUDIT REPORT

TIOGA PARK BOARD
Tioga, North Dakota

For the Years Ended December 31, 2018 and 2017

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

TIOGA PARK BOARD
Tioga, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2018 and 2017

| | <u>Page(s)</u> |
|---|----------------|
| Officials | 1 |
| Independent Auditor's Report | 2-3 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Position - Modified Cash Basis | 4,5 |
| Statement of Activities - Modified Cash Basis | 6,7 |
| Balance Sheet - Modified Cash Basis - Governmental Fund | 8,9 |
| Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis | 10,11 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Fund | 12,13 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis | 14,15 |
| Notes to the Financial Statements | 16-22 |
| SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedules - Modified Cash Basis | 23,24 |
| Notes to the Budgetary Comparison Schedules | 25 |
| 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 | 26-27 |
| Schedule of Findings and Responses | 28-29 |

TIOGA PARK BOARD
Tioga, North Dakota

LIST OF OFFICIALS

| | |
|----------------|----------------------|
| Nikki Davidson | Board President |
| Ryan Mickelsen | Board Vice President |
| Peggy Anderson | Board Member |
| Shawn Martin | Board Member |
| Tara Mosley | Board Member |
| Heather Weflen | Board Member |
| Rena Booth | Clerk |

Rath & Mehrer

Certified Public Accountants

Specializing in Governmental Auditing

Phone: (701) 258-4560

Jayson Rath, CPA

Ken Mehrer, CPA

425 North Fifth Street
Bismarck, ND 58501

INDEPENDENT AUDITOR'S REPORT

Governing Board
Tioga Park Board
Tioga, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Tioga Park Board, Tioga, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the park board'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 park board'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 park board'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 and the major fund of the Tioga Park Board, Tioga, North Dakota, as of December 31, 2018 and 2017, and the respective changes in modified cash basis financial position for the years 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 park board's basic financial statements. The budgeting comparison information is presented for additional analysis and is not a required part of the basic financial statements.

The budgeting comparison information was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of the park board'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 park board's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

March 22, 2019

TIOGA PARK BOARD
Tioga, North Dakota

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

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>ASSETS:</u> | |
| Cash | 267,615.54 |
| Capital Assets (net of accumulated depreciation): | |
| Equipment | 61,913.00 |
| Shop | 134,515.00 |
| Pool | 1,437,660.00 |
| | <u>1,634,088.00</u> |
| Total Capital Assets | 1,634,088.00 |
| | <u>1,901,703.54</u> |
| Total Assets | 1,901,703.54 |
| | <u>1,901,703.54</u> |
| <u>NET POSITION:</u> | |
| Net Investment in Capital Assets | 1,634,088.00 |
| Unrestricted | 267,615.54 |
| | <u>1,901,703.54</u> |
| Total Net Position | ===== |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>ASSETS:</u> | |
| Cash | 412,136.28 |
| Capital Assets (net of accumulated depreciation): | |
| Equipment | 56,801.00 |
| Pool | 1,477,595.00 |
| | <u>1,534,396.00</u> |
| Total Capital Assets | 1,534,396.00 |
| | <u>1,946,532.28</u> |
| Total Assets | 1,946,532.28 |
| | <u>NET POSITION:</u> |
| Net Investment in Capital Assets | 1,534,396.00 |
| Unrestricted | 412,136.28 |
| | <u>1,946,532.28</u> |
| Total Net Position | 1,946,532.28 ===== |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--------------------------|---------------------------------------|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| <u>Governmental Activities:</u> | | | |
| Culture and Recreation | 379,975.96 | 20,628.35 | 9,754.02 |
| | | | (349,593.59) |
| | | | |
| | <u>General Revenues:</u> | | |
| | Taxes: | | |
| Property taxes; levied for general purposes | | | 238,180.28 |
| City sales taxes | | | 40,870.00 |
| State aid not restricted to specific program: | | | |
| State aid distribution | | | 25,301.08 |
| Earnings on investments and other revenue | | | 413.49 |
| | | | 304,764.85 |
| Total General Revenues | | | |
| | | | (44,828.74) |
| | | | 1,946,532.28 |
| Change in Net Position | | | |
| | | | 1,901,703.54 |
| | | | 1,901,703.54 |

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

TIOGA PARK BOARD
Tioga, 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> Culture and Recreation | 279,817.45 | 20,512.85 | 6,673.08 |
| | | | (252,631.52) |
| | | | |
| <u>General Revenues:</u> | | | |
| Taxes: | | | |
| Property taxes; levied for general purposes | | | 314,492.04 |
| City sales taxes | | | 75,200.00 |
| State aid not restricted to specific program: | | | |
| State aid distribution | | | 24,232.73 |
| Earnings on investments and other revenue | | | 576.44 |
| Total General Revenues | | | 414,501.21 |
| Change in Net Position | | | 161,869.69 |
| Net Position - January 1 | | | 1,784,662.59 |
| Net Position - December 31 | | | 1,946,532.28 |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | <u>General</u> |
|----------------------|---------------------|
| <u>ASSETS:</u> | |
| Cash | 267,615.54 ===== |
| | |
| <u>FUND BALANCE:</u> | |
| Unassigned | 267,615.54 ===== |

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

TIOGA PARK BOARD
Tioga, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Fund
December 31, 2017

| | <u>General</u> |
|-----------------------------|---------------------|
| ASSETS: | |
| Cash | 412,136.28 ===== |
| | |
| <u>FUND BALANCE:</u> | |
| Unassigned | 412,136.28 ===== |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | | |
|--|--------------|------------------------------------|
| Total Fund Balances for Governmental Funds | | 267,615.54 |
| Total net position reported for government activities in the statement of net position 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 | 1,842,058.00 | |
| Less Accumulated Depreciation | (207,970.00) | |
| Net Capital Assets | <hr/> | 1,634,088.00 |
| Total Net Position of Governmental Activities | | <hr/> <u>1,901,703.54</u> ===== |

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

TIOGA PARK BOARD
Tioga, 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 | | 412,136.28 |
| Total net position reported for government activities in the statement of net position 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 | 1,697,646.00 | |
| Less Accumulated Depreciation | (163,250.00) | |
| Net Capital Assets | <u>1,534,396.00</u> | |
| Total Net Position of Governmental Activities | | <u>1,946,532.28</u> ===== |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | General |
|-------------------------------|--------------|
| <u>Revenues:</u> | |
| <u>Taxes</u> | |
| General Property Taxes | 238,180.28 |
| <u>Intergovernmental</u> | |
| City Sales Taxes | 40,870.00 |
| State Aid | 25,301.08 |
| Total Intergovernmental | 66,171.08 |
| <u>Charges for Services</u> | |
| Camping Fees | 4,321.47 |
| Pool Receipts | 16,306.88 |
| Total Charges for Services | 20,628.35 |
| <u>Miscellaneous</u> | |
| Interest | 413.49 |
| Donations | 9,754.02 |
| Total Miscellaneous | 10,167.51 |
| Total Revenues | 335,147.22 |
| <u>Expenditures:</u> | |
| <u>Culture and Recreation</u> | |
| Governing Board | 3,450.00 |
| Clerk | 7,800.00 |
| Park Manager | 54,774.88 |
| Summer Employees | 73,001.70 |
| Payroll Taxes | 6,445.04 |
| Insurance | 3,899.14 |
| Repairs and Maintenance | 56,200.13 |
| Supplies | 79,095.32 |
| Utilities | 19,847.20 |
| Improvements | 18,989.18 |
| Miscellaneous | 3,053.37 |
| Total Culture and Recreation | 326,555.96 |
| <u>Capital Outlay</u> | |
| Mowers | 15,852.00 |
| Shop | 137,260.00 |
| Total Capital Outlay | 153,112.00 |
| Total Expenditures | 479,667.96 |
| Net Change in Fund Balances | (144,520.74) |
| Fund Balance - January 1 | 412,136.28 |
| Fund Balance - December 31 | 267,615.54 |

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

TIOGA PARK BOARD
Tioga, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Modified Cash Basis
Governmental Fund
For the Year Ended December 31, 2017

| | General |
|-------------------------------|------------|
| <u>Revenues:</u> | |
| <u>Taxes</u> | |
| General Property Taxes | 314,492.04 |
| <u>Intergovernmental</u> | |
| City Sales Taxes | 75,200.00 |
| State Aid | 24,232.73 |
| Total Intergovernmental | 99,432.73 |
| <u>Charges for Services</u> | |
| Camping Fees | 2,845.00 |
| Pool Receipts | 17,667.85 |
| Total Charges for Services | 20,512.85 |
| <u>Miscellaneous</u> | |
| Interest | 391.55 |
| Donations | 6,673.08 |
| Other | 184.89 |
| Total Miscellaneous | 7,249.52 |
| Total Revenues | 441,687.14 |
| <u>Expenditures:</u> | |
| <u>Culture and Recreation</u> | |
| Governing Board | 3,150.00 |
| Clerk | 8,300.00 |
| Summer Employees | 61,564.78 |
| Payroll Taxes | 5,585.47 |
| Audit Fees | 3,075.00 |
| Insurance | 4,326.80 |
| Repairs and Maintenance | 44,469.80 |
| Supplies | 25,154.51 |
| Utilities | 17,793.17 |
| Improvements | 55,599.22 |
| Miscellaneous | 1,708.70 |
| Total Culture and Recreation | 230,727.45 |
| <u>Capital Outlay</u> | |
| Pickup | 30,446.00 |
| Total Expenditures | 261,173.45 |
| Net Change in Fund Balances | 180,513.69 |
| Fund Balance - January 1 | 231,622.59 |
| Fund Balance - December 31 | 412,136.28 |

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | |
|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | (144,520.74) |
|--|--------------|

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 capital outlay exceeded depreciation in the current year.

| | | |
|-----------------------------------|-------------|-----------|
| Current Year Capital Outlay | 153,112.00 | |
| Current Year Depreciation Expense | (53,420.00) | 99,692.00 |
| | | |

| | |
|---|-------------|
| Change in Net Position of Governmental Activities | (44,828.74) |
| | |

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

TIOGA PARK BOARD
Tioga, 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 | 180,513.69 |
|--|------------|

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 | 30,446.00 | |
| Current Year Depreciation Expense | (49,090.00) | (18,644.00) |
| | | |

| | |
|---|------------|
| Change in Net Position of Governmental Activities | 161,869.69 |
| | |

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

TIOGA PARK BOARD
Tioga, North Dakota

Notes to the Financial Statements
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the park board 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 park board. The park board has considered all potential component units for which the park board is financially accountable and other organizations for which the nature and significance of their relationships with the park board are such that exclusion would cause the park board'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 park board 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 park board.

Based on these criteria, there are no component units to be included within the Tioga Park Board 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 Tioga Park Board. 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 park board'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 park board's governmental fund. The emphasis of fund financial statements is on the major governmental fund.

The park board reports the following major governmental fund:

General Fund. This is the park board's primary operating fund. It accounts for all financial resources of the general government.

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 park board 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

Cash includes amounts in demand deposits and money market accounts.

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 park board 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:

| | |
|-----------|----------|
| Equipment | 10 years |
| Pool | 40 years |

F. 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 park board 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 park board 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 park board through the adoption of a resolution. The park board also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the park board'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 park board 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 park board's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the park board'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 park board 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.

G. Use of Estimates

The preparation of financial statements in conformity with the special reporting framework (SRF) used by the park board 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 park board 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, 2018 the park board's carrying amount of deposits was \$267,616 and the bank balance was \$268,373. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$18,373 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017 the park board's carrying amount of deposits was \$412,136 and the bank balance was \$412,281. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$162,281 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

The park board 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.

Concentration of Credit Risk

The park board does not have a limit on the amount the park board 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>2018</u> | | | |
|---|------------------------------------|------------------|------------------|--------------------------------------|
| | <u>Balance</u> <u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>December 31</u> |
| Governmental Activities: | | | | |
| <i>Capital assets</i> | | | | |
| <i>being depreciated:</i> | | | | |
| Equipment | 100,246 | 15,852 | 8,700 | 107,398 |
| Shop | | 137,260 | | 137,260 |
| Pool | 1,597,400 | | | 1,597,400 |
| Total | <u>1,697,646</u> | <u>153,112</u> | <u>8,700</u> | <u>1,842,058</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Equipment | 43,445 | 10,740 | 8,700 | 45,485 |
| Shop | | 2,745 | | 2,745 |
| Pool | 119,805 | 39,935 | | 159,740 |
| Total | <u>163,250</u> | <u>53,420</u> | <u>8,700</u> | <u>207,970</u> |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>1,534,396</u> | <u>99,692</u> | <u>-0-</u> | <u>1,634,088</u> |

| | <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</i> | | | | |
| <i>being depreciated:</i> | | | | |
| Equipment | 69,800 | 30,446 | | 100,246 |
| Pool | 1,597,400 | | | 1,597,400 |
| Total | <u>1,667,200</u> | <u>30,446</u> | | <u>1,697,646</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Equipment | 34,290 | 9,155 | | 43,445 |
| Pool | 79,870 | 39,935 | | 119,805 |
| Total | <u>114,160</u> | <u>49,090</u> | | <u>163,250</u> |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>1,553,040</u> | <u>(18,644)</u> | <u>-0-</u> | <u>1,534,396</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-------------|-------------|
| <u>Governmental Activities:</u> | | |
| Culture and Recreation | 46,045 | 46,915 |
| | ===== | ===== |

Note 5 RISK MANAGEMENT

The Tioga Park Board 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 park board 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 \$92,952 for public assets.

The State Bonding Fund currently provides the park board with a blanket fidelity bond coverage in the amount of \$122,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The park board has worker's compensation with the Department of Workforce Safety and Insurance.

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

TIOGA PARK BOARD
Tioga, North Dakota

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

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|--------------------|-----------------|--------------|---|
| <u>Revenues:</u> | | | | |
| <u>Taxes</u> | | | | |
| General Property Taxes | 300,000.00 | 300,000.00 | 238,180.28 | (61,819.72) |
| <u>Intergovernmental</u> | | | | |
| City Sales Taxes | | | 40,870.00 | 40,870.00 |
| State Aid | 30,000.00 | 30,000.00 | 25,301.08 | (4,698.92) |
| Total Intergovernmental | 30,000.00 | 30,000.00 | 66,171.08 | 36,171.08 |
| <u>Charges for Services</u> | | | | |
| Camping Fees | 5,000.00 | 5,000.00 | 4,321.47 | (678.53) |
| Pool Receipts | 20,000.00 | 20,000.00 | 16,306.88 | (3,693.12) |
| Total Charges for Services | 25,000.00 | 25,000.00 | 20,628.35 | (4,371.65) |
| <u>Miscellaneous</u> | | | | |
| Interest | 200.00 | 200.00 | 413.49 | 213.49 |
| Donations | 150,000.00 | 150,000.00 | 9,754.02 | (140,245.98) |
| Total Miscellaneous | 150,200.00 | 150,200.00 | 10,167.51 | (140,032.49) |
| Total Revenues | 505,200.00 | 505,200.00 | 335,147.22 | (170,052.78) |
| <u>Expenditures:</u> | | | | |
| <u>Culture and Recreation</u> | | | | |
| Governing Board | 3,450.00 | 3,450.00 | 3,450.00 | |
| Clerk | 7,800.00 | 7,800.00 | 7,800.00 | |
| Park Manager | 55,000.00 | 55,000.00 | 54,774.88 | 225.12 |
| Summer Employees | 83,750.00 | 83,750.00 | 73,001.70 | 10,748.30 |
| Payroll Taxes | 11,500.00 | 11,500.00 | 6,445.04 | 5,054.96 |
| Insurance | 4,500.00 | 4,500.00 | 3,899.14 | 600.86 |
| Repairs and Maintenance | 40,000.00 | 40,000.00 | 56,200.13 | (16,200.13) |
| Supplies | 33,000.00 | 33,000.00 | 79,095.32 | (46,095.32) |
| Utilities | 15,000.00 | 15,000.00 | 19,847.20 | (4,847.20) |
| Improvements | 100,000.00 | 100,000.00 | 18,989.18 | 81,010.82 |
| Miscellaneous | 9,500.00 | 9,500.00 | 3,053.37 | 6,446.63 |
| Total Culture and Recreation | 363,500.00 | 363,500.00 | 326,555.96 | 36,944.04 |
| <u>Capital Outlay</u> | | | | |
| Mowers | | | 15,852.00 | (15,852.00) |
| Shop | 150,000.00 | 150,000.00 | 137,260.00 | 12,740.00 |
| Total Capital Outlay | 150,000.00 | 150,000.00 | 153,112.00 | (3,112.00) |
| Total Expenditures | 513,500.00 | 513,500.00 | 479,667.96 | 33,832.04 |
| Net Change in Fund Balances | (8,300.00) | (8,300.00) | (144,520.74) | (136,220.74) |
| Fund Balance - January 1 | 412,136.28 | 412,136.28 | 412,136.28 | |
| Fund Balance - December 31 | 403,836.28 | 403,836.28 | 267,615.54 | (136,220.74) |

TIOGA PARK BOARD
Tioga, North Dakota

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

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|--------------------|-----------------|------------|---|
| <u>Revenues:</u> | | | | |
| <u>Taxes</u> | | | | |
| General Property Taxes | 245,000.00 | 245,000.00 | 314,492.04 | 69,492.04 |
| <u>Intergovernmental</u> | | | | |
| City Sales Taxes | | | 75,200.00 | 75,200.00 |
| State Aid | 30,000.00 | 30,000.00 | 24,232.73 | (5,767.27) |
| Total Intergovernmental | 30,000.00 | 30,000.00 | 99,432.73 | 69,432.73 |
| <u>Charges for Services</u> | | | | |
| Camping Fees | 5,000.00 | 5,000.00 | 2,845.00 | (2,155.00) |
| Pool Receipts | 20,000.00 | 20,000.00 | 17,667.85 | (2,332.15) |
| Total Charges for Services | 25,000.00 | 25,000.00 | 20,512.85 | (4,487.15) |
| <u>Miscellaneous</u> | | | | |
| Interest | | | 391.55 | 391.55 |
| Donations | 20,000.00 | 20,000.00 | 6,673.08 | (13,326.92) |
| Other | 200.00 | 200.00 | 184.89 | (15.11) |
| Total Miscellaneous | 20,200.00 | 20,200.00 | 7,249.52 | (12,950.48) |
| Total Revenues | 320,200.00 | 320,200.00 | 441,687.14 | 121,487.14 |
| <u>Expenditures:</u> | | | | |
| <u>Culture and Recreation</u> | | | | |
| Governing Board | 3,150.00 | 3,150.00 | 3,150.00 | |
| Clerk | 8,300.00 | 8,300.00 | 8,300.00 | |
| Summer Employees | 88,550.00 | 88,550.00 | 61,564.78 | 26,985.22 |
| Payroll Taxes | 8,000.00 | 8,000.00 | 5,585.47 | 2,414.53 |
| Audit Fees | | | 3,075.00 | (3,075.00) |
| Insurance | 4,500.00 | 4,500.00 | 4,326.80 | 173.20 |
| Repairs and Maintenance | 80,000.00 | 80,000.00 | 44,469.80 | 35,530.20 |
| Supplies | 33,000.00 | 33,000.00 | 25,154.51 | 7,845.49 |
| Utilities | 15,000.00 | 15,000.00 | 17,793.17 | (2,793.17) |
| Improvements | 70,000.00 | 70,000.00 | 55,599.22 | 14,400.78 |
| Miscellaneous | 9,500.00 | 9,500.00 | 1,708.70 | 7,791.30 |
| Total Culture and Recreation | 320,000.00 | 320,000.00 | 230,727.45 | 89,272.55 |
| <u>Capital Outlay</u> | | | | |
| Pickup | | | 30,446.00 | (30,446.00) |
| Total Expenditures | 320,000.00 | 320,000.00 | 261,173.45 | 58,826.55 |
| Net Change in Fund Balances | 200.00 | 200.00 | 180,513.69 | 180,313.69 |
| Fund Balance - January 1 | 231,622.59 | 231,622.59 | 231,622.59 | |
| Fund Balance - December 31 | 231,822.59 | 231,822.59 | 412,136.28 | 180,313.69 |

TIOGA PARK BOARD
Tioga, North Dakota

NOTES TO THE BUDGETARY COMPARISON SCHEDULES
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the park board clerk prepares the preliminary budget. The park board budget is prepared for the general fund 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 park board and the approval must be noted in the official proceedings of the park board.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board did not amend the park's budgets for the years ending December 31, 2018 and 2017.

Rath & Mehrer

Certified Public Accountants

Specializing in Governmental Auditing

Phone: (701) 258-4560

Jayson Rath, CPA
Ken Mehrer, CPA

425 North Fifth Street
Bismarck, ND 58501

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
Tioga Park Board
Tioga, 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 and the major fund of the Tioga Park Board, Tioga, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the park board's basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the park board'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 park board's internal control. Accordingly, we do not express an opinion on the effectiveness of the park board'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 park board'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 park board'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*.

Park Board's Response to Findings

The park board's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The park board'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 park board's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the park board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

March 22, 2019

TIOGA PARK BOARD
Tioga, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities
Major Governmental Fund

Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis

Internal control over financial reporting:

- * Material weakness(es) identified? Yes X No
- * Significant deficiency(ies) identified? X Yes None Reported
- Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

Condition: The park board 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 park board's financial condition.

Recommendation: Due to the size of the park board, 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 park board's financial statements as of December 31, 2018 and 2017 are prepared by the park board's external auditors.

Criteria: A good system of internal controls requires the park board to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the park board 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 park board 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 park board to prepare its own financial statements.