

**BEULAH PARK DISTRICT  
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## TABLE OF CONTENTS

	<b>Page</b>
<b>PARK DISTRICT OFFICIALS (UNAUDITED)</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Balance Sheet – Governmental Funds – Modified Cash Basis	7
Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Position – Modified Cash Basis	8
Statement of Receipts, Disbursements and Changes in Fund Balances - Governmental Funds – Modified Cash Basis	9
Reconciliation of the Governmental Funds Statement of Receipts, Disbursements and Changes in Fund Balance to the Government Wide Statement of Activities – Modified Cash Basis	10
Statement of Assets and Liabilities – Modified Cash Basis – Fiduciary Funds	11
Notes to the Financial Statements	12
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet – Non-Major Governmental Funds – Modified Cash Basis	24
Combining Statement of Receipts, Disbursements and Changes in Fund Balances – Non-Major Governmental Funds – Modified Cash Basis	25
<b>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</b>	26
Schedule of Findings and Responses	28

**BEULAH PARK DISTRICT**  
PARK DISTRICT OFFICIALS (UNAUDITED)  
DECEMBER 31, 2017

Robby Volk	President
Deb Schlecht	Vice President
Kris Martens	Commissioner
Rick Alexander	Commissioner
Jim Nelson	Commissioner
Robert Mohl	Park Superintendent
Debra Bonebrake	Office Manager

## INDEPENDENT AUDITOR'S REPORT

To the Board of Park Commissioners  
Beulah Park District  
Beulah, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beulah Park District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 fraud or error.

### Auditor's Responsibility

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

### Summary of Opinion Units

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Facilities Fund	Unmodified
Wellness Center Fund	Unmodified
Aggregated Remaining Fund Information	Unmodified

### Basis for Qualified Opinion on Governmental Activities

Management has reported capital assets purchased prior to 2017 on a basis that is not in accordance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting. See Note 1 for additional information. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material aspects, the respective modified cash basis financial position of the governmental activities of the Beulah Park District, as of December 31, 2017, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of each major fund and the aggregate remaining fund information of the Beulah Park District, as of December 31, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis of Accounting

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

### Emphasis of Matters

As described in Note 12 to the financial statements, a prior period adjustment has been made to record capital assets and special assessment debt on the government-wide statements. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beulah Park District's basic financial statements. The combining non-major fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The listing of 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 our report dated January 25, 2019 on our consideration of the Beulah Park 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 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 Beulah 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 Beulah Park District's internal control over financial reporting and compliance.



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

January 25, 2019

**BEULAH PARK DISTRICT**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2017**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 1,020,875
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land	1,501
Construction in progress	4,131,870
Depreciable assets	<u>1,827,996</u>
Total non-current assets	<u>5,961,367</u>
Total assets	<u>6,982,242</u>

**LIABILITIES**

Current liabilities:	
Payroll liabilities	362
Capital lease payable - current portion	8,723
Notes payable - current portion	19,448
Special assessments - current portion	<u>3,818</u>
Total current liabilities	<u>32,351</u>
Non-current liabilities:	
Capital lease payable - non-current portion	9,079
Notes payable - non-current portion	3,962,473
Special assessments - non-current portion	<u>19,090</u>
Total non-current liabilities	<u>3,990,642</u>
Total liabilities	<u>4,022,993</u>

**NET POSITION**

Net investment in capital assets	1,938,736
Restricted for:	
Wellness center	852,188
Special assessments	52,578
Unrestricted	<u>115,747</u>
Total net position	<u>\$ 2,959,249</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

		Program Receipts			Net (Disbursement) Receipt and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
Culture and recreation	\$ 764,239	\$ 183,877	\$ 100	\$ 5,000	\$ (575,262)
Interest on long-term debt	41,750	-	-	-	(41,750)
Debt issuance costs	34,399	-	-	-	(34,399)
<b>Total governmental activities</b>	<b>\$ 840,388</b>	<b>\$ 183,877</b>	<b>\$ 100</b>	<b>\$ 5,000</b>	<b>(651,411)</b>
General Receipts:					
Property taxes					314,695
Sales tax					420,631
State revenue sharing					59,740
Interest					188
Miscellaneous					16,851
<b>Total general receipts</b>					<b>812,105</b>
Change in net position					160,694
Net position - beginning of year, as originally stated					581,881
Prior period adjustment (see note 12)					2,216,674
Net position - beginning of year, restated					2,798,555
Net position - end of year					\$ 2,959,249

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2017**

	General	Facilities	Wellness Center	Non-Major	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 166,619	\$ -	854,256	\$ -	\$ 1,020,875
Due from other funds	124,091	-	11,154	52,578	187,823
Total assets	<u>\$ 290,710</u>	<u>\$ -</u>	<u>\$ 865,410</u>	<u>\$ 52,578</u>	<u>\$ 1,208,698</u>
<b>LIABILITIES</b>					
Payroll liabilities	\$ 362	\$ -	\$ -	\$ -	\$ 362
Due to other funds	-	187,823	-	-	187,823
Total liabilities	<u>362</u>	<u>187,823</u>	<u>-</u>	<u>-</u>	<u>188,185</u>
<b>FUND BALANCES</b>					
Restricted for:					
Wellness center	-	-	852,188	-	852,188
Special assessments	-	-	-	52,578	52,578
Committed	-	-	13,222	-	13,222
Unassigned	290,348	(187,823)	-	-	102,525
Total fund balances	<u>290,348</u>	<u>(187,823)</u>	<u>865,410</u>	<u>52,578</u>	<u>1,020,513</u>
Total liabilities and fund balances	<u>\$ 290,710</u>	<u>\$ -</u>	<u>\$ 865,410</u>	<u>\$ 52,578</u>	<u>\$ 1,208,698</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 GOVERNMENT WIDE STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
 DECEMBER 31, 2017

Total Governmental Funds Balance	\$ 1,020,513
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.	5,961,367
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:	
Capital lease payable	(17,802)
Notes payable	(3,981,921)
Special assessments	<u>(22,908)</u>
Net position of governmental activities	<u>\$ 2,959,249</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Facilities</u>	<u>Wellness Center</u>	<u>Non-Major</u>	<u>Total</u>
<b>RECEIPTS</b>					
Taxes	\$ 255,491	\$ 51,435	\$ 420,071	\$ 8,329	\$ 735,326
State revenue sharing	59,740	-	-	-	59,740
Charges for services	157,527	4,991	-	21,359	183,877
Grants and contributions	100	5,000	-	-	5,100
Interest	188	-	-	-	188
Miscellaneous	1,495	6,401	-	4,455	12,351
Total receipts	<u>474,541</u>	<u>67,827</u>	<u>420,071</u>	<u>34,143</u>	<u>996,582</u>
<b>DISBURSEMENTS</b>					
Current:					
Culture and recreation	386,881	99,407	53,175	73,176	612,639
Capital outlay	-	12,203	3,857,364	-	3,869,567
Debt service:					
Principal retirement	10,277	11,847	-	3,818	25,942
Interest	4,897	1,385	34,471	997	41,750
Debt issuance costs	-	-	34,399	-	34,399
Total disbursements	<u>402,055</u>	<u>124,842</u>	<u>3,979,409</u>	<u>77,991</u>	<u>4,584,297</u>
Excess of receipts over (under) disbursements	<u>72,486</u>	<u>(57,015)</u>	<u>(3,559,338)</u>	<u>(43,848)</u>	<u>(3,587,715)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from notes payable issued	12,203	-	3,851,847	-	3,864,050
Proceeds from the sale of equipment	-	4,500	-	-	4,500
Transfers in (out)	<u>(268,002)</u>	<u>-</u>	<u>-</u>	<u>268,002</u>	<u>-</u>
Total other financing sources (uses)	<u>(255,799)</u>	<u>4,500</u>	<u>3,851,847</u>	<u>268,002</u>	<u>3,868,550</u>
Excess of receipts and other sources (uses) over (under) disbursements	<u>(183,313)</u>	<u>(52,515)</u>	<u>292,509</u>	<u>224,154</u>	<u>280,835</u>
Fund balance - January 1	<u>473,661</u>	<u>(135,308)</u>	<u>572,901</u>	<u>(171,576)</u>	<u>739,678</u>
Fund balance - December 31	<u>\$ 290,348</u>	<u>\$ (187,823)</u>	<u>\$ 865,410</u>	<u>\$ 52,578</u>	<u>\$ 1,020,513</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS,**  
**DISBURSEMENTS AND CHANGES IN FUND BALANCE TO THE GOVERNMENT WIDE**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balance - Total Governmental Funds	\$ 280,835
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	3,869,567
Current year depreciation expense	(151,600)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Proceeds from notes payable	(3,864,050)
Repayment of principal on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position. The following are principal payments on long-term debt during the year ended December 31, 2017:	
Principal payment on capital leases	8,381
Principal payment on notes payable	13,743
Principal payment on special assessments	3,818
Change in net position	\$ 160,694

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
STATEMENT OF ASSETS AND LIABILITIES – MODIFIED CASH BASIS – FIDUCIARY FUNDS  
DECEMBER 31, 2017

	Wellness Center Foundation Fund
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 192,159</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	<u>\$ 192,159</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Beulah Park District was established under the laws of the State of North Dakota. The accounting policy of Beulah Park District is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 a statement of activities, and fund financial statements which provide a more detail 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 receipts, 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 disbursements of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts 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 receipts are reported instead as general receipts.

**BEULAH PARK DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2017

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The government-wide financial statements do not include fiduciary funds that are fiduciary in nature.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

*General* - This is the 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.

*Facilities* - This fund is used to account for the accumulation of resources for construction and maintenance of the District facilities in the City of Beulah, North Dakota.

*Wellness Center* – This fund is used to account for the receipts and disbursements related to the construction of a new wellness center.

**Governmental Fund Types**

Governmental Funds

The general fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds of the District include: Recreation Fund, Facilities Fund, Forestry Fund, and Special Assessments Fund. The Recreation Fund and Forestry Fund were closed out at year-end (see note 7).

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.

Capital project funds are used to account for and report 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. The Wellness Center Fund is the only capital project fund of the District.

**BEULAH PARK DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2017

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's fiduciary funds are agency funds. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund consists of the following:

*Wellness Center Foundation fund* – This fund accounts for the financial transactions related to the Wellness Center Foundation.

**Measurement Focus/Basis of Accounting**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

*Government-wide financial statements*

In the government-wide financial statements, the governmental activities are prepared using the economic resources measurement focus within the limitations of the modified cash basis of accounting.

*Fund financial statements*

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus as applied to the modified cash basis of accounting is used as appropriate.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Receipts, Disbursements and Changes in Fund Balances reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of current financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, receipts and disbursements / expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. Long-term debt is also reported in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used. All governmental funds utilize a current

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, savings, and money market accounts with original maturities of less than 90 days, stated at cost.

**Due From (To) Other Funds**

Due from (to) other funds arise primarily as a result of a cash deficit in one or more funds.

**Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets acquired December 31, 2016 or earlier are recorded based upon their insured values as of January 1, 2017, which is not in accordance with generally accepted accounting principles in the United States, as applied under the modified cash basis of accounting. Additions made after January 1, 2017 are recorded at cost. Improvements that significantly extend the useful life of the 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 or more.

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

All capital asset additions are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and improvements	30 years
Machinery and equipment	7 years
Vehicles	7 years

**BEULAH PARK DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2017

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements.

**Fund Balance Classifications**

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, the governmental funds report fund classification that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds are spent. Fund balances are classified as follows:

*Nonspendable* – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Constraints are placed on the use of fund balances which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing Board. Formal action is required to rescind a fund balance commitment.

*Assigned* – Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the Board and the District's management.

*Unassigned* – Unassigned fund balances are those that have not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance.

At December 31, 2017, the District only had restricted, committed, and unassigned fund balances. Restricted fund balances were constrained by state laws related to specific tax levies. Committed fund balances are set aside by the Board for the construction of a new wellness center building.

*Flow Assumptions* – When there are restricted, committed, assigned, and unassigned resources available for use in or for a particular fund or activity it is the District's policy to use restricted resources first, then committed, then assigned, then unassigned resources as they are needed.

**Net Position**

Net position represents the difference between assets and liabilities. Net positions are classified in the following categories:

**BEULAH PARK DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2017

*Net investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

### **Interfund Transactions**

Quasi-external transactions are accounted for as receipts and disbursements. Transactions that constitute reimbursements to a fund for disbursements/expenses initially made from it that are properly applicable to another fund, are recorded as disbursements/expenses in the reimbursing fund and as reductions of disbursements/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

### **Revenue Recognition - Property Taxes**

The Mercer county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on half of the real estate taxes and all the current year special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 15 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and current year special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Property taxes are limited by state laws. All District tax levies are in compliance with state laws.

### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

### **Implementation of New Accounting Principle**

The District implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* during the year ended December 31, 2017. GASB Statement No. 89 established accounting requirements for interest cost incurred before the end of a construction period. The 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. As a result, interest cost incurred before the end of a construction period will not be included in the cost of a capital asset.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

**NOTE 2 DEPOSITS**

In accordance with North Dakota statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in other financial 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 county, 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 any other state of the United States or such other securities approved by the banking board.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the District does not have a formal policy to further limit exposure to custodial credit risk.

The District maintains cash on deposit at various financial institutions. The amounts on deposit are insured by the FDIC up to \$250,000 per financial institution. At December 31, 2017, the District had \$706,889 of deposits in excess of FDIC insurance. \$93,891 of the excess deposits were covered by pledged securities held in the District's name. \$613,005 of the deposits were not covered by authorized collateral and were exposed to custodial credit risk at December 31, 2017.

**NOTE 3 INTERFUND RECEIVABLES AND PAYABLES**

For the year ended December 31, 2017, the District had the following interfund receivable / payable balances:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 124,091	\$ -
Facilities Fund	-	187,823
Wellness Center Fund	11,154	-
Non-major funds	52,578	-
	<u>\$ 187,823</u>	<u>\$ 187,823</u>

The interfund balances are a result of deficit cash balances in multiple funds. They are not expected to be repaid in the next year.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

**NOTE 4 LONG-TERM LIABILITIES**

The following changes have occurred in long-term liabilities of the District:

	Balance 1/1/2017 (restated)	Increases	Decreases	Balance 12/31/2017	Due within one year
Capital lease payable	\$ 26,183	\$ -	\$ (8,381)	\$ 17,802	\$ 8,723
Note payable	131,614	3,864,050	(13,743)	3,981,921	19,448
Special assessments	26,726	-	(3,818)	22,908	3,818
Total	<u>\$ 184,523</u>	<u>\$ 3,864,050</u>	<u>\$ (25,942)</u>	<u>\$ 4,022,631</u>	<u>\$ 31,989</u>

The District had the following outstanding loans at year ended December 31, 2017:

Capital Lease Payable

\$43,684 capital lease through John Deere Financial dated 5/13/2015.

Due in annual payments of \$9,447.94, maturing 5/13/2020. Interest rate of 4.00%.

Payments are made out of the facilities fund.

\$ 17,802

Notes Payable

\$20,000 notes payable through Union State Bank dated 11/16/2016.

Due in monthly installments of \$360.40, maturing 12/06/2021. Interest rate of 3.00%.

Loan is secured by pickup. Payments are made out of the facilities fund.

\$ 16,249

\$150,000 notes payable through Union State Bank dated 7/9/2013. Due in 9 annual payments of \$13,070.91 and one irregular last payment of \$54,079.27, maturing 7/9/2023. Interest rate of 3.50%. Loan secured by all fixtures, accounts, and framed building with porch at Beulah Bay. Payments are made out of the general fund.

102,756

\$12,203 notes payable through Union State Bank dated 6/7/2017.

Due in monthly installments of \$221.16, maturing 6/7/2022. Interest rate of 3.30%.

Loan is secured by bank lien on assets. Payments are made out of the general fund.

11,070

\$6,500,000 notes payable through Union Bank dated 5/31/2017. Due in 24 monthly interest payments ranging from \$21,192 to \$34,058 beginning on 7/15/2017 and 336 monthly payments of \$33,076 beginning on 7/1/2019, maturing on 6/1/2047.

Variable interest rate of 4.25% until June 2022. The future variable rate will be 2.23% above the FHLB 5 year advance rate, and may change every 5th year beginning in June 2022. Loan is secured by Wellness Center building.

Payments are made out of the Wellness Center Fund.

3,851,846

Total Notes Payable

\$ 3,981,921

Special Assessments

The special assessments are dated 2013. The assessments mature in 2023.

Interest rate is 3.91%. Payments are made out of the Special Assessment Fund.

\$ 22,908

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

Debt service requirements to maturity are as follows for the years ending December 31:

	Capital Lease		Notes Payable		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 8,723	\$ 725	19,448	168,124	\$ 3,818	\$ 896
2019	9,079	370	52,376	167,273	3,818	746
2020	-	-	91,488	164,059	3,818	597
2021	-	-	95,275	160,250	3,818	448
2022	-	-	93,527	158,209	3,818	299
Thereafter	-	-	3,629,807	2,190,117	3,818	149
<b>Totals</b>	<b>\$ 17,802</b>	<b>\$ 1,095</b>	<b>\$ 3,981,921</b>	<b>\$ 3,008,032</b>	<b>\$ 22,908</b>	<b>\$ 3,135</b>

The cost of the capital lease is recorded under depreciable assets in the Statement of Net Position at \$33,198, less accumulated amortization (included in depreciation in the financial statements) of \$4,743.

**NOTE 5 CAPITAL ASSETS**

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

	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,501	\$ -	\$ -	\$ 1,501
Construction in progress	274,506	3,857,364	-	4,131,870
Total capital assets not being depreciated	276,007	3,857,364	-	4,133,371
Capital assets, being depreciated:				
Buildings and improvements	1,191,275	-	-	1,191,275
Machinery and equipment	736,118	12,203	-	748,321
Vehicles	40,000	-	-	40,000
Total capital assets being depreciated	1,967,393	12,203	-	1,979,596
Less accumulated depreciation for:				
Buildings and improvements	-	39,709	-	39,709
Machinery and equipment	-	106,177	-	106,177
Vehicles	-	5,714	-	5,714
Total accumulated depreciation	-	151,600	-	151,600
Total capital assets being depreciated, net	1,967,393	(139,397)	-	1,827,996
Governmental capital assets, net	\$ 2,243,400	\$ 3,717,967	\$ -	\$ 5,961,367

Depreciation expense of \$151,600 was allocated to culture and recreation in the Statement of Activities.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

**NOTE 6 FUND DEFICITS**

The following funds were in a deficit position at December 31, 2017:

Major governmental funds	
Facilities	(187,823)

These deficits are anticipated to be remediated by future revenues and/or fund transfers.

**NOTE 7 TRANSFERS**

The following is a summary of transfers for the year ended December 31, 2017:

Fund	Transfer In	Transfer Out
Governmental funds		
General Fund	\$ -	\$ (268,002)
Non-major governmental special revenue funds	268,002	-
	\$ 268,002	\$ (268,002)

The purpose of the transfers was to close out special revenue funds for which there is no longer a restricted or committed stream of revenue to the general fund.

**NOTE 8 CHARGES FOR SERVICES**

The following is a breakdown of the charges for services revenue in the Statement of Activities for the year ended December 31, 2017:

Camping fees	\$ 122,338
Fitness fees	28,114
Recreation fees	21,359
Concession income	7,313
Boat slip rentals	1,750
Shelter fees	1,565
Shower fees	1,409
Miscellaneous fees	29
	\$ 183,877

**NOTE 9 PENSION PLAN**

The District contributes to the City of Beulah pension plan, a defined contribution money purchase pension plan. The plan provides for retirement benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with the terms of the retirement plan. A publicly available financial report is issued that includes financial statements and required supplementary information for the plan.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

Plan members are not required to contribute any percentage of their annual covered salary. The District is required to contribute 8% of the eligible employees' wages as determined by the City of Beulah. The contribution requirements of plan members and the District are established by the plan agreement. The District's required and actual contributions to the plan for the year ended December 31, 2017 were \$12,003.

**NOTE 10 LEGAL COMPLIANCE – BUDGETS**

The District's Board follows the procedures established by North Dakota law for the budgetary process. By September 10th of each year, the preliminary budget is presented to the District's Board for review and approval. The District's board holds public hearings and may modify the preliminary budget. The final budget must be adopted before October 7th and submitted to the County Auditor by October 10th of each year. The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. All appropriations lapse at year end. The District prepares its budget and reports its governmental funds on the same basis of accounting.

For year ended December 31, 2017, budgets were not prepared by individual funds, so it is not determinable if disbursements exceeded budgets in any of the funds.

**NOTE 11 RISK MANAGEMENT**

The District is exposed to various risks of loss related 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 District pays an annual premium for its general liability, auto and public assets insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile coverage.

The District also participates jointly with the City of Beulah in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$333,000. The District also has workers' compensation with the North Dakota Workforce Safety and Insurance.

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

**NOTE 12 PRIOR PERIOD ADJUSTMENT**

The District has posted a prior period adjustment to its January 1, 2017 financial statements to properly record special assessments debt (decrease to opening net position of \$26,726) and capital assets acquired prior to 2017 at insured value (increase to opening net position of \$2,243,400). The result was a net increase in opening net position of \$2,216,674.

**BEULAH PARK DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2017

**NOTE 13 COMMITMENTS**

The Park District entered into a contract for general construction of the new Wellness Center on March 14, 2017 with Roers Construction. The contract has a total guaranteed maximum price of \$5,753,581 and payments of \$3,819,397 have been made on the contract so far. There remains a possible max commitment on the contract of \$1,934,184.

**NOTE 14 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events were evaluated through January 25, 2019, which is the date these financial statements were available to be issued.

**BEULAH PARK DISTRICT**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	<u>Recreation</u>	<u>Forestry</u>	<u>Special Assessments</u>	<u>Total</u>
<b>ASSETS</b>				
Due from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,578</u>	<u>\$ 52,578</u>
<b>LIABILITIES</b>				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Restricted for:				
Special assessments	-	-	52,578	52,578
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>52,578</u>	<u>52,578</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,578</u>	<u>\$ 52,578</u>

**BEULAH PARK DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND**  
**BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Recreation</u>	<u>Forestry</u>	<u>Special Assessments</u>	<u>Total</u>
<b>RECEIPTS</b>				
Taxes	\$ -	\$ 67	\$ 8,262	\$ 8,329
Charges for services	21,359	-	-	21,359
Miscellaneous	4,455	-	-	4,455
Total revenues	<u>25,814</u>	<u>67</u>	<u>8,262</u>	<u>34,143</u>
<b>DISBURSEMENTS</b>				
Current:				
Culture and recreation	49,248	23,928	-	73,176
Debt service:				
Principal retirement	-	-	3,818	3,818
Interest and fiscal charges	-	-	997	997
Total expenditures	<u>49,248</u>	<u>23,928</u>	<u>4,815</u>	<u>77,991</u>
Excess of receipts over (under) disbursements	<u>(23,434)</u>	<u>(23,861)</u>	<u>3,447</u>	<u>(43,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>154,052</u>	<u>113,950</u>	<u>-</u>	<u>268,002</u>
Excess of receipts and other sources (uses) over (under) disbursements	130,618	90,089	3,447	224,154
Fund balance - January 1	<u>(130,618)</u>	<u>(90,089)</u>	<u>49,131</u>	<u>(171,576)</u>
Fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,578</u>	<u>\$ 52,578</u>

**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 Board of Park Commissioners  
Beulah Park District  
Beulah, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beulah Park District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2019, which contained a qualified opinion on governmental activities. In our report, our opinion was modified due to the District using a basis for reporting capital assets that is not in accordance with generally accepted accounting principles in the United States of America, as applied under the modified cash basis of accounting.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 schedule of findings and responses as 2017-002 and 2017-003 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 deficiency described in the accompanying schedule of findings and responses as item 2017-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 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 2017-004, 2017-005, 2017-006, and 2017-007.

### **Beulah Park District Responses to Findings**

Beulah Park District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Beulah 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

January 25, 2019

**BEULAH PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-001: Financial Statements Prepared by Auditor – Significant Deficiency**

Criteria

An appropriate system of internal control requires the District to determine that financial statements are properly stated in compliance with the modified cash basis of accounting. 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

The District's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and 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 and the related disclosures are fairly stated in compliance with the modified cash basis of accounting. However, the District is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

We recommend that the District reviews 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 Corrective Action

The District will continue to look for ways to strengthen its internal control.

**BEULAH PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-002: Segregation of Duties - Material Weakness**

Criteria

Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation functions.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation. Currently, one person is responsible for all duties.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

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.

Recommendation

The District should consider if segregation of duties could be improved with respect to the District's cash receipt and disbursement functions. The District should also consider if monitoring controls could be improved.

Views of Responsible Officials and Planned Corrective Action

The District will review duties of employees and determine if it is cost effective to obtain this expertise.

**BEULAH PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-003: 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 on the modified cash basis of accounting.

Condition

During our audit, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the modified cash basis of accounting.

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 modified cash 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 the modified cash basis of accounting prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit. We recommend that 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

The District will look into whether or not it is cost effective to obtain this expertise.

**BEULAH PARK DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017

**2017-004: Debt in Excess of North Dakota Century Code Limit**

Criteria

North Dakota Century Code 21-03-06, paragraph 6 limits the amount of indebtedness a Park District may incur to one percent of the value of the taxable property in such Park District.

Condition

The Park District was in excess of one percent of their taxable property of indebtedness by \$3,916,214 as of December 31, 2017.

Cause

The Park District has not implemented policies and procedures to track indebtedness to ensure compliance with North Dakota Century Code.

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 total indebtedness, less any revenue bonds issued does not exceed one percent of their taxable property.

Views of Responsible Officials and Planned Corrective Action

The District will implement procedures to be in compliance with the North Dakota Century Code requirements.

**BEULAH PARK DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2017-005: Adequate Collateralization of Deposits**

Criteria

North Dakota Century Code 21-04-09 requires that if a governmental entity desires to deposit an amount greater than a depositories insurance (FDIC, FSLIC, or NCUE) and did not receive a personal or surety bond, the excess amount must be protected by a bond or by collateral, which, when computed at market value, shall be at least ten percent more than the amount of the excess deposit.

Condition

The District had a balance of \$863,005 on deposit at one financial institution as of December 31, 2017 that was covered by \$250,000 of FDIC coverage. The remaining balance was not covered by a bond or collateral.

Cause

The Park District has not implemented policies and procedures to ensure deposits are adequately collateralized in accordance with requirements by North Dakota Century Code.

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 deposits are adequately collateralized at all financial institutions.

Views of Responsible Officials and Planned Corrective Action

The District will implement procedures to be in compliance with the North Dakota Century Code requirements.

**BEULAH PARK DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017

**2017-006: Preliminary Budget Approval**

Criteria

North Dakota Century Code 40-40-04 requires the governing body to prepare a preliminary budget by September 10<sup>th</sup> of each year.

Condition

The preliminary budget was approved at the September 18, 2017 board meeting, 8 days after the required date by North Dakota Century Code.

Cause

The Park District has not implemented policies and procedures to ensure the preliminary budget is prepared within the time required by North Dakota Century Code.

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 preliminary budget is presented and approved by the Park Board prior to September 10<sup>th</sup>.

Views of Responsible Officials and Planned Corrective Actions

The District will implement procedures to be in compliance with North Dakota Century Code requirements.

**BEULAH PARK DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2017

**2017-007: Contents of Preliminary Budget**

Criteria

North Dakota Century Code 40-40-05 requires the preliminary budget to include a “detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund.”

Condition

The preliminary budget was not prepared for the Park District broken down by general fund, each special revenue fund, and each debt service fund.

Cause

The Park District has not implemented policies and procedures to ensure the preliminary budget is prepared in accordance with requirements by North Dakota Century Code.

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 budget is presented at the fund level.

Views of Responsible Officials and Planned Corrective Actions

The District will implement procedures to be in compliance with North Dakota Century Code requirements.