



Financial Statements
December 31, 2016

Williston Parks & Recreation District

Williston Parks & Recreation District

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2016 Board Members

Jeff Larson
Mike Owens
Joel Wilt
Gary Skarphol

President
Vice-President
Commissioner
Commissioner



Independent Auditor's Report

Park Board
Williston Parks & Recreation District
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Williston Parks & Recreation District, Williston, North Dakota, as of and for the year ended December 31, 2016, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Williston Parks & Recreation District, as of December 31, 2016, and the respective changes in financial position— modified cash basis thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Williston Parks & Recreation District's basic financial statements. The Park District officials on page 1 and the budgetary comparison information on pages 20-21, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2017 on our consideration of the Williston Parks & Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Williston Parks & Recreation District's internal control over financial reporting and compliance



Bismarck, North Dakota
May 12, 2017

Williston Parks & Recreation District
Statement of Net Position – Modified Cash Basis
December 31, 2016

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents, and investments	\$ 6,973,265
Reserve fund cash	4,486,656
Capital assets not being depreciated	
Land	450,000
Capital assets (net of accumulated depreciation)	
Buildings	71,103,880
Vehicles	191,869
Equipment	3,642,061
Land improvements	3,878,969
	<u> </u>
Total assets	<u><u>\$ 90,726,700</u></u>
Liabilities	
Long-term liabilities	
Due within one year	
Revenue bonds payable	\$ 1,865,000
Due after one year	
Revenue bonds payable	51,505,000
	<u> </u>
Total liabilities	<u><u>\$ 53,370,000</u></u>
Net position	
Net investment in capital assets	\$ 30,383,435
Restricted for	
Debt service	3,907,233
Unassigned	3,066,032
	<u> </u>
Total net position	<u><u>\$ 37,356,700</u></u>

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Culture and recreation	\$ 9,645,469	\$ 2,853,205	\$ 462,047	\$ (6,330,217)
Interest and bond costs on long-term debt	2,177,973	-	-	(2,177,973)
Total Governmental Activities	<u>\$ 11,823,442</u>	<u>\$ 2,853,205</u>	<u>\$ 462,047</u>	<u>(8,508,190)</u>
General Revenues				
Taxes				
Sales tax				6,789,054
Other unrestricted aid				317,313
Interest income				13,250
Mineral lease revenue				76,876
Miscellaneous revenue				221,778
Total general revenues				<u>7,418,764</u>
Change in net position				<u>(1,089,426)</u>
Net position - January 1				<u>38,446,126</u>
Net position - December 31				<u>\$ 37,356,700</u>

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Williston Parks & Recreation District
Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2016

	Major Funds		Total Governmental Funds
	General	Debt Service Fund	
Assets			
Cash, cash equivalents, and investments	\$ 3,066,032	\$ 3,907,233	\$ 6,973,265
Reserve fund cash	-	4,486,656	4,486,656
Total assets	<u>\$ 3,066,032</u>	<u>\$ 8,393,889</u>	<u>\$ 11,459,921</u>
Fund Balances			
Restricted			
Debt service	\$ -	\$ 8,393,889	\$ 8,393,889
Unassigned	<u>3,066,032</u>	<u>-</u>	<u>3,066,032</u>
Total fund balances	<u>\$ 3,066,032</u>	<u>\$ 8,393,889</u>	<u>\$ 11,459,921</u>

Williston Parks & Recreation District

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis
December 31, 2016

Total fund balances for governmental funds		\$ 11,459,921
Total net position reported for government activities in the statement of net position is different because		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	\$ 89,191,273	
Less accumulated depreciation	<u>(9,924,494)</u>	
Net capital assets		79,266,779
Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities are reported in the statement of net position. Balances at December 31, 2016 are:		
Revenue bonds payable		<u>(53,370,000)</u>
Total net position of governmental activities		<u><u>\$ 37,356,700</u></u>

Williston Parks & Recreation District
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash
Basis
Year Ended December 31, 2016

	Major Funds		Total Governmental Funds
	General	Debt Service Fund	
Revenues			
Taxes	\$ 3,394,828	\$ 3,394,719	\$ 6,789,547
Intergovernmental	317,313	-	317,313
Charges for services	2,853,205	-	2,853,205
Contributions	462,047	-	462,047
Mineral lease revenue	76,876	-	76,876
Miscellaneous	221,778	-	221,778
Interest	6,553	6,697	13,250
Total revenues	<u>7,332,600</u>	<u>3,401,416</u>	<u>10,734,016</u>
Expenditures			
Current			
General culture and recreation	1,402,880	-	1,402,880
Parks	970,222	-	970,222
Recreation programs	1,892,175	-	1,892,175
Community Center	2,927,995	-	2,927,995
Golf	177,693	-	177,693
Capital Outlay	354,921	-	354,921
Debt service			
Principal	-	4,075,000	4,075,000
Interest and bond costs	-	2,177,973	2,177,973
Total expenditures	<u>7,725,886</u>	<u>6,252,973</u>	<u>13,978,859</u>
Excess (Deficiency) of revenues over expenditures	<u>(393,286)</u>	<u>(2,851,557)</u>	<u>(3,244,843)</u>
Other Financing Sources (Uses)			
Transfers in (out)	<u>(2,412,547)</u>	<u>2,412,547</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,412,547)</u>	<u>2,412,547</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,805,833)</u>	<u>(439,010)</u>	<u>(3,244,843)</u>
Fund Balance - January 1	<u>5,871,865</u>	<u>8,832,899</u>	<u>14,704,764</u>
Fund Balance - December 31	<u>\$ 3,066,032</u>	<u>\$ 8,393,889</u>	<u>\$ 11,459,921</u>

Williston Parks & Recreation District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to
the Statement of Activities – Modified Cash Basis
Year Ended December 31, 2016

Net change in fund balances - total governmental funds		\$ (3,244,843)
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
Current year capital outlay	\$ 354,921	
Current year depreciation expense	<u>(2,274,404)</u>	
		(1,919,483)
The net effect of various transactions involving capital assets (i.e. sales, gains, losses) is to decrease net position		(100)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		<u>4,075,000</u>
Change in net position of governmental activities		<u><u>\$ (1,089,426)</u></u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Reporting Entity

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

Based on these criteria, there are no component units to be included within the Williston Parks & Recreation District as a reporting entity.

Government-Wide Statements

The statement of net position and statement of activities display information about the Park District. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The statement of activities compares the direct expenses and program revenues for the governmental activities of the Park District. Direct expenses are clearly identifiable with a specific function. Program revenues consist of charges paid by recipients of goods and services offered by the programs, operating grants and contributions, and capital grants and contributions. General revenues, including taxes, are those revenues that are not classified as program revenue.

Fund Financial Statements

The fund financial statements provide detailed information for governmental funds. The fund statement's emphasis is on major governmental funds.

Measurement Focus, Basis of Accounting, Non-Exchange transactions, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide financial statements are reported using the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable and accrued expenses are not included in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred.

Only cash, capital assets and long-term debt are recorded under the basis of accounting described above and are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations. Under the modified cash basis of accounting the revenue from non-exchange transactions will be recorded.

The Park District reports the following major governmental funds:

General Fund – This is the Park District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It accounts for the operation of various community sports and other activity programs and recreational activities, the maintenance and repair of the Community Center, and the operations and maintenance of the golf courses.

Debt Service – This fund is used to account for and report financial resources that are restricted for principal and interest payments on the bonds.

The Park District follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the Park District follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting.

Equity Classifications

Government-wide Statements

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Restricted and Unrestricted Resources

It is the Park District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Classification Policies and Procedures

The Park District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Formal action of the highest level of decision making authority is needed to rescind fund balance constraints for specific purposes.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Director.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Park District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Park District would first use *committed*, then *assigned*, and lastly *unassigned amounts* of unrestricted fund balance when expenditures are made.

The Park District does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the Park District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – these arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – these arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

The investments consist of certificates of deposit stated at fair value.

Capital Assets

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

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

Buildings	20-100 years
Vehicles	5-10 years
Equipment	5-25 years
Land improvements	10-15 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period.

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

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

Note 2 - Deposits

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

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

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

At year ended December 31, 2016, the Park District's carrying amount of deposits was \$11,459,921. The Park District's deposits include \$6,409,977 of commercial paper sweep accounts held in Trust. Of the remaining balance, \$250,000 is covered by the Federal Deposit Insurance Corporation (FDIC); the remainder is covered by pledged assets.

Interest Rate Risk

The Park District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within 1 year.

Credit Risk

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

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

As of December 31, 2016, the Park District held certificates of deposit in the amount of \$3,617,458 which are all considered deposits. The majority of the balance is made up of certificates of deposit through account registry services (CDARS), which are all individually below the \$250,000 limit, so they are covered by the FDIC.

Fair Value

The Park District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices (unadjusted) in active markets with identical assets or liabilities. Level 2 inputs are significant other observable inputs. Level 3 inputs are unobservable inputs.

The Park District's investments in certificates of deposit through CDARS were valued using pricing models based on credit, quality, time to maturity, stated interest rates, and other market assumptions (Level 2 inputs).

Concentration of Credit Risk

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

Note 3 - Interfund Transfer

Interfund activity at December 31, 2016 consisted of the following:

<u>Transfer out</u>	<u>Transfer in</u>	<u>2016</u>
General fund	Debt Service Fund	<u>\$ 2,412,547</u>

The purpose of the interfund transfer is to move income on recreation programs to the debt service fund to assist in the payment of the bonds.

Note 4 - Capital Assets

The following is a summary of changes in capital assets for the year ended December 31, 2016. Currently the Park District maintains records and depreciation schedules for all current capital assets and for significant long-lived assets where historical costs have been found, and that still have useful lives. Depreciation expense is charged to culture and recreation.

	Balance 1/1/16	Additions	Deletions	Balance 12/31/16
Land	\$ 450,000	\$ -	\$ -	\$ 450,000
Construction in progress	133,535	-	(133,535)	-
Total capital assets not being depreciated	<u>583,535</u>	<u>-</u>	<u>(133,535)</u>	<u>450,000</u>
Capital assets, being depreciated				
Buildings	78,219,896	323,481	-	78,543,377
Vehicles	365,117	-	(2,000)	363,117
Equipment	5,098,462	13,599	-	5,112,061
Land Improvements	4,571,343	151,375	-	4,722,718
Total capital assets being depreciated	<u>88,254,818</u>	<u>488,455</u>	<u>(2,000)</u>	<u>88,741,273</u>
Less accumulated depreciation for				
Buildings	(5,825,555)	(1,613,942)	-	(7,439,497)
Vehicles	(140,336)	(32,812)	1,900	(171,248)
Equipment	(1,135,896)	(334,104)	-	(1,470,000)
Land Improvements	(550,203)	(293,546)	-	(843,749)
Total accumulated depreciation	<u>(7,651,990)</u>	<u>(2,274,404)</u>	<u>1,900</u>	<u>(9,924,494)</u>
Governmental type activity capital assets, net	<u>\$ 81,186,363</u>	<u>\$ (1,785,949)</u>	<u>\$ (133,635)</u>	<u>\$ 79,266,779</u>

In the governmental activities section of the statement of activities, depreciation was charged to expense in the following governmental functions:

Governmental activities	
Culture and Recreation	<u>\$ 2,274,404</u>

Note 5 - Long-Term Debt

Primary Government

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Bonds payable	\$ 57,445,000	\$ -	\$ 4,075,000	\$ 53,370,000	\$ 1,865,000
Total	<u>\$ 57,445,000</u>	<u>\$ -</u>	<u>\$ 4,075,000</u>	<u>\$ 53,370,000</u>	<u>\$ 1,865,000</u>

Outstanding debt at December 31, 2016 consists of the following:

\$75,985,000 sales tax and gross revenue bonds of 2012, for construction of the Williston Area Recreation Center. Biannual installments of \$260,000 to \$1,665,000, plus interest, through March 1 2032; interest at 1.15% to 5.00%	<u>\$ 53,370,000</u>
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The annual requirements to amortize the loan payable and revenue bonds are as follows:

Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2017	\$ 1,865,000	\$ 2,078,327
2018	1,925,000	2,021,927
2019	2,000,000	1,949,002
2020	2,085,000	1,860,577
2021	2,190,000	1,757,652
2022-2026	12,410,000	7,323,068
2027-2031	15,260,000	4,479,730
2032	<u>15,635,000</u>	<u>275,163</u>
Total	<u>\$ 53,370,000</u>	<u>\$ 21,745,446</u>

The bond payable contains certain covenants. The Park District was in compliance with all of these covenants as of or for the year ended December 31, 2016.

The Park District has pledged a portion of future sales tax revenues to repay \$75,985,000 in sales tax and gross revenue bonds issued in August 2012 to finance the construction of the new recreation center. The bonds are payable from half of the sales taxes generated by the continued increase in activity in the Williston area due to oil boom in Western North Dakota. Total principal and interest remaining on the bonds is \$75,115,446, payable through March 2032. For the current year, principal and interest paid and sales tax revenues were \$4,075,000, \$2,177,973, and \$3,394,719 respectively.

Note 6 - Risk Management

Williston Parks & Recreation 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Williston Parks & Recreation District pays an annual premium to NDIRF for its general liability, auto, and public asset insurance coverage. The coverage by NDIRF is limited to losses of five hundred thousand dollars per occurrence for general liability and auto of \$300,000 for public asset coverage.

Williston Parks & Recreation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Williston Parks & Recreation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period.

The State Bonding Fund currently provides Williston Parks & Recreation District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Williston Parks & Recreation District has workers compensation with the North Dakota Workforce Insurance and Safety. The Williston Parks & Recreation District participates in the NDPERS insurance plan. The Park District pays the entire cost for the health insurance policy for all full time employees, either single or family plan.

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

Note 7 - Pension Plan

Williston Parks & Recreation District contributes to a Nationwide Retirement Solutions government deferred-compensation 457(b) retirement plan for its park district employees. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Park Board. The Park District contributes 9.2 percent of gross salaries for each participating employee. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended December 31, 2016, employee contributions totaled \$47,109, and the City recognized pension expense of \$210,854.

Employees are immediately vested in their own contributions and earnings on those contributions, as well as the District contributions and earnings on District contributions. There are no forfeitures that reduce the Park District's pension expense.

The Park District had no liability to the Plan at December 31, 2016.

Note 8 - Subsequent Events

Subsequent to December 31, 2016 the Park District has approved the issuance of Subordinate Park Gross Revenue Refunding Bonds, Series 2017A for \$10,000,000 and Taxable Subordinate Park Gross Revenue Refunding Bonds, Series 2017B for \$555,000 for the purpose of: (i) current refunding the Park District's outstanding Subordinate Series 2012C Bonds (ii) the funding of the Subordinate Reserve Fund securing the Subordinate Bonds (iii) and paying the costs of issuance of the Subordinate Bonds.



Supplementary Information
December 31, 2016

Williston Parks & Recreation District

Williston Parks & Recreation District
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2016

	2016			Variance
	Original Budget	Final Budget	Actual	With Final Budget
Revenues				
Taxes	\$ 7,375,000	\$ 7,375,000	\$ 3,394,828	\$ (3,980,172)
Intergovernmental	406,901	406,901	317,313	(89,588)
Charges for services	3,702,634	3,702,634	2,853,205	(849,429)
Contributions	-	-	462,047	462,047
Mineral lease revenue	-	-	76,876	76,876
Miscellaneous	114,700	114,700	221,778	107,078
Interest Income	1,000	1,000	6,553	5,553
Total revenues	<u>11,600,235</u>	<u>11,600,235</u>	<u>7,332,600</u>	<u>(4,267,635)</u>
Expenditures				
Current				
Culture and recreation	7,253,280	7,253,280	7,370,965	(117,685)
Capital outlay	471,484	471,484	354,921	116,563
Total expenditures	<u>7,724,764</u>	<u>7,724,764</u>	<u>7,725,886</u>	<u>(1,122)</u>
Excess of Revenues over Expenditures	<u>3,875,471</u>	<u>3,875,471</u>	<u>(393,286)</u>	<u>(4,268,757)</u>
Other Financing Sources (Uses)				
Transfers in (out)	<u>(3,064,970)</u>	<u>(3,064,970)</u>	<u>(2,412,547)</u>	<u>652,423</u>
Total other financing uses	<u>(3,064,970)</u>	<u>(3,064,970)</u>	<u>(2,412,547)</u>	<u>652,423</u>
Net Change in Fund Balances	<u>810,501</u>	<u>810,501</u>	<u>(2,805,833)</u>	<u>(3,616,334)</u>
Fund Balance - January 1	<u>5,871,865</u>	<u>5,871,865</u>	<u>5,871,865</u>	<u>-</u>
Fund Balance December 31	<u>\$ 6,682,366</u>	<u>\$ 6,682,366</u>	<u>\$ 3,066,032</u>	<u>\$ (3,616,334)</u>

Note 1 - Stewardship, Compliance, and Accountability

Budgetary Information

- The park board adopts an “appropriate budget” on the modified accrual basis of accounting.
- Annually on or before September 10th the Park District prepares a preliminary budget. NDCC 40-40-04.
- The preliminary budget includes the estimated revenues and appropriations for the general fund, each special revenue fund and each debt service fund of the Park District. NDCC 40-40-05.
- The park board shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the park board shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied. NDCC 40-40-08.
- The park board, on or before October 7th, the final budget is completed. NDCC 40-40-09.
- Each budget is controlled by the Park District clerk at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.



**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***

Park Board
Williston Parks & Recreation District
Williston, North Dakota

We have audited, 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 and each major fund of Williston Parks & Recreation District, Williston, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Williston Parks & Recreation District's basic financial statements and have issued our report thereon dated May 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Williston Parks & Recreation 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 Williston Parks & Recreation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Williston Parks & Recreation District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Summary of Findings, Recommendations, and Agency Responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Summary of Findings, Recommendations, and Agency Responses as items 2016-B, 2016-C, and 2016-D to be material weaknesses.

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. We consider the deficiencies described in the Accompanying Summary of Findings, Recommendations, and Agency Responses as items 2016-A and 2016-E to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Williston Parks & Recreation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Williston Parks & Recreation District's Responses to Findings

Williston Parks & Recreation District's responses to the findings identified in our audit are described in the accompanying Summary of Findings, Recommendations and Agency Responses. Williston Parks & Recreation 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
May 12, 2017

Current Audit Findings and Recommendations

2016-A Segregation of Duties

Condition: The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in the financial statements in a timely period by employees in the normal course of performing their assigned function.

Effect: The control deficiency could result in the improper recording of a transaction.

Recommendation: While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District. We also recommend cross-training employees so more than one employee could complete each function if necessary.

Management's Response: The Williston Parks & Recreation District continues to segregate the duties of all key accounting personnel in the most efficient manner possible, given its limited staff.

2016-B Recording of Transactions

Condition: We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria: A good system of internal accounting control contemplates proper reconciliations of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause: Inadequate internal controls over recording of transactions affect the Board's ability to detect misstatements in amounts that would be material in relation to the financial statements.

Effect: A misstatement material to the financial statements could result from inadequate controls over recording of transactions.

Recommendation: We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

Management's Response: Management will make a greater effort to record some of these transactions. It is not cost-effective for an organization of our size to have staff prepare all adjustments needed for an audit-ready trial balance; we have chosen to hire Eide Bailly, a public accounting firm, to assist us in preparing these transactions.

2016-C Preparation of Financial Statements

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause: Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Effect: The control deficiency could result in a misstatement to the presentation of the financial statements.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Management's Response: Since it is not cost-effective for an for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of the Williston Parks & Recreation District.

2016-D Reconciliation and Recording of All Accounts

Condition: The District did not record the transaction activity of the debt service fund.

Criteria: Proper controls include monitoring, recording, and reconciling all accounts in the District's name to ensure accounting records appropriately reflect the activity in all cash accounts.

Cause: Inadequate controls could adversely affect the District's ability to detect misstatements in amounts of cash and expenditures recorded that would be significant in relation to the financial statements.

Effect: The control deficiency could result in the improper safeguarding of assets, recording of activity and compliance with bond requirements.

Recommendation: We recommend the District start properly recording the transaction activity of the debt service fund. We recommend they start reconciling the statements obtained with the activity recorded in their general ledger to ensure all activity is appropriate and in compliance with bond requirements.

Management's Response: The District had sent a request to the Trustee to start getting monthly statements starting in June of 2013 and the bank had them set up for semi-annual statements to match the bond year (5/1 to 10/31 and 11/1 to 4/30) and an annual statement ending 12/31 to match the tax year.

2016-E Reconciliation of Services Provided

Condition: The District does not have an internal control system designed to follow up on differences between program and service revenues recorded for activities, the participants in those activities, and the cash received for those activities.

Criteria: Proper controls include investigation of the differences between cash received and program and service revenue recorded and the related participants.

Cause: Inadequate controls could adversely affect the District's ability to detect misstatements in amounts of cash and revenue recorded in a timely period by employees who would review the cash and revenue recorded for the activities and programs run by the District.

Effect: The control deficiency could result in the improper safeguarding of assets and recording of revenues.

Recommendation: We recommend the District implement procedures to follow up on differences between program and service revenues and the number of participants to ensure cash collected and revenue recorded is proper.

Management's Response: The District has implemented procedures and controls to be able to properly manage and reconcile all programs and revenues provided by those programs. In 2013, we started using the Rec Trac System, a new software that is specifically made for recreation districts/facilities that will enable us to be able to better track and reconcile all of our recreation programs and facilities, including the golf course going forward.