

**WATFORD CITY PARK DISTRICT
WATFORD CITY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016, AND 2015

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WATFORD CITY PARK DISTRICT
PARK DISTRICT OFFICIALS (UNAUDITED)
DECEMBER 31, 2017

Justin Johnsrud	President
LeAnne Voll	Vice President
Allen Shelley	Commissioner
Katie Walters	Commissioner
Eric Krogen	Commissioner
Robin Arndt	Park Superintendent Facility Managing Director /
Keith Larson	Recreation Coordinator
Sara Fitzpatrick	Office Manager

INDEPENDENT AUDITOR'S REPORT

To the Park District Board
Watford City Park District
Watford City, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watford City Park District, as of and for the years ended December 31, 2017, 2016, and 2015, and the related notes to the financial statements, which collectively comprise the Park District'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 accounting principles generally accepted in the United States of America; this includes 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 conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion.

Basis for Disclaimer of Opinions

Supporting documentation for the accounting records was incomplete for our audits of the years ended December 31, 2017, 2016, and 2015. Therefore, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Disclaimer of Opinions

Because of the significance of the matter described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

Emphasis of Matters

As discussed in Note 9 to the financial statements, the Watford City Park District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ended December 31, 2015. As discussed in Note 10 to the financial statements, the Park District has retroactively restated the previously reported Net Position in accordance with this statement.

As described in Note 10 to the financial statements, a prior period adjustment has been made to record capital assets on the government-wide statements.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's proportionate share of net pension liability, schedule of employer contributions, and notes to the required supplementary information be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

Other Information

The listing of the Park District officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2020 on our consideration of the Watford City 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watford City Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watford City Park District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 13, 2020

WATFORD CITY PARK DISTRICT
DECEMBER 31, 2017 FINANCIAL STATEMENTS

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WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,266,550	\$ 62,154	\$2,328,704
Accounts receivable	15,100	-	15,100
Due from county	72,019	-	72,019
Taxes receivable	31,134	-	31,134
Due from other funds	4,613	-	4,613
Total current assets	<u>2,389,416</u>	<u>62,154</u>	<u>2,451,570</u>
Non-current assets:			
Capital assets:			
Construction in progress	1,036,354	-	1,036,354
Depreciable assets	<u>2,976,693</u>	<u>-</u>	<u>2,976,693</u>
Total non-current assets	<u>4,013,047</u>	<u>-</u>	<u>4,013,047</u>
Total assets	<u>6,402,463</u>	<u>62,154</u>	<u>6,464,617</u>
DEFERRED OUTFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	<u>558,851</u>	<u>-</u>	<u>558,851</u>
LIABILITIES			
Current liabilities:			
Accounts payable	39,171	37,565	76,736
Accrued liabilities	64,311	8,780	73,091
Due to other funds	-	4,613	4,613
Total current liabilities	<u>103,482</u>	<u>50,958</u>	<u>154,440</u>
Non-current liabilities:			
Accrued compensated absences	12,932	11,543	24,475
Net pension liability	<u>779,699</u>	<u>-</u>	<u>779,699</u>
Total non-current liabilities	<u>792,631</u>	<u>11,543</u>	<u>804,174</u>
Total liabilities	<u>896,113</u>	<u>62,501</u>	<u>958,614</u>
DEFERRED INFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	<u>21,384</u>	<u>-</u>	<u>21,384</u>
NET POSITION			
Net investment in capital assets	4,013,047	-	4,013,047
Restricted for:			
Park Facilities	1,613,918	-	1,613,918
Unrestricted	<u>416,852</u>	<u>(347)</u>	<u>416,505</u>
Total net position	<u>\$ 6,043,817</u>	<u>\$ (347)</u>	<u>\$6,043,470</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
Park operations	\$ 985,385	\$ 132,036	\$ 11,255	\$ 342,695	\$ (499,399)	\$ -	\$ (499,399)
Business-type Activities:							
Rough Rider Center	1,805,349	1,324,831	72,320	-	-	(408,198)	(408,198)
Total government	<u>\$2,790,734</u>	<u>\$ 1,456,867</u>	<u>\$ 83,575</u>	<u>\$ 342,695</u>	<u>(499,399)</u>	<u>(408,198)</u>	<u>(907,597)</u>
General Revenues:							
Taxes					1,272,874	-	1,272,874
Intergovernmental					131,747	298,199	429,946
Interest					3,986	-	3,986
Miscellaneous					994	-	994
Transfers					(148,173)	148,173	-
Total general revenues and transfers					<u>1,261,428</u>	<u>446,372</u>	<u>1,707,800</u>
Change in net position					762,029	38,174	800,203
Net position - beginning of year					<u>5,281,788</u>	<u>(38,521)</u>	<u>5,243,267</u>
Net position - end of year					<u>\$ 6,043,817</u>	<u>\$ (347)</u>	<u>\$ 6,043,470</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Park & Recreation Facilities Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 644,935	\$ 1,621,616	\$ 2,266,551
Accounts receivable	100	15,000	15,100
Due from county	63,180	8,839	72,019
Taxes receivable	27,334	3,799	31,133
Due from other funds	4,613	-	4,613
Total assets	<u>\$ 740,162</u>	<u>\$ 1,649,254</u>	<u>\$ 2,389,416</u>
LIABILITIES			
Accounts payable	\$ 3,835	\$ 35,336	\$ 39,171
Accrued liabilities	64,311	-	64,311
Total liabilities	<u>68,146</u>	<u>35,336</u>	<u>103,482</u>
DEFERRED INFLOWS OF RESOURCES			
Delinquent property taxes	<u>27,334</u>	<u>3,799</u>	<u>31,133</u>
FUND BALANCES			
Restricted	-	1,610,119	1,610,119
Assigned for:			
Equipment Purchase	78,462	-	78,462
Facility Maintenance	126,334	-	126,334
Unrestricted	<u>439,886</u>	<u>-</u>	<u>439,886</u>
Total fund balances	<u>644,682</u>	<u>1,610,119</u>	<u>2,254,801</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 740,162</u>	<u>\$ 1,649,254</u>	<u>\$ 2,389,416</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Governmental Funds Balance		\$ 2,254,801
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Delinquent property taxes		31,133
<p>Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund</p>		
		4,013,047
<p>Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds</p>		
		537,467
<p>Long-term liabilities not due and payable in the current period and therefore are not included in the fund:</p>		
Net pension liability	(779,699)	
Accrued compensated absences	(12,932)	
Total	(792,631)	(792,631)
Net position of governmental activities		\$ 6,043,817

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Park & Recreation Facilities Fund	Total Governmental Funds
	<u>General</u>	<u>Fund</u>	<u>Funds</u>
REVENUES			
Taxes	\$ 1,134,775	\$ 148,709	\$ 1,283,484
Intergovernmental	131,747	-	131,747
Charges for services	132,036	-	132,036
Interest	3,986	-	3,986
Grants and contributions	9,555	344,395	353,950
Miscellaneous	94	900	994
Total revenues	<u>1,412,193</u>	<u>494,004</u>	<u>1,906,197</u>
EXPENDITURES			
Current:			
Park operations	602,197	71,383	673,580
Capital outlay	101,404	868,581	969,985
Total expenditures	<u>703,601</u>	<u>939,964</u>	<u>1,643,565</u>
Excess of revenues over (under) expenditures	<u>708,592</u>	<u>(445,960)</u>	<u>262,632</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	207,620	207,620
Transfers out	(355,793)	-	(355,793)
Total other financing sources (uses)	<u>(355,793)</u>	<u>207,620</u>	<u>(148,173)</u>
Excess of revenues and other sources (uses) over (under) expenditures	352,799	(238,340)	114,459
Fund balance - January 1	291,883	1,848,459	2,140,342
Fund balance - December 31	<u>\$ 644,682</u>	<u>\$ 1,610,119</u>	<u>\$ 2,254,801</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balance - Total Governmental Funds \$ 114,459

Amounts reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	969,985
Current year depreciation expense	(183,281)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Net change in deferred property taxes	(10,611)
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Changes in net deferred outflows and inflows relating to net pension liability	352,207
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net increase in net pension liability	(474,845)	
Net increase in accrued compensated absences	(5,885)	
Total	(480,730)	
Change in net position	\$ 762,029	

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2017

	Rough Rider Center Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 62,154
LIABILITIES	
Current liabilities:	
Accounts payable	37,565
Accrued liabilities	8,780
Due to other funds	4,613
Total current liabilities	50,958
Noncurrent liabilities:	
Compensated absences	11,543
Total liabilities	62,501
NET POSITION	
Unrestricted	(347)
Total net position	\$ (347)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Rough Rider Center Fund</u>
OPERATING REVENUES	
Charges for services	<u>\$ 1,324,831</u>
OPERATING EXPENSES	
Salaries and employee benefits	951,487
General maintenance and supplies	229,299
Utilities	438,897
Other operating expenses	<u>185,666</u>
Total operating expenses	<u>1,805,349</u>
Operating income (loss)	(480,518)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	298,199
Contributions	72,320
Total nonoperating revenues (expenses)	<u>370,519</u>
Income (loss) before contributions and transfers	(109,999)
Transfers in	<u>148,173</u>
Change in net position	<u>38,174</u>
Net position - beginning of year	<u>(38,521)</u>
Net position - end of year	<u><u>\$ (347)</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Rough Rider Center Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,324,831
Payments to suppliers	(864,402)
Payments to employees	(1,010,870)
Net cash provided (used) by operating activities	(550,441)
Cash flows from noncapital and related financing activities:	
Intergovernmental revenues	298,199
Contributions	72,320
Transfers in (out)	148,173
Net cash provided (used) by noncapital and related financing activities	518,692
Net change in cash and cash equivalents	(31,749)
Cash and cash equivalents - January 1	93,903
Cash and cash equivalents - December 31	\$ 62,154
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (480,518)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Accounts payable	(14,301)
Accrued liabilities	3,761
Due to other funds	(64,188)
Compensated absences	4,805
Net cash provided (used) by operating activities	\$ (550,441)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
DECEMBER 31, 2016 FINANCIAL STATEMENTS

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Statement of Revenues, Expenses, and Changes in Net
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WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,043,236	\$ 93,903	\$ 2,137,139
Accounts receivable	15,100	-	15,100
Due from county	86,872	-	86,872
Taxes receivable	41,744	-	41,744
Due from other funds	68,801	-	68,801
Total current assets	2,255,753	93,903	2,349,656
Non-current assets:			
Capital assets:			
Construction in progress	220,886	-	220,886
Depreciable assets	3,005,458	-	3,005,458
Total non-current assets	3,226,344	-	3,226,344
Total assets	5,482,097	93,903	5,576,000
DEFERRED OUTFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	203,228	-	203,228
LIABILITIES			
Current liabilities:			
Accounts payable	2,370	51,866	54,236
Accrued liabilities	71,298	5,019	76,317
Due to other funds	-	68,801	68,801
Total current liabilities	73,668	125,686	199,354
Non-current liabilities:			
Accrued compensated absences	7,047	6,738	13,785
Net pension liability	304,854	-	304,854
Total non-current liabilities	311,901	6,738	318,639
Total liabilities	385,569	132,424	517,993
DEFERRED INFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	17,968	-	17,968
NET POSITION			
Net investment in capital assets	3,226,344	-	3,226,344
Restricted for:			
Park Facilities	1,853,340	-	1,853,340
Unrestricted	202,104	(38,521)	163,583
Total net position	\$ 5,281,788	\$ (38,521)	\$ 5,243,267

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Park operations	\$ 921,594	\$ 199,297	\$ 8,726	\$ 170,591	\$ (542,980)	\$ -	\$ (542,980)
Business-type Activities:							
Rough Rider Center	683,387	209,374	11,560	-	-	(462,453)	(462,453)
Total government	<u>\$1,604,981</u>	<u>\$ 408,671</u>	<u>\$ 20,286</u>	<u>\$ 170,591</u>	<u>(542,980)</u>	<u>(462,453)</u>	<u>(1,005,433)</u>
General Revenues:							
Taxes					961,342	-	961,342
Intergovernmental					408,164	317,880	726,044
Interest					2,594	-	2,594
Miscellaneous					6,549	-	6,549
Transfers					(106,052)	106,052	-
Total general revenues and transfers					<u>1,272,597</u>	<u>423,932</u>	<u>1,696,529</u>
Change in net position					729,617	(38,521)	691,096
Net position - beginning of year					<u>4,552,171</u>	<u>-</u>	<u>4,552,171</u>
Net position - end of year					<u>\$ 5,281,788</u>	<u>\$ (38,521)</u>	<u>\$ 5,243,267</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 220,326	\$ 1,822,911	\$ 2,043,237
Accounts receivable	100	15,000	15,100
Due from county	76,199	10,673	86,872
Taxes receivable	36,863	4,881	41,744
Due from other funds	68,801	-	68,801
Total assets	<u>\$ 402,289</u>	<u>\$ 1,853,465</u>	<u>\$ 2,255,754</u>
LIABILITIES			
Accounts payable	\$ 2,245	\$ 125	\$ 2,370
Accrued liabilities	71,298	-	71,298
Total liabilities	<u>73,543</u>	<u>125</u>	<u>73,668</u>
DEFERRED INFLOWS OF RESOURCES			
Delinquent property taxes	<u>36,863</u>	<u>4,881</u>	<u>41,744</u>
FUND BALANCES			
Restricted	-	1,848,459	1,848,459
Assigned for:			
Equipment Purchase	78,462	-	78,462
Facility Maintenance	212,352	-	212,352
Unrestricted	1,069	-	1,069
Total fund balances	<u>291,883</u>	<u>1,848,459</u>	<u>2,140,342</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 402,289</u>	<u>\$ 1,853,465</u>	<u>\$ 2,255,754</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Governmental Funds Balance		\$ 2,140,342
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Delinquent property taxes		41,744
<p>Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund</p>		
		3,226,344
<p>Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds</p>		
		185,259
<p>Long-term liabilities not due and payable in the current period and therefore are not included in the fund:</p>		
Net pension liability	(304,854)	
Accrued compensated absences	(7,047)	
Total	(311,901)	
Net position of governmental activities		\$ 5,281,788

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Park & Recreation Facilities Fund	Social Security & Pension Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 852,061	\$ 93,902	\$ -	\$ 945,963
Intergovernmental	108,164	300,000	-	408,164
Charges for services	199,297	-	-	199,297
Interest	2,594	-	-	2,594
Grants and contributions	8,726	170,591	-	179,317
Miscellaneous	7,379	-	-	7,379
Total revenues	<u>1,178,221</u>	<u>564,493</u>	<u>-</u>	<u>1,742,714</u>
EXPENDITURES				
Current:				
Park operations	684,958	29,516	-	714,474
Capital outlay	66,672	175,864	-	242,536
Total expenditures	<u>751,630</u>	<u>205,380</u>	<u>-</u>	<u>957,010</u>
Excess of revenues over (under) expenditures	<u>426,591</u>	<u>359,113</u>	<u>-</u>	<u>785,704</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	426,000	2,676	428,676
Transfers out	(534,728)	-	-	(534,728)
Proceeds from sale of park land	-	18,849	-	18,849
Total other financing sources (uses)	<u>(534,728)</u>	<u>444,849</u>	<u>2,676</u>	<u>(87,203)</u>
Excess of revenues and other sources (uses) over (under) expenditures	(108,137)	803,962	2,676	698,501
Fund balance - January 1	400,020	1,044,497	(2,676)	1,441,841
Fund balance - December 31	<u>\$ 291,883</u>	<u>\$ 1,848,459</u>	<u>\$ -</u>	<u>\$ 2,140,342</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Total Governmental Funds \$ 698,501

Amounts reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	242,536
Current year depreciation expense	(175,680)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (19,680)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Net change in deferred property taxes	15,381
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Changes in net deferred outflows and inflows relating to net pension liability	177,469
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net increase in net pension liability	(208,956)	
Net decrease in accrued compensated absences	46	
Total	(208,910)	
Change in net position		\$ 729,617

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2016

	Rough Rider Center Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 93,903
LIABILITIES	
Current liabilities:	
Accounts payable	51,866
Accrued liabilities	5,019
Due to other funds	68,801
Total current liabilities	125,686
Noncurrent liabilities:	
Compensated absences	6,738
Total liabilities	132,424
NET POSITION	
Unrestricted	(38,521)
Total net position	\$ (38,521)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Rough Rider Center Fund
OPERATING REVENUES	
Charges for services	\$ 209,374
OPERATING EXPENSES	
Salaries and employee benefits	395,425
General maintenance and supplies	132,662
Utilities	9,125
Other operating expenses	146,175
Total operating expenses	683,387
Operating income (loss)	(474,013)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	317,880
Contributions	11,560
Total nonoperating revenues (expenses)	329,440
Income (loss) before contributions and transfers	(144,573)
Transfers in	106,052
Change in net position	(38,521)
Net position - beginning of year	-
Net position - end of year	\$ (38,521)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Rough Rider Center Fund
Cash flows from operating activities:	
Receipts from customers	\$ 209,374
Payments to suppliers	(231,077)
Payments to employees	(319,886)
Net cash provided (used) by operating activities	(341,589)
Cash flows from noncapital and related financing activities:	
Intergovernmental revenues	317,880
Contributions	11,560
Transfers in (out)	106,052
Net cash provided (used) by noncapital and related financing activities	435,492
Net change in cash and cash equivalents	93,903
Cash and cash equivalents - January 1	-
Cash and cash equivalents - December 31	\$ 93,903
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (474,013)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Accounts payable	51,866
Accrued liabilities	5,019
Due to other funds	68,801
Compensated absences	6,738
Net cash provided (used) by operating activities	\$ (341,589)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
DECEMBER 31, 2015 FINANCIAL STATEMENTS

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Government -Wide Statement of Activities 31

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,396,525
Accounts receivable	1,112
Due from county	89,801
Taxes receivable	26,364
Total current assets	<u>1,513,802</u>
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land	19,679
Construction in progress	45,022
Depreciable assets	3,114,466
Total non-current assets	<u>3,179,167</u>
Total assets	<u>4,692,969</u>
 DEFERRED OUTFLOW OF RESOURCES	
Cost sharing defined benefit plan - pension	<u>18,359</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	34,134
Accrued liabilities	11,463
Total current liabilities	<u>45,597</u>
Non-current liabilities:	
Accrued compensated absences	7,094
Net pension liability	95,898
Total non-current liabilities	<u>102,992</u>
Total liabilities	<u>148,589</u>
 DEFERRED INFLOW OF RESOURCES	
Cost sharing defined benefit plan - pension	<u>10,568</u>
 NET POSITION	
Net investment in capital assets	3,179,167
Restricted for:	
Park Facilities	1,047,524
Unrestricted	325,480
Total net position	<u>\$ 4,552,171</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities: Park operations	<u>\$ 850,797</u>	<u>\$ 221,183</u>	<u>\$ 26,145</u>	<u>\$ 282,378</u>	<u>\$ (321,091)</u>
General Revenues:					
Taxes					608,243
Intergovernmental					196,758
Interest					2,211
Miscellaneous					<u>19,364</u>
Total general revenues					<u>826,576</u>
Change in net position					<u>505,485</u>
Net position - beginning of year, as originally stated					1,455,153
GASB 68 and 71 adjustment - see Note 9					(79,355)
Prior period adjustment - See Note 10					<u>2,670,888</u>
Net position - beginning of year, restated					<u>4,046,686</u>
Net position - end of year					<u>\$ 4,552,171</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Social Security & Pension Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 362,703	\$1,033,032	\$ 791	\$ 1,396,526
Accounts receivable	100	1,012	-	1,112
Due from county	79,242	10,453	106	89,801
Taxes receivable	21,295	3,027	2,041	26,363
Total assets	<u>\$ 463,340</u>	<u>\$1,047,524</u>	<u>\$ 2,938</u>	<u>\$ 1,513,802</u>
LIABILITIES				
Accounts payable	\$ 34,134	\$ -	\$ -	\$ 34,134
Accrued liabilities	7,891	-	3,573	11,464
Total liabilities	<u>42,025</u>	<u>-</u>	<u>3,573</u>	<u>45,598</u>
DEFERRED INFLOWS OF RESOURCES				
Delinquent property taxes	<u>21,295</u>	<u>3,027</u>	<u>2,041</u>	<u>26,363</u>
FUND BALANCES				
Restricted	-	1,044,497	-	1,044,497
Assigned for:				
Equipment purchase	50,942	-	-	50,942
Facility maintenance	167,862	-	-	167,862
Unrestricted	<u>181,216</u>	<u>-</u>	<u>(2,676)</u>	<u>178,540</u>
Total fund balances	<u>400,020</u>	<u>1,044,497</u>	<u>(2,676)</u>	<u>1,441,841</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 463,340</u>	<u>\$1,047,524</u>	<u>\$ 2,938</u>	<u>\$ 1,513,802</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total Governmental Funds Balance		\$ 1,441,841
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Delinquent property taxes		26,364
<p>Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund</p>		
		3,179,167
<p>Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds</p>		
		7,791
<p>Long-term liabilities not due and payable in the current period and therefore are not included in the fund:</p>		
Net pension liability	(95,898)	
Accrued compensated absences	(7,094)	
Total	(102,992)	(102,992)
Net position of governmental activities		\$ 4,552,171

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Social Security & Pension Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 443,397	\$ 107,998	\$ 36,036	\$ 587,431
Intergovernmental	196,758	-	-	196,758
Charges for services	207,183	14,000	-	221,183
Interest	2,211	-	-	2,211
Grants and contributions	16,145	292,378	-	308,523
Miscellaneous	16,619	1,095	-	17,714
	<u>882,313</u>	<u>415,471</u>	<u>36,036</u>	<u>1,333,820</u>
EXPENDITURES				
Current:				
Park operations	608,249	33,845	43,661	685,755
Capital outlay	297,778	359,698	-	657,476
	<u>906,027</u>	<u>393,543</u>	<u>43,661</u>	<u>1,343,231</u>
Excess of revenues over (under) expenditures	-	-	-	-
	<u>(23,714)</u>	<u>21,928</u>	<u>(7,625)</u>	<u>(9,411)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	80,000	-	80,000
Transfers out	(80,000)	-	-	(80,000)
Proceeds from sale of park land	-	1,649	-	1,649
	<u>-</u>	<u>1,649</u>	<u>-</u>	<u>1,649</u>
Total other financing sources (uses)	<u>(80,000)</u>	<u>81,649</u>	<u>-</u>	<u>1,649</u>
Excess of revenues and other sources (uses) over (under) expenditures	(103,714)	103,577	(7,625)	(7,762)
Fund balance - January 1	503,734	940,920	4,949	1,449,603
Fund balance - December 31	<u>\$ 400,020</u>	<u>\$ 1,044,497</u>	<u>\$ (2,676)</u>	<u>\$ 1,441,841</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balance - Total Governmental Funds \$ (7,762)

Amounts reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	657,476
Current year depreciation expense	(149,197)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Net change in deferred property taxes	20,813
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Changes in net deferred outflows and inflows relating to net pension liability	3,027
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net increase in net pension liability	(11,778)	
Net increase in accrued compensated absences	(7,094)	
Total	(18,872)	
Change in net position	\$ 505,485	

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Watford City Park District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the 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 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 District. Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental and proprietary fund financial statements is on major funds.

Governmental Fund Types

Governmental Funds

General Fund - The general fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District does not have any special revenue funds.

Capital Project Funds - Capital project funds are used to account for the financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of district facilities and other capital assets.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District does not have any debt service funds.

The District reports the following major governmental funds:

General Fund - As described above.

Park and Recreation Facilities Fund - The park and recreation facilities fund is used to account for the financial resources used for the District's expenditures for major capital acquisitions and improvements.

Social Security & Pension Fund - The social security and pension fund is not required to be presented as a major fund, but the District has elected to show it as one for the years ended December 31, 2016 and 2015. This fund accounts for the financial resources used to pay for social security and pension plan expenditures of the Park District. The fund was closed out to the general fund during the year ended December 31, 2016.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

The District reports the following major enterprise fund:

Rough Rider Center Fund – The Rough Rider Center fund is used to account for the District's activities related to administering, maintaining, and operating the city-owned Rough Rider Center.

Measurement Focus/Basis of Accounting

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 when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Park District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with a maturity date within three months of the date acquired by the District.

Due From County

Due from county consists of current taxes collected by the county treasurer, but not remitted as of December 31, 2017, 2016, and 2015.

Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31, 2017, 2016, and 2015, and are recorded as deferred inflows of resources in the governmental funds and recognized as revenue in the government-wide financial statements.

Due From (To) Other Funds

Due from (to) other funds arise when one fund advances cash to another fund or pays the expenses of another fund.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets acquired December 31, 2014 or earlier are recorded based upon their insured values as of January 1, 2015, which is not in accordance with generally accepted accounting principles in the United States. Additions made on or after January 1, 2015 are recorded at cost. Improvements that significantly extend the useful life of an asset are also capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The District's capitalization policy is \$5,000 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and infrastructure	30 years
Equipment	5 years
Vehicles	5 years
Software	3 years

Compensated Absences

For the years ended December 31, 2016 and 2015, all regular full-time employees of the District were covered by a compensated absences policy including vacation and sick leave. Employees earn vacation and sick pay at a rate of 8 to 12 hours for vacation dependent upon the employee's years of service and 8 hours per month for sick leave. Unused vacation could be accumulated and carried over at a maximum of 144 hours, depending on years of service, to the next calendar year. Unused sick leave could be accumulated and carried over at a maximum of 480 hours to the next calendar year. Upon termination of employment, employees receive 100 percent of their unused vacation pay at their rate of pay on the date of termination. Unused sick leave is not paid out upon termination.

For the year ended December 31, 2017, all regular full-time, part-time, and introductory employees were covered by a compensated absences policy consisting of paid time off (PTO). Employees earn PTO at a rate of 11.333 to 20 hours per month dependent upon the employee's years of service. The maximum PTO that could be accumulated during a year is 300 hours, depending on years of service. Unused PTO is carried over at a maximum of 1 years' worth of accumulated PTO hours. Unused PTO in excess 240 hours is converted to extended sick leave (ESL) which has no cap. Upon termination of employment, employees receive 100 percent of their unused PTO at their rate of pay on the date of termination. Unused ESL is not paid out upon termination.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Park Board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Park Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position

Net position represents the difference between (a) assets and (b) liabilities and deferred inflows of resources in the District’s financial statements. Restricted net position consists of restricted assets reduced by liabilities. Unrestricted net position is the net amount of assets, liabilities, and deferred inflows of resources that are not included in the restricted component of net position.

Net Position Flow Assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item reported as a deferred outflow of resources on the statement of net position, cost sharing defined benefit plan - pension, which represents the actuarial differences within the North Dakota Public Employees Retirement System pension plan (NDPERS).

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, delinquent property taxes (unavailable revenue), is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues, from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as cost sharing defined benefit plan - pension, which represents actuarial differences within the NDPERS.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All Park District tax levies are in compliance with state laws.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Implementation of New Accounting Principles

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the year ended December 31, 2015. GASB Statements No. 68 and 71 established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

NOTE 2 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution’s failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds.

The District maintains interest bearing cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to \$250,000 at each institution. The amount on deposit in excess of FDIC insurance as of December 31, 2017, 2016, and 2015 was covered by pledged securities.

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables at December 31, 2017 were as follows:

Fund	Due From	Due To
Governmental Funds:		
General Fund	\$ 4,613	\$ -
Proprietary Funds:		
Rough Rider Center Fund	-	4,613
	\$ 4,613	\$ 4,613

Interfund receivables/payables at December 31, 2016 were as follows:

Fund	Due From	Due To
Governmental Funds:		
General Fund	\$ 68,801	\$ -
Proprietary Funds:		
Rough Rider Center Fund	-	68,801
	\$ 68,801	\$ 68,801

There were no interfund receivable/payable balances at December 31, 2015.

These advances were made to cover payroll and related expenses. The Rough Rider Center fund will repay these advances as funds become available.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	220,886	815,468	-	1,036,354
Total capital assets not being depreciated	<u>220,886</u>	<u>815,468</u>	<u>-</u>	<u>1,036,354</u>
Capital assets, being depreciated:				
Buildings and improvements	2,941,084	129,540	-	3,070,624
Machinery and equipment	330,021	24,976	-	354,997
Vehicles	41,119	-	-	41,119
Software	18,111	-	-	18,111
Total capital assets being depreciated	<u>3,330,335</u>	<u>154,516</u>	<u>-</u>	<u>3,484,851</u>
Less accumulated depreciation for:				
Buildings and improvements	184,649	100,102	-	284,751
Machinery and equipment	116,234	68,918	-	185,152
Vehicles	16,448	8,224	-	24,672
Software	7,546	6,037	-	13,583
Total accumulated depreciation	<u>324,877</u>	<u>183,281</u>	<u>-</u>	<u>508,158</u>
Total capital assets being depreciated, net	<u>3,005,458</u>	<u>(28,765)</u>	<u>-</u>	<u>2,976,693</u>
Governmental capital assets, net	<u>\$ 3,226,344</u>	<u>\$ 786,703</u>	<u>\$ -</u>	<u>\$ 4,013,047</u>

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 19,679	\$ -	\$ (19,679)	\$ -
Construction in progress	45,022	175,864	-	220,886
Total capital assets not being depreciated	<u>64,701</u>	<u>175,864</u>	<u>(19,679)</u>	<u>220,886</u>
Capital assets, being depreciated:				
Buildings and improvements	2,924,412	16,672	-	2,941,084
Machinery and equipment	280,021	50,000	-	330,021
Vehicles	41,119	-	-	41,119
Software	18,111	-	-	18,111
Total capital assets being depreciated	<u>3,263,663</u>	<u>66,672</u>	<u>-</u>	<u>3,330,335</u>
Less accumulated depreciation for:				
Buildings and improvements	86,734	97,915	-	184,649
Machinery and equipment	52,730	63,504	-	116,234
Vehicles	8,224	8,224	-	16,448
Software	1,509	6,037	-	7,546
Total accumulated depreciation	<u>149,197</u>	<u>175,680</u>	<u>-</u>	<u>324,877</u>
Total capital assets being depreciated, net	<u>3,114,466</u>	<u>(109,008)</u>	<u>-</u>	<u>3,005,458</u>
Governmental capital assets, net	<u>\$ 3,179,167</u>	<u>\$ 66,856</u>	<u>\$ (19,679)</u>	<u>\$ 3,226,344</u>

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 19,679	\$ -	\$ 19,679
Construction in progress	-	45,022	-	45,022
Total capital assets not being depreciated	-	64,701	-	64,701
Capital assets, being depreciated:				
Buildings and improvements	2,436,348	488,064	-	2,924,412
Machinery and equipment	214,540	65,481	-	280,021
Vehicles	20,000	21,119	-	41,119
Software	-	18,111	-	18,111
Total capital assets being depreciated	2,670,888	592,775	-	3,263,663
Less accumulated depreciation for:				
Buildings and improvements	-	86,734	-	86,734
Machinery and equipment	-	52,730	-	52,730
Vehicles	-	8,224	-	8,224
Software	-	1,509	-	1,509
Total accumulated depreciation	-	149,197	-	149,197
Total capital assets being depreciated, net	2,670,888	443,578	-	3,114,466
Governmental capital assets, net	\$ 2,670,888	\$ 508,279	\$ -	\$ 3,179,167

NOTE 5 FUND DEFICITS

The following funds were in a deficit position at December 31:

Fund	2017	2016	2015
Governmental Funds:			
Social Security & Pension Fund	n/a	n/a	\$ (2,676)
Proprietary Funds:			
Rough Rider Center Fund	\$ (347)	\$ (38,521)	n/a

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

NOTE 6 INTERFUND TRANSFERS

Interfund transfers at December 31, 2017 were as follows:

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Rough Rider Center Fund</u>	<u>Total</u>
Transfer In	\$ -	\$ 207,620	\$ 148,173	\$ 355,793
Transfer Out	(355,793)	-	-	(355,793)
	<u>\$ (355,793)</u>	<u>\$ 207,620</u>	<u>\$ 148,173</u>	<u>\$ -</u>

The purpose of the transfers out of the general fund was to provide funds to the park & recreation facilities fund for capital projects and to provide the Rough Rider Center fund with a portion of property tax revenue to help fund operations.

Interfund transfers at December 31, 2016 were as follows:

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Social Security & Pension Fund</u>	<u>Rough Rider Center Fund</u>	<u>Total</u>
Transfer In	\$ -	\$ 426,000	\$ 2,676	\$ 106,052	\$ 534,728
Transfer Out	(534,728)	-	-	-	(534,728)
	<u>\$ (534,728)</u>	<u>\$ 426,000</u>	<u>\$ 2,676</u>	<u>\$ 106,052</u>	<u>\$ -</u>

The purpose of the transfers out of the general fund was to provide funds to the park & recreation facilities fund for capital projects, to close out the social security & pension fund and absorb the fund deficit, and to provide the Rough Rider Center fund with a portion of property tax revenue to help fund operations.

Interfund transfers at December 31, 2015 were as follows:

	<u>General Fund</u>	<u>Park & Recreation Facilities Fund</u>	<u>Total</u>
Transfer In	\$ -	\$ 80,000	\$ 80,000
Transfer Out	(80,000)	-	(80,000)
	<u>\$ (80,000)</u>	<u>\$ 80,000</u>	<u>\$ -</u>

The purpose of the transfers was to provide funds to the park & recreation facilities fund for maintenance and capital projects.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

NOTE 7 PENSION PLAN: NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAIN SYSTEM)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing, multiple-employer defined benefit plan that covers substantially all employees of the state of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 86 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will received accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – December 31, 2015

At December 31, 2015, the District reported a liability of \$95,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the District's proportion was 0.014103% percent.

For the year ended December 31, 2015, the District recognized pension expense of \$10,246. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,782	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(10,568)
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,498	-
Employer contributions subsequent to the measurement date	<u>10,079</u>	<u>-</u>
Total	<u>\$ 18,359</u>	<u>\$ (10,568)</u>

There is \$10,079 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2016	\$ (1,493)
2017	(1,493)
2018	(1,493)
2019	2,691
2020	(500)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – December 31, 2016

At December 31, 2016, the District reported a liability of \$304,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.031280% percent, which was an increase of 0.017177% percent from its proportion measured at June 30, 2015

For the year ended December 31, 2016, the District recognized pension expense of \$62,515. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,580	\$ (2,823)
Changes of assumptions	28,104	(15,145)
Net difference between projected and actual earnings on pension plan investments	42,532	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,146	-
Employer contributions subsequent to the measurement date	<u>21,866</u>	<u>-</u>
Total	<u>\$ 203,228</u>	<u>\$ (17,968)</u>

There is \$21,866 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2017	\$ 32,370
2018	32,370
2019	41,648
2020	34,594
2021	22,412

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – December 31, 2017

At December 31, 2017, the District reported a liability of \$779,699 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.048509% percent, which was an increase of 0.017229% percent from its proportion measured at June 30, 2016.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

For the year ended December 31, 2017, the District recognized pension expense of \$166,467. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,634	\$ (3,799)
Changes of assumptions	319,730	(17,585)
Net difference between projected and actual earnings on pension plan investments	10,486	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	202,546	-
Employer contributions subsequent to the measurement date	<u>21,455</u>	<u>-</u>
Total	<u>\$ 558,851</u>	<u>\$ (21,384)</u>

There is \$21,455 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ 116,417
2019	130,805
2020	119,879
2021	103,229
2022	45,682

Actuarial Assumptions – December 31, 2015 and 2016

The total pension liability in the July 1, 2015 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Actuarial Assumptions – December 31, 2017

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary Increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
Age*	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Investment Rate of Return 7.75%, net of investment expenses

Cost-of-living Adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate – December 31, 2015 and 2016

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015 and 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015 and 2016 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members, and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015 and 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2016.

Discount Rate – December 31, 2017

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
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contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer's proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following present the Employer's proportionate share of the net pension liability calculated using the discount rate percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

At December 31, 2015

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	<u>\$ 147,055</u>	<u>\$ 95,898</u>	<u>\$ 54,042</u>

At December 31, 2016

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	<u>\$ 432,430</u>	<u>\$ 304,854</u>	<u>\$ 197,365</u>

At December 31, 2017

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	<u>\$ 1,058,465</u>	<u>\$ 779,699</u>	<u>\$ 547,777</u>

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 8 RISK MANAGEMENT

The Watford City 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 Watford City Park District pays an annual premium to NDRIF for its general liability coverage, and auto coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The Watford City Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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. The State Bonding Fund provided the District with blanket fidelity bond coverage in the amount of \$281,000 for the year ended December 31, 2015. The State Bonding Fund does not currently charge any premium for this coverage.

The Watford City Park District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 9 GASB 68 AND 71 ADJUSTMENT

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the year ended December 31, 2015. These statements required the District to change the accounting for the pension costs related to the District's participation in the Public Employees Retirement System. In addition, the District also recognized a net pension liability and deferred outflow of resources related to the District's proportionate share of the collective amounts in NDPERS.

As a result, a prior period adjustment was recorded to recognize net pension liability and deferred outflows as of January 1, 2015. The cumulative effect of implementing this GASB statement was an increase in deferred outflows of \$4,765 and an increase in net pension liability of \$84,120 on the Statement of Net Position. The adjustments resulted in a net decrease of \$79,355 in the Statement of Activities.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

NOTE 10 PRIOR PERIOD ADJUSTMENT

The District has posted a prior period adjustment to its January 1, 2015 financial statements to record capital assets acquired prior to 2015 at insured value. The adjustment resulted in an increase in fixed assets and net position of \$2,670,888.

NOTE 11 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2017, 2016 AND 2015

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year end, the District entered into contracts for a new play system and improvements at Kent Pelton Nature Park in the amount of approximately \$859,000. Subsequent events have been evaluated through January 13, 2020, which is the date these financial statements were available to be issued.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 992,200	\$ 1,134,775	\$ 142,575
Intergovernmental	70,000	131,747	61,747
Charges for services	86,700	132,036	45,336
Interest	1,000	3,986	2,986
Grants and contributions	-	9,555	9,555
Miscellaneous	-	94	94
Total revenues	1,149,900	1,412,193	262,293
EXPENDITURES			
Current:			
Park Operations	685,777	602,197	83,580
Capital Outlay	143,000	101,404	41,596
Total Expenditures	828,777	703,601	125,176
Excess (deficiency) of revenues over expenditures	321,123	708,592	387,469
OTHER FINANCING SOURCES (USES)			
Transfers out	(315,000)	(355,793)	(40,793)
Excess of revenues and other sources (uses) over (under) expenditures	\$ 6,123	352,799	\$ 346,676
Fund balances - January 1		291,883	
Fund balances - December 31		\$ 644,682	

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 812,762	\$ 852,061	\$ 39,299
Intergovernmental	148,000	108,164	(39,836)
Charges for services	150,000	199,297	49,297
Interest	1,000	2,594	1,594
Grants and contributions	-	8,726	8,726
Miscellaneous	500	7,379	6,879
Total revenues	1,112,262	1,178,221	65,959
EXPENDITURES			
Current:			
Park Operations	771,488	684,958	86,530
Capital Outlay	127,500	66,672	60,828
Total Expenditures	898,988	751,630	147,358
Excess (deficiency) of revenues over expenditures	213,274	426,591	213,317
OTHER FINANCING SOURCES (USES)			
Transfers out	(500,000)	(534,728)	(34,728)
Excess of revenues and other sources (uses) over (under) expenditures	\$ (286,726)	(108,137)	\$ 178,589
Fund balances - January 1		400,020	
Fund balances - December 31		\$ 291,883	

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 470,350	\$ 443,397	\$ (26,953)
Intergovernmental	95,000	196,758	101,758
Charges for services	134,500	207,183	72,683
Interest	600	2,211	1,611
Grants and contributions	-	16,145	16,145
Miscellaneous	550	16,619	16,069
Total revenues	<u>701,000</u>	<u>882,313</u>	<u>181,313</u>
EXPENDITURES			
Current:			
Park Operations	514,049	608,249	(94,200)
Capital Outlay	96,500	297,778	(201,278)
Total Expenditures	<u>610,549</u>	<u>906,027</u>	<u>(295,478)</u>
Excess (deficiency) of revenues over expenditures	90,451	(23,714)	(114,165)
OTHER FINANCING SOURCES (USES)			
Transfers out	(95,000)	(80,000)	15,000
Excess of revenues and other sources (uses) over (under) expenditures	<u>\$ (4,549)</u>	(103,714)	<u>\$ (99,165)</u>
Fund balance - January 1		503,734	
Fund balance - December 31		<u>\$ 400,020</u>	

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – SOCIAL SECURITY AND PENSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 40,681	\$ 36,036	\$ (4,645)
EXPENDITURES			
Current:			
Park Operations	40,125	43,661	(3,536)
Excess of revenues and other sources (uses) over (under) expenditures	<u>\$ 556</u>	(7,625)	<u>\$ (8,181)</u>
Fund balances - January 1		4,949	
Fund balances - December 31		<u>\$ (2,676)</u>	

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF PROPORTIONATE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.048509%	\$ 779,699	\$ 495,203	157.45%	61.98%
2016	0.031280%	304,854	315,224	96.71%	70.46%
2015	0.014103%	95,898	125,639	76.33%	77.15%

* The District implemented GASB Statement's No. 68 and 71 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

WATFORD CITY PARK DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2017	\$ 44,906	\$ (44,906)	\$ -	\$ 630,707	7.12%
2016	30,962	(30,962)	-	434,857	7.12%
2015	14,452	(14,452)	-	202,977	7.12%

* The District implemented GASB Statement's No. 68 and 71 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

WATFORD CITY PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017, 2016, AND 2015

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before August 10th of each year, a budget is prepared for the subsequent year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. All annual appropriations lapse at fiscal year end. On or about October 7th, the proposed budget is presented to the District's commissioners for review. The Park District holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the commissioners. The final budget must be filed with the county auditor by October 10th.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th.

Except as provided by the North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The District prepares its budget and reports its governmental funds on the same basis of accounting.

NOTE 2 LEGAL COMPLIANCE (BUDGETS)

The District had expenditures that exceeded budgeted appropriations for the following funds for the year ended December 31, 2015:

General Fund	\$114,165
Social Security & Pension Fund	3,536

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

NOTE 3 PENSION: CHANGE IN ASSUMPTIONS

Amounts reported in 2015, 2016 and 2017 reflect actuarial assumption changes effective July 1, 2015, 2016 and 2017 based on the results of an actuarial experience study completed in 2015. This included changes to the mortality tables, disability incidence rates, retirement rates, administrative expense, salary scale and percent married assumption.

INDEPENDENT AUDITOR'S 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

To the Park District Board
Watford City Park District
Watford City, North Dakota

We were engaged to 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watford City Park District, as of and for the years ended December 31, 2017, 2016, and 2015, and the related notes to the financial statements, which collectively comprise Watford City Park District's basic financial statements, and have issued our report thereon dated January 13, 2020. Our report disclaims an opinion on such financial statements, because detailed supporting information of the financial records was incomplete for our audit and we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Watford City Park District, we considered Watford City Park District'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 Watford City Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Watford City Park District's internal control.

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

Our consideration of the 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005 and 2017-006 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of Watford City Park District listed in the first paragraph in the above section, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-007 and 2017-008. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Watford City Park District's Response to Findings

Watford City Park District's responses to the findings identified in our engagement are described in the accompanying schedule of findings and responses. Watford City Park District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 13, 2020

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017, 2016, AND 2015

2017-001: Financial Statements Prepared by Auditor – Material Weakness

Criteria

An appropriate system of internal controls requires the District to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of the board. However, the District does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause

It is not cost effective for the Watford City Park District to maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend that the District review its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Responses

Due to the small size of the Watford City Park District, it is not cost effective for the Watford City Park District to properly address this material weakness.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-002: Material Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

During our audit, material adjusting entries to the financial statements were proposed in order to bring certain financial accounts into compliance with GAAP.

Cause

The District's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with GAAP prior to the audit.

Recommendation

In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit. We recommend the District reviews its current training system to determine if it is cost effective for the District to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Action

- In January 2018, we brought our accounting in house and hired AE2S to come in and help train our staff on the accounting systems and principles. As of August 2019, we hired a second accounting staff member to help with checks and balances.
- The Park Board may look into sending staff members to more trainings on accounting as the budget allows.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-003: Segregation of Duties – Material Weakness

Criteria

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

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody of assets, record keeping, and reconciliation.

Cause

The District has a limited number of staff available due to the size of the organization. The record keeping and reconciliation functions were outsourced to Johnson & Co. LLC, but there was no formal review of record keeping and reconciliations performed by Johnson & Co. LLC.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. During the audit period, the risk was especially high, as the contracted accountant from Johnson & Co. LLC was also the District's treasurer, therefore one individual had the ability to enter and reconcile financial transactions along with check signing authority. The auditors also noted during our testing of disbursements, there were several checks lacking dual signatures and invoices were not initialed or signed off to show approval of the purchase by the supervisor.

Recommendation

We recommend that management and the board be aware of the lack of segregation of duties and implement controls wherever possible to mitigate the risk. We recommend that the district implement and/or continue the following:

- A listing of bills paid should be reviewed and approved by the Park District board. If a board member has questions on a specific bill, the supporting invoice should be provided to the board member.
- All checks require signature by two persons. One of the persons signing the checks should be a Park District board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official of the Park District board.
- Bank reconciliations should be performed by a person independent of the check process. If this is not feasible, then the bank statements and reconciliations should be reviewed by a person independent of the check signing process.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

Views of Responsible Officials and Planned Corrective Action

- A list of bills is prepared and receive board approval every month before checks are printed and bills are paid. If a board member has any questions or concerns on a certain bill, they are addressed at Park Board meeting before they are approved to be paid.
- All checks written require two signatures.
- As of August 2019, there is separation of duties between the person responsible for printing the checks versus the one authorizing payments.
- Monthly income statements and fund balances are presented to the Park Board monthly. They are reviewed and approved at each board meeting.
- Two people are required to count cash and sign off on daily deposits.

2017-004: Payroll Taxes – Material Weakness

Criteria

An employer is required to withhold federal income and payroll taxes from its employee's wages and pay them to the Internal Revenue Service (IRS) in addition to the employer's portion of the payroll taxes. Employers are required to make timely federal payroll tax payments to the government as well as filing the proper reporting and information returns.

Condition

At December 31, 2017, the District owed approximately \$53,000 to the IRS for employee and employer payroll taxes and employees' federal withholding not paid for the time period January 1, 2017 – March 31, 2017, and approximately \$750 from the time period July 1, 2015 – September 31, 2015. These amounts owed, in addition to penalties and interest, were paid in 2018. Furthermore, the District did not file the required reports related to payroll taxes accurately or on a timely basis for several quarters during the years ended December 31, 2015 – 2017. These reports were filed correctly in 2018.

Cause

The District had not implemented formal policies and procedures to ensure IRS reporting and remittance requirements were being followed. The payroll function was outsourced to Johnson & Co. LLC, and there was no review to ensure IRS reporting and remittance requirements were being performed timely and accurately.

Effect

The District was not in compliance with the requirements set forth by the IRS.

Recommendation

We recommend the District adopt formal policies and procedures regarding payroll taxes and provide additional training to accounting staff as necessary to ensure payroll reports are timely completed along with timely remittance of payroll taxes to the IRS. The District should also consider if monitoring controls could be improved.

Views of Responsible Officials and Planned Corrective Action

Since January 2018 all payroll taxes have been paid and reported in a timely manner. We have not been late on any payments or reporting since this date.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-005: Accounting Records – Material Weakness

Criteria

All financial records should be maintained for the time period either as required under federal and state guidelines or the required period after the audit is complete, whichever is later.

Condition

In the course of the audit, the auditor was unable to obtain adequate supporting documentation sufficient to support an opinion on the financial statements.

Cause

The District was unable to provide supporting documentation for several requested journal entries, revenue and expenditure/expense transactions, accounts receivable balances, inventory balances, and accounts payable balances.

Effect

There is a high risk that material misstatements could occur in the financial statements, whether due to errors or fraud. The lack of sufficient supporting documentation resulted in disclaimers of opinions on all the financial statements for the years ended December 31, 2017, 2016, and 2015.

Recommendation

We recommend the District implement the following:

- Provide training and oversight to staff on retention of accounting records.
- Adopt a formal document retention policy which will result in the generation and retention of appropriate financial reports and related supporting information.
- Adopt formal accounting policies and procedures which provide for appropriate reconciliation, oversight, and retention of accounting records.

Views of Responsible Officials and Planned Corrective Action

Starting in January 2018 all accounting records are being kept up to date and being filed and retained accurately.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-006: Fraud and Abuse – Material Weakness

Criteria

The District is required to maintain adequate segregation of duties to minimize and prevent fraud and abuse.

Condition

During the period of audit, the contracted accountant had the ability initiate checks, enter accounting transactions, reconcile the checkbook and was one of the authorized check signors.

Cause

The District trusted that the former contracted accountant was prudently operating and making decisions that benefited the District and not using their position for their own financial benefit.

Effect

The former contracted accountant hired by the District embezzled \$138,946.67.

Recommendation

We recommend that the District implement and/or continue the following:

- A listing of bills paid should be reviewed and approved by the Park District board. If a board member has questions on a specific bill, the supporting invoice should be provided to the board member.
- All checks require signature by two individuals. One of the individuals signing the checks should be a Park District board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official of the Park District board.
- Bank reconciliations should be performed by a person independent of the check process. If this is not feasible, then the bank statements and reconciliations should be reviewed by a person independent of the check signing process.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials and Planned Corrective Action

- A list of bills is prepared and receive board approval every month before checks are printed and bills are paid. If a board member has any questions or concerns on a certain bill, they are addressed at Park Board meeting before they are approved to be paid.
- All checks written require two signatures.
- As of August 2019, there is separation of duties between the person responsible for printing the checks versus the one authorizing payments.
- Monthly income statements and fund balances are presented to the Park Board monthly. They are reviewed and approved at each board meeting.
- Two people are required to count cash and sign off on daily deposits.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-007: Designating Depositories – Significant Deficiency

Criteria

North Dakota Century Code 21-04-13 requires the governing board to designate depositories of public funds in January of each even-numbered year. In addition, the Park District should solicit for proposals at this time and all proposals shall be opened in front of the Park Board in accordance with North Dakota Century Code 21-04-14.

Condition

There was no solicitation of proposals or designation of depositories in January 2016.

Cause

The Park District was not aware of this requirement.

Effect

The Park District is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the Park District implement policies and procedures to ensure the proposals are obtained for depositories and that the Park Board designates depositories at their January meeting in every even-numbered year going forward.

Views of Responsible Officials and Planned Corrective Action

On January 15, 2020, the Park District accepted First International Bank and Cornerstone Bank as designated depository of public funds.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2017, 2016, AND 2015

2017-008: Bonding Coverage – Significant Deficiency

Criteria

North Dakota Century Code 26.1-21.08 requires the auditor to review the blanket bond coverage of a political subdivision and make recommendations.

Condition

During our review of bond coverage, we noted the Park District did not have bond coverage for fiscal years 2016 or 2017.

Cause

The lapse in coverage was due to the Park District not submitting the application in a timely manner.

Effect

The Park District did not maintain sufficient coverage.

Recommendation

We recommend the Park District implement policies and procedures to ensure bonding coverage is maintained. We also recommend the Park District review annually the amount of insurance they have to ensure it is appropriate.

Views of Responsible Officials and Planned Corrective Action

The Park District has subsequently obtained bonding coverage through the North Dakota Insurance Department State Bonding Fund.