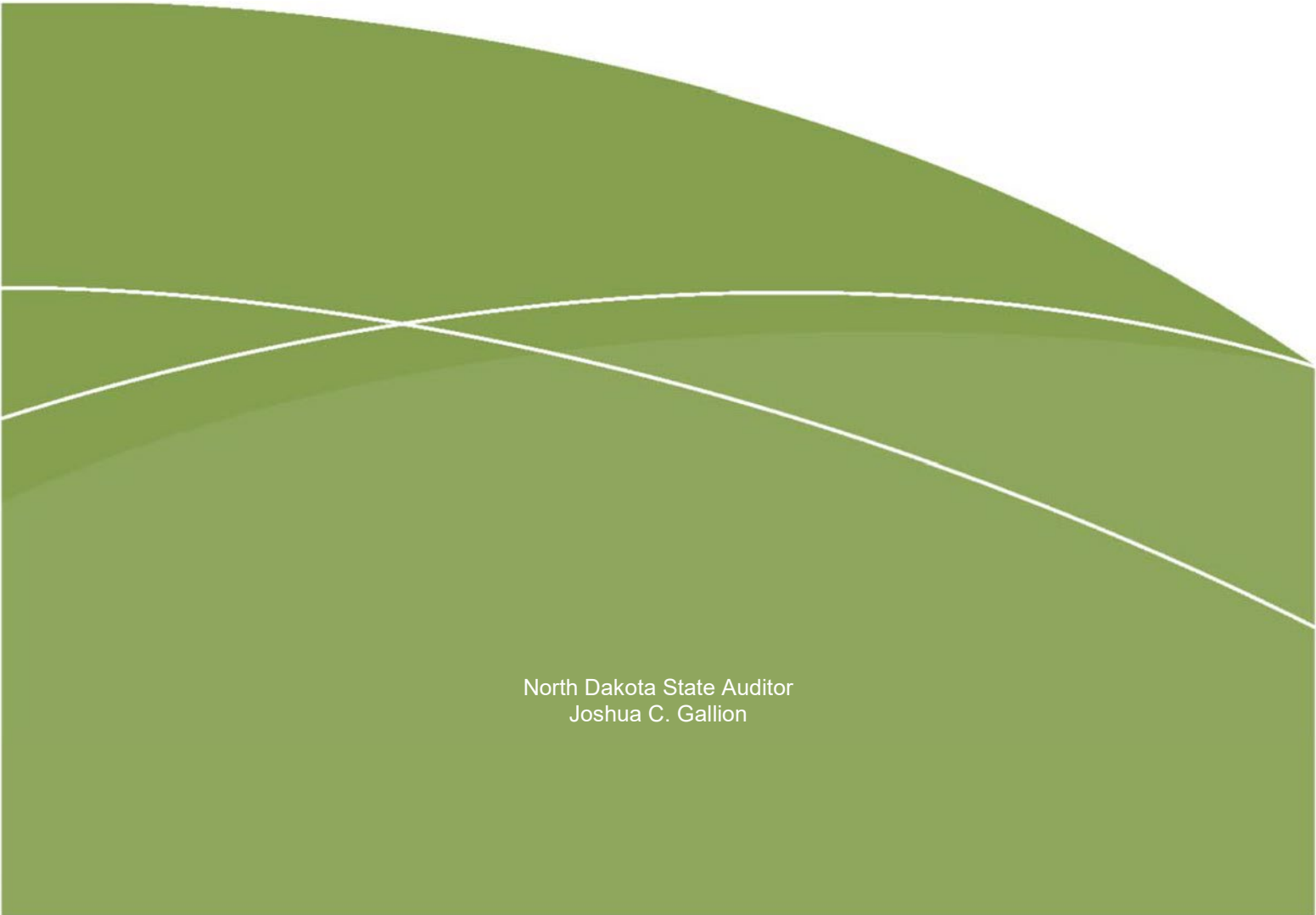


North Dakota Office of the State Auditor
Division of Local Government

Devils Lake Park Board

Audit Report for the Year Ended December 31, 2018
Client Code PS36101



North Dakota State Auditor
Joshua C. Gallion

DEVILS LAKE PARK BOARD

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For the Year Ended December 31, 2018

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DEVILS LAKE PARK BOARD

Park Board Officials and Audit Personnel

December 31, 2018

PARK BOARD OFFICIALS

| | |
|-------------------|----------------|
| Jamie Beck | President |
| Kale Stromme | Vice President |
| Lisa Uhlenkamp | Commissioner |
| Peter Jerome | Commissioner |
| Mark Woodrow | Commissioner |
| | |
| Terry Wallace | Superintendent |
| Heather Brandvold | Office Manager |

AUDIT PERSONNEL

| | |
|---------------------------------|-----------------|
| Craig Hashbarger, CPA, CIA, CFE | Audit Manager |
| Rick Kremer | Audit In-Charge |



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

INDEPENDENT AUDITOR'S REPORT

Park Board Commissioners
Devils Lake Park Board
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Devils Lake Park Board, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Devils Lake Park Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of the governmental activities and major fund of the Devils Lake Park Board, North Dakota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of Devils Lake Park Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Devils Lake Park Board's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 15, 2019

DEVILS LAKE PARK BOARD

Statement of Net Position

December 31, 2018

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 983,907 |
| Intergovernmental Receivable | 48,482 |
| Accounts Receivable | 13,926 |
| Due from County | 3,466 |
| Taxes Receivable | 16,819 |
| Capital Assets, Net | |
| Depreciable | 1,358,596 |
| Nondepreciable | <u>3,369,159</u> |
| Total Assets | <u>\$ 5,794,355</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Derived from Pension and OPEB | <u>\$ 355,880</u> |
| LIABILITIES | |
| Accounts Payable | \$ 13,213 |
| Salaries Payable | 6,110 |
| Interest Payable | 6,856 |
| Long-Term Liabilities | |
| Due Within One Year | |
| Long-Term Debt | 38,128 |
| Compensated Absences Payable | 4,867 |
| Due After One Year | |
| Long-Term Debt | 81,110 |
| Compensated Absences Payable | 43,799 |
| Net Pension and OPEB Liability | <u>619,625</u> |
| Total Liabilities | <u>\$ 813,708</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Derived from Pension and OPEB | <u>\$ 46,010</u> |
| NET POSITION | |
| Net Investment in Capital Assets | \$ 4,727,755 |
| Unrestricted | <u>562,762</u> |
| Total Net Position | <u><u>\$ 5,290,517</u></u> |

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

DEVILS LAKE PARK BOARD

Statement of Activities

For the Year Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| Park Operations | \$ 787,442 | \$ - | \$ 5,860 | \$ 12,500 | \$ (769,082) |
| Recreation Programs | 1,015,665 | 604,897 | - | - | (410,768) |
| Interest on Long-Term Debt | 7,251 | - | - | - | (7,251) |
| Total Governmental Activities | \$ 1,810,358 | \$ 604,897 | \$ 5,860 | \$ 12,500 | \$ (1,187,101) |
| General Revenues | | | | | |
| Property Taxes | | | | | \$ 798,949 |
| Unrestricted Grants | | | | | 183,523 |
| Interest | | | | | 4,092 |
| Concession Income | | | | | 45,514 |
| Miscellaneous Revenue | | | | | 57,972 |
| Total General Revenues | | | | | \$ 1,090,050 |
| Change in Net Position | | | | | \$ (97,051) |
| Net Position - January 1 | | | | | \$ 5,387,568 |
| Net Position - December 31 | | | | | \$ 5,290,517 |

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

DEVILS LAKE PARK BOARD
 Balance Sheet – Governmental Funds
 December 31, 2018

| | <u>General</u> |
|---|-------------------------|
| ASSETS | |
| Cash | \$ 983,907 |
| Intergovernmental Receivable | 48,482 |
| Accounts Receivable | 13,926 |
| Due from County | 3,466 |
| Taxes Receivable | <u>16,819</u> |
| Total Assets | <u>\$ 1,066,600</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Liabilities | |
| Accounts Payable | \$ 13,213 |
| Salaries Payable | <u>6,110</u> |
| Total Liabilities | <u>\$ 19,323</u> |
| Deferred Inflows of Resources | |
| Taxes Receivable | <u>\$ 16,819</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 36,142</u> |
| Fund Balances | |
| Unassigned | <u>\$ 1,030,458</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,066,600</u> |

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

DEVILS LAKE PARK BOARD

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2018

| | | |
|---|------------------|---------------------|
| Total Fund Balances for Governmental Funds | | \$ 1,030,458 |
| Total <i>net position</i> 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. | | 4,727,755 |
| Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. | | |
| Property Taxes | | 16,819 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | |
| Deferred Outflows Related to Pensions | \$ 333,153 | |
| Deferred Inflows Related to Pensions | <u>(46,010)</u> | 287,143 |
| Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. | | |
| Long-Term Debt | \$ (119,238) | |
| Interest Payable | (6,856) | |
| Compensated Absences | (48,666) | |
| Net Pension and OPEB Liability | <u>(619,625)</u> | <u>(794,385)</u> |
| Total Net Position of Governmental Activities | | <u>\$ 5,267,790</u> |

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

DEVILS LAKE PARK BOARD

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2018

| | <u>General</u> |
|--|--------------------------------|
| REVENUES | |
| Taxes | \$ 802,562 |
| Intergovernmental | 201,883 |
| Charges for Services | 604,897 |
| Interest Income | 4,092 |
| Concession Income | 45,514 |
| Miscellaneous | <u>57,972</u> |
| Total Revenues | <u>\$ 1,716,920</u> |
| EXPENDITURES | |
| Current | |
| Recreation Programs | \$ 700,144 |
| Park Operations | 683,402 |
| Capital Outlay | 193,429 |
| Debt Service | |
| Principal | 38,936 |
| Interest and Fees | <u>9,490</u> |
| Total Expenditures | <u>\$ 1,625,401</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 91,519</u> |
| Fund Balance - January 1 | <u>\$ 938,939</u> |
| Fund Balance - December 31 | <u><u>\$ 1,030,458</u></u> |

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

DEVILS LAKE PARK BOARD

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

Net Change in Fund Balances - Total Governmental Funds \$ 91,519

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.

| | | |
|-----------------------------------|------------------|-----------|
| Current Year Capital Outlay | \$ 97,144 | |
| Current Year Depreciation Expense | <u>(219,236)</u> | (122,092) |

The issuance of debt increases long-term liabilities, while the repayment of debt long-term liabilities in the statement of net position.

| | | |
|--------------------------|--|--------|
| Long-Term Debt Repayment | | 38,936 |
|--------------------------|--|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

| | | |
|----------------------------------|--------------|-------|
| Decrease in Interest Payable | \$ 2,239 | |
| Decrease in Compensated Absences | <u>1,190</u> | 3,429 |

The net pension liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

| | | |
|--|-----------------|-----------|
| Increase in Net Pension and OPEB Liability | \$ (4,193) | |
| Decrease in Deferred Outflows of Resources | (95,656) | |
| Increase in Deferred Inflows of Resources | <u>(28,108)</u> | (127,957) |

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

| | | |
|------------------|--|----------------|
| Taxes Receivable | | <u>(3,613)</u> |
|------------------|--|----------------|

Change in Net Position of Governmental Activities \$ (119,778)

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

DEVILS LAKE PARK BOARD

Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The accompanying financial statements present the activities of the Park Board. The Park Board has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Park Board such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Devils Lake Park Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Park Board.

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Park Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Park Board's funds, including its fiduciary funds. The emphasis of fund financial statements is on the major governmental fund.

The Park Board reports the following major governmental fund:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Park Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

Under the terms of grant agreements, the Park Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Park Board’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

Cash and Investments

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

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Compensated Absences

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Up to 200 hours of vacation leave may be carried over at December 26. Vested or accumulated vacation leave is reported in the government-wide statement of net position. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

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.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Park Board would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Park Board does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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 another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2018, the Park Board's carrying amount of deposits totaled \$982,981, and the bank balances totaled \$1,027,398. Of the bank balances, \$625,841 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

NOTE 4 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 1,358,596 | \$ - | \$ - | \$ 1,358,596 |
| Construction in Progress | - | - | - | - |
| Total Capital Assets, Not Being Depreciated | \$ 1,358,596 | \$ - | \$ - | \$ 1,358,596 |
| Capital Assets Being Depreciated | | | | |
| Buildings | \$ 4,272,119 | \$ 46,938 | \$ - | \$ 4,319,057 |
| Infrastructure | 2,403,385 | 6,715 | - | 2,410,100 |
| Playground Equipment | 270,814 | - | - | 270,814 |
| Vehicles and Equipment | 646,193 | 43,491 | - | 689,684 |
| Total Capital Assets, Being Depreciated | \$ 7,592,511 | \$ 97,144 | \$ - | \$ 7,689,655 |
| Less Accumulated Depreciation | | | | |
| Buildings | \$ 2,319,337 | \$ 87,741 | \$ - | \$ 2,407,078 |
| Infrastructure | 1,358,466 | 58,596 | - | 1,417,062 |
| Playground Equipment | 115,213 | 16,687 | - | 131,900 |
| Vehicles and Equipment | 308,244 | 56,212 | - | 364,456 |
| Total Accumulated Depreciation | \$ 4,101,260 | \$ 219,236 | \$ - | \$ 4,320,496 |
| Total Capital Assets Being Depreciated, Net | \$ 3,491,251 | \$ (122,092) | \$ - | \$ 3,369,159 |
| Governmental Activities Capital Assets, Net | \$ 4,849,847 | \$ (122,092) | \$ - | \$ 4,727,755 |

Depreciation expense was charged to the culture and recreation function.

NOTE 5 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| Long-Term Debt | | | | | |
| Special Assessments | \$ 158,174 | \$ - | \$ 38,936 | \$ 119,238 | \$ 38,128 |
| Compensated Absences * | 49,856 | - | 1,190 | 48,666 | 4,867 |
| Net Pension and OPEB Liability | 615,432 | 4,193 | - | 619,625 | - |
| Total Governmental Activities | \$ 823,462 | \$ 4,193 | \$ 40,126 | \$ 787,529 | \$ 42,995 |

* The change in compensated absences is shown as a net change.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

| Year Ending | Special Assessments | |
|-------------|---------------------|-----------|
| | Principal | Interest |
| 2019 | 38,128 | 7,154 |
| 2020 | 38,128 | 4,867 |
| 2021 | 38,128 | 2,579 |
| 2022 | 1,618 | 291 |
| 2023 | 1,618 | 194 |
| 2024 - 2028 | 1,618 | 97 |
| Total | \$ 119,238 | \$ 15,182 |

NOTE 6 OPERATING LEASES

The Park Board is engaged in various operating leases Total lease payments made during 2018 totaled \$1,283. Future lease payments are as follows:

| | Postage Machine | Copier |
|-------|-----------------|----------|
| 2019 | \$ 125 | \$ 2,460 |
| 2020 | - | 2,460 |
| 2021 | - | 2,460 |
| 2022 | - | 1,230 |
| Total | \$ 125 | \$ 8,610 |

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the following net pension liability was reported:

| | |
|-------------|------------|
| Main System | \$ 593,616 |
|-------------|------------|

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

| | Proportion | Increase (Decrease) in Proportion from June 30,2017 Measurement | Pension Expense |
|-------------|-------------------|--|----------------------------|
| Main System | 0.035175% | -0.001415% | \$ 139,936 |

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

| ND PERS - Main System | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 1,572 | \$ 20,196 |
| Changes of Assumptions | 214,283 | 8,473 |
| Net Difference Between Projected and Actual Investment | | |
| Earnings on Pension Plan Investments | - | 2,888 |
| Changes in Proportion and Differences Between Employer | | |
| Contributions and Proportionate Share of Contributions | 114,386 | 12,145 |
| District Contributions Subsequent to the Measurement Date | 19,590 | - |
| Total Main System | \$ 349,831 | \$ 43,702 |

\$19,590 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

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

| | Main System |
|------------|------------------------|
| 2018 | \$ 103,103 |
| 2019 | 94,861 |
| 2020 | 65,473 |
| 2021 | 22,687 |
| Thereafter | 415 |

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|----------------------------|---|----------------|
| Inflation | 2.50% | |
| Salary increases | Service at Beginning of year: | Increase Rate: |
| | 0 | 15.00% |
| | 1 | 10.00% |
| | 2 | 8.00% |
| | Age* | |
| | Under 30 | 10.00% |
| | 30 – 39 | 7.50% |
| | 40 – 49 | 6.75% |
| | 50 – 59 | 6.50% |
| | 60+ | 5.25% |
| | * Age-based salary increase rates apply for employees with three or more years of service | |
| Investment rate of return | 7.75%, net of investment expenses | |
| Cost-of-living adjustments | None | |

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

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

| Asset Class | Target Allocation | Long -Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Domestic Equity | 30% | 6.05% |
| International Equity | 21% | 6.71% |
| Private Equity | 7% | 10.2% |
| Domestic Fixed Income | 23% | 1.45% |
| International Fixed Income | 0% | 0.00% |
| Global Real Assets | 19% | 5.11% |
| Cash Equivalents | 0% | 0.00% |

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the Park Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Park Board’s and Health District’s proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Park Board’s and Health District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

| Proportionate Share of the Net Pension Liability | 1% Decrease (5.44%) | Current Discount Rate (6.44%) | 1% Increase (7.44%) |
|---|----------------------------|--------------------------------------|----------------------------|
| Main System | \$ 806,614 | \$ 593,616 | \$ 415,877 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 8 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member’s years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the following net OPEB liability was reported:

| | |
|-------------|-----------|
| Main System | \$ 26,009 |
|-------------|-----------|

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

| | Proportion | Increase (Decrease) in Proportion from June 30,2017 Measurement | OPEB Expense |
|-------------|------------|---|--------------|
| Main System | 0.033025% | -0.001502% | \$ 3,021 |

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

| ND PERS - Main System | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Experience | \$ 778 | \$ 537 |
| Changes of Assumptions | 2,134 | - |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 560 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | - | 1,211 |
| District Contributions Subsequent to the Measurement Date | 3,137 | - |
| Total Main System | \$ 6,049 | \$ 2,308 |

\$3,137 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

| | Main System |
|------|--------------------|
| 2018 | \$ 24 |
| 2019 | 24 |
| 2020 | 24 |
| 2021 | 271 |
| 2022 | 226 |
| 2023 | 49 |
| 2024 | (14) |

Actuarial assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|-----------------------------------|
| Inflation | 2.50% |
| Salary Increases | Not applicable |
| Investment Rate of Return | 7.50%, net of investment expenses |
| Cost-of-Living Adjustments | None |

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| Large Cap Domestic Equities | 37% | 7.15% |
| Small Cap Domestic Equities | 9% | 14.42% |
| International Equities | 14% | 8.83% |
| Core-Plus Fixed Income | 40% | 0.10% |

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Sensitivity of the Park Board's and Health District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| Proportionate Share of the Net OPEB Liability | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|----------------------------|--------------------------------------|----------------------------|
| Main System | \$ 32,908 | \$ 26,009 | \$ 20,095 |

NOTE 9 RISK MANAGEMENT

The Devils Lake Park Board is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Devils Lake Park Board pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability and \$484,200 for public assets coverage.

The Devils Lake Park Board also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Devils Lake Park Board pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$580,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Devils Lake Park Board has worker's compensation with the North Dakota Workforce Safety and Insurance.

DEVILS LAKE PARK BOARD

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2018

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Taxes | \$ 857,450 | \$ 857,450 | \$ 802,562 | \$ (54,888) |
| Intergovernmental | 181,068 | 181,068 | 201,883 | 20,815 |
| Charges for Services | 592,698 | 592,698 | 604,897 | 12,199 |
| Interest | 1,600 | 1,600 | 4,092 | 2,492 |
| Concession Income | 50,000 | 50,000 | 45,514 | (4,486) |
| Miscellaneous | 52,400 | 52,400 | 57,972 | 5,572 |
| Total Revenues | \$ 1,735,216 | \$ 1,735,216 | \$ 1,716,920 | \$ (18,296) |
| EXPENDITURES | | | | |
| Current | | | | |
| Recreation Programs | \$ 728,475 | \$ 744,848 | \$ 700,144 | \$ 44,704 |
| Park Operations | 830,500 | 830,522 | 683,402 | 147,120 |
| Capital Outlay | 147,000 | 202,349 | 193,429 | 8,920 |
| Debt Service | | | | |
| Principal | 35,792 | 38,936 | 38,936 | - |
| Interest and Fees | 9,490 | 9,490 | 9,490 | - |
| Total Expenditures | \$ 1,751,257 | \$ 1,826,145 | \$ 1,625,401 | \$ 200,744 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (16,041) | \$ (90,929) | \$ 91,519 | \$ 182,448 |
| Fund Balance - January 1 | \$ 938,939 | \$ 938,939 | 938,939 | \$ - |
| Fund Balance - December 31 | \$ 922,898 | \$ 848,010 | \$ 1,030,458 | \$ 182,448 |

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

DEVILS LAKE PARK BOARD

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of Net Pension Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years**

| | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|---|--|--------------------------|--|--|
| 2018 | 0.035175% | \$ 593,616 | \$ 361,360 | 164.27% | 62.80% |
| 2017 | 0.036590% | 588,121 | 373,530 | 157.45% | 61.98% |
| 2016 | 0.035385% | 344,861 | 356,601 | 96.71% | 70.46% |
| 2015 | 0.013722% | 93,307 | 122,242 | 76.33% | 77.15% |
| 2014 | 0.000000% | - | - | 0.00% | 0.00% |

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

| | Statutory Required Contribution | Contributions in Relation to the Statutory Required Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2018 | \$ 26,616 | \$ 25,317 | \$ 1,299 | \$ 361,360 | 7.01% |
| 2017 | 27,085 | 26,595 | 490 | 373,530 | 7.12% |
| 2016 | 25,817 | 20,890 | 4,927 | 356,601 | 5.86% |
| 2015 | 14,358 | 9,286 | 5,073 | 122,242 | 7.60% |
| 2014 | - | - | - | - | 0.00% |

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

DEVILS LAKE PARK BOARD

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of Net OPEB Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

| | Proportion of the Net OPEB Liability (Asset) | Proportionate Share of the Net OPEB (Asset) | Covered-Employee Payroll | Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------|--|---|--------------------------|---|---|
| 2018 | 0.033025% | \$ 26,009 | \$ 361,360 | 7.20% | 61.89% |
| 2017 | 0.034527% | 27,311 | 373,530 | 7.31% | 59.78% |

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

| | Statutory Required Contribution | Contributions in Relation to the Statutory Required Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2018 | \$ 4,239 | \$ 4,054 | \$ 185 | \$ 361,360 | 1.12% |
| 2017 | 4,342 | 4,258 | 84 | 373,530 | 1.14% |

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

DEVILS LAKE PARK BOARD

Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) and in state law for the General Fund, Special Revenue Funds, and Debt Service Funds. A budgetary comparison schedule is presented for the general fund.

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

NOTE 2 BUDGET AMENDMENTS

The governing board approved the following budget amendments to the Park Board budget.

| | EXPENDITURES | | |
|-------------------|-----------------|------------------|----------------|
| | Original Budget | Budget Amendment | Amended Budget |
| Major Fund | | | |
| General Fund | \$ 1,751,256 | \$ 74,889 | \$ 1,826,145 |

STATE AUDITOR

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MANAGER – CRAIG HASHBARGER
Phone (701)239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Park Board Commissioners
Devils Lake Park Board
Devils Lake, 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 major fund of Devils Lake Park Board as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Devils Lake Park Board's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Devils Lake Park Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Devils Lake Park Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Devils Lake Park Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

DEVILS LAKE PARK BOARD

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Devils Lake Park Board'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 or other matters that are required to be reported under *Government Auditing Standards*.

Devils Lake Park Board's Response to Findings

Devils Lake Park Board's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Devils Lake Park Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 15, 2019

DEVILS LAKE PARK BOARD

Summary of Auditor's Results
For the Year Ended December 31, 2018

Financial Statements

| | |
|-------------------------|------------|
| Type of Report Issued? | |
| Governmental Activities | Unmodified |
| Major Fund | Unmodified |

Internal control over financial reporting

| | | |
|---|-------------------|--------------------------|
| Material weaknesses identified? | <u> X </u> Yes | <u> </u> None Noted |
| Significant deficiencies identified not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Noted |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> None Noted |

DEVILS LAKE PARK BOARD

Schedule of Audit Findings

For the Year Ended December 31, 2018

2018-001 LACK OF SEGREGATION OF DUTIES

Condition

The Devils Lake Park Board has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Criteria

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Park Board.

Cause

Management has chosen to allocate its economic resources to other functions of the Park Board.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Park Board's financial condition, whether due to error or fraud.

Repeat Finding

Yes.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Devils Lake Park Board's Response

Agree. Devils Lake Park Board does not have adequate resources to obtain proper internal controls to properly segregate duties. We will segregate duties to the extent possible.

2018-002 FINANCIAL STATEMENT PREPARATION

Condition

Devils Lake Park Board does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Criteria

Management of Devils Lake Park Board is responsible for establishing proper internal control over the preparation of Devils Lake Park Board's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management may not be fully aware how to prepare basic financial statements that comply with GAAP and has chosen to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to the Devils Lake Park Board's financial statements.

Repeat Finding

No.

Recommendation

We recommend Devils Lake Park Board design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

Devils Lake Park Board's Response

Agree. Devils Lake Park Board is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2018-003 ADJUSTING JOURNAL ENTRIES

Condition

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Criteria

Devils Lake Park Board is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Cause

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

Effect

Inadequate internal controls over recording of transactions affects Devils Lake Park Board's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Repeat Finding

No.

Recommendation

We recommend Devils Lake Park Board design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

Devils Lake Park Board's Response

Agree. Devils Lake Park Board does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.



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FARGO, NORTH DAKOTA 58103

GOVERNANCE COMMUNICATION

Park Board Commissioners
Devils Lake Park Board
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities and major fund of Devils Lake Park Board, North Dakota, for the year ended December 31, 2018 which collectively comprise Devils Lake Park Board's basic financial statements, and have issued our report thereon dated October 15, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated August 2, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Devils Lake Park Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Devils Lake Park Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Devils Lake Park Board are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below lists all misstatements detected as a result of audit procedures that were corrected by management.

| AUDIT ADJUSTMENTS | | |
|------------------------------------|--------|--------|
| Client Provided Adjustments | | |
| Accounts Receivable | 13,926 | |
| Due from County | 3,466 | |
| Revenue | | 17,393 |
| Expenditures | 19,323 | |
| Accounts Payable | | 13,213 |
| Salaries Payable | | 6,110 |
| Audit Adjustments | | |
| Intergovernmental Receivable | 48,829 | |
| Revenue | | 48,829 |

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Park Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following presents our informal recommendation:

* * * * *

FRAUD RISK ASSESSMENT

Devils Lake Park Board does not currently prepare a fraud risk assessment of the entire entity. If the Park Board does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the Park Board's goals in reporting, reliance, and accountability.

We recommend Devils Lake Park Board prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

* * * * *

This information is intended solely for the use of the Park Board Commissioners and management of Devils Lake Park Board, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Devils Lake Park Board for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Devils Lake Park Board.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 15, 2019

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