

MANDAN PARKS AND RECREATION DISTRICT

AUDIT REPORT

December 31, 2018

**MANDAN PARKS AND RECREATION DISTRICT
MANDAN, NORTH DAKOTA**

TABLE OF CONTENTS
For The Year Ended December 31, 2018

	<u>PAGE(S)</u>
List of Officials	1
Independent Auditor's Report	2 – 3
Management's Discussion and Analysis	4 – 9
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to Basic Financial Statements	19 – 31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	32
Notes to Required Supplementary Information	33
SUPPLEMENTARY REPORT	
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 <i>Government Auditing Standards</i>	34 – 35
Schedule of Findings	36

**MANDAN PARKS AND RECREATION DISTRICT
MANDAN, NORTH DAKOTA**

List of Officials
December 31, 2018

Wade Meschke	Board President
Jason Arenz	Vice President
Miles Mehlhoff	Commissioner
Wanda Knoll	Commissioner
Chad Hatzenbuhler	Commissioner
Cole Higlin	Director

INDEPENDENT AUDITOR'S REPORT

Park Board
Mandan Parks and Recreation District
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mandan Parks and Recreation District, Mandan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mandan Parks and Recreation District, Mandan, 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 management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 32 through 33 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, on our consideration of Mandan Parks and Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Mandan Parks and Recreation District's internal control over financial reporting and compliance.

Haga Kommer, Ltd

Haga Kommer, Ltd
Mandan, North Dakota
June 4, 2019

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

As management of the Mandan Parks and Recreation District, we offer readers of the Mandan Parks and Recreation District's financial statements this narrative overview and analysis of the financial activities of the Mandan Parks and Recreation District for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 10 – 31 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the Mandan Parks and Recreation District exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$38,313,976 (*net position*). Of this amount, \$1,532,564 *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net position increased by \$1,026,618 during the current fiscal year.
- As of the close of the current fiscal year, the Mandan Parks and Recreation District's governmental funds reported combined ending fund balances of \$2,371,508, an decrease of \$1,217,656 from the prior year. Of this amount, \$202,216 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$202,216.
- In 2018 the Starion Complex construction concluded with a construction cost of approximately \$23,217,000. The All Season Area construction also concluded with a construction cost of approximately \$1,359,000.
- In 2018 the Memorial Ballpark construction had begun. At the end of the current fiscal year approximately \$1,300,000 is left to complete.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Mandan Parks and Recreation District's basic financial statements. The Mandan Parks and Recreation District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Mandan Parks and Recreation District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Mandan Parks and Recreation District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Mandan Parks and Recreation District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

Both of the government-wide financial statements distinguish functions of Mandan Parks and Recreation District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Mandan Parks and Recreation District include culture and recreation. The business-type activities of Mandan Parks and Recreation District include the Raging Rivers Waterpark. The government-wide financial statements can be found on pages 10 – 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Mandan Parks and Recreation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Mandan Parks and Recreation District are categorized as governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mandan Parks and Recreation District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital improvements fund and construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Mandan Parks and Recreation District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided only for the funds that are required to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

Proprietary funds. The Mandan Parks and Recreation District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Mandan Parks and Recreation District uses an enterprise fund to account for its Raging Rivers Waterpark activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Raging Rivers Waterpark, which is considered to be a major fund of the Mandan Parks and Recreation District.

The basic proprietary fund financial statements can be found on pages 16 - 18 of this report.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 – 31 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Mandan Parks and Recreation District, assets exceeded liabilities by \$38,313,976 for governmental activities and assets exceeded liabilities by \$1,423,331 for business-type activities at the close of the most recent fiscal year.

A significant portion of the Mandan Parks and Recreation District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture and equipment, and vehicles and machinery); less any related debt used to acquire those assets that is still outstanding. The Mandan Parks and Recreation District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Mandan Parks and Recreation District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Mandan Parks and Recreation District's net position represents resources that are subject to external restrictions on how they may be used. However, the remaining balance of net position (*unrestricted*) \$1,532,564 governmental activities and \$363,399 for business-type activities may be used to meet the government's ongoing obligations to citizens and creditors.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Current and Other Assets	\$ 4,030,098	\$ 4,991,487	\$ 458,503	\$ 383,249
Capital and Non-Current Assets	<u>37,643,129</u>	<u>35,719,644</u>	<u>2,829,966</u>	<u>2,936,502</u>
Total Assets	41,673,227	40,711,131	3,288,469	3,319,751
Current Liabilities	493,083	125,323	10,652	3,914
Long-Term Liabilities	1,768,324	2,044,751	1,772,498	2,002,545
Deferred Inflows of Resources	<u>1,097,844</u>	<u>1,253,699</u>	<u>81,988</u>	<u>72,691</u>
Total Liabilities and Deferred Resources	<u>3,359,251</u>	<u>3,423,773</u>	<u>1,865,138</u>	<u>2,079,150</u>
Net Position				
Net Investment in Capital Assets	35,947,087	33,742,399	1,059,932	937,414
Restricted	834,325	915,142	-	-
Unrestricted	<u>1,532,564</u>	<u>2,629,817</u>	<u>363,399</u>	<u>303,187</u>
Total Net Position	<u>\$38,313,976</u>	<u>\$37,287,358</u>	<u>\$ 1,423,331</u>	<u>\$ 1,240,601</u>

Governmental activities. During the year, governmental activities increased by \$1,026,618. Revenues decreased by \$15,751,612 and expenses increased by \$790,927 as compared to the prior year.

Business-type activities. Business-type activities increased by \$182,730 during the current fiscal year. During the year, revenues increased by \$46,946 and expenses increased by \$45,786 as compared to the prior year.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Revenues				
Program Revenues				
Charges for Services	\$ 1,828,547	\$ 1,750,731	\$ 680,219	\$ 646,757
Capital Grants & Contributions	250,000	900,000	-	-
General Revenues				
Property Taxes	2,370,933	2,343,643	-	-
Sales Taxes	61,804	15,792,780	49,080	46,267
Intergovernmental	572,497	484,662	-	-
Interest Earnings	35,979	21,939	-	-
Miscellaneous Revenue	1,576,394	1,164,981	4,842	(229)
Gain on Disposal	16,570	-	-	-
Transfers	<u>(96,369)</u>	<u>(90,769)</u>	<u>96,369</u>	<u>90,769</u>
Total Revenues	6,616,355	22,367,967	830,510	783,564
Expenses				
Culture and Recreation	5,541,808	4,771,658	603,238	583,728
Interest & Service Charges	<u>47,929</u>	<u>27,152</u>	<u>44,542</u>	<u>18,266</u>
Total Expenses	<u>5,589,737</u>	<u>4,798,810</u>	<u>647,780</u>	<u>601,994</u>
Change in Net Position	<u>\$ 1,026,618</u>	<u>\$ 17,569,157</u>	<u>\$ 182,730</u>	<u>\$ 181,570</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Mandan Parks and Recreation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Mandan Parks and Recreation District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Mandan Parks and Recreation District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Mandan Parks and Recreation District's governmental funds reported combined ending fund balances of \$2,371,508, a decrease of \$1,217,656 from the prior year. Of this total amount, \$202,216 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. A portion of the remaining fund balance is *assigned* in the amount of \$392,440, *restricted* in the amount of \$815,181, and *nonspendable* in the amount of \$961,671.

The general fund is the chief operating fund of the Mandan Parks and Recreation District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$202,216, while total fund balance reached \$1,496,887. The fund balance of the Mandan Parks and Recreation District's general fund decreased by \$2,053,837 during the current fiscal year.

Proprietary funds. The Mandan Parks & Recreation District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

As of the end of the current fiscal year, the Mandan Parks and Recreation District's proprietary funds reported ending net position of \$1,423,331, an increase of \$182,730 from the prior year. Of this amount \$363,399 constitutes *unrestricted net position*, which is available for spending at the government's discretion, the remaining balance of the total net position \$1,059,932 are the *net investment in capital assets*. The Mandan Parks and Recreation District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- The original budget anticipated a decrease in fund balance by \$396,908.
- The \$931,797 increase in expenditures from the original budget to the amended budget is due to the Park District taking on several projects and purchasing some new equipment.
- The net effect of the budget amendments was estimated to reduce fund balance by \$909,297.

During the year, revenues were more than budgetary estimates by \$917,564, expenditures were less than budgetary estimates by \$317,961, other financing sources and uses were less than budgetary estimates by \$1,983,157 and ending fund balance was less than budgetary estimates by \$747,632.

Additional information on the Mandan Parks and Recreation District's budget amendments can be found in Note 16 in the notes to the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Mandan Parks and Recreation District's investment in capital assets for its governmental activities as of December 31, 2018, amounts to \$37,643,129 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, furniture and equipment, vehicles and machinery, and construction in progress.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Land	\$ 4,819,135	\$ 4,819,969	\$ 653,400	\$ 653,400
Land Improvements	3,011,276	3,219,174	-	-
Buildings	26,027,617	3,155,810	1,259,778	1,291,272
Building Improvements	1,847,879	536,597	916,226	990,143
Furniture and Equipment	433,332	542,002	-	-
Vehicles and Machinery	239,037	378,393	562	1,687
Other Assets	38,098	46,285	-	-
Construction in Progress	1,226,755	23,021,414	-	-
Total	<u>\$ 37,643,129</u>	<u>\$ 35,719,644</u>	<u>\$ 2,829,966</u>	<u>\$ 2,936,502</u>

The Mandan Parks and Recreation District's capital assets increased by \$1,816,949 due to completion on the Starion Sports Complex, renovations at the All Seasons Area Renovation, and progress on the Memorial Ballpark renovations.

Additional information on the Mandan Parks and Recreation District's capital assets can be found in note 6 in the notes to the basic financial statements.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2018

Long-term debt. At the end of the current fiscal year, the Mandan Parks and Recreation District had total debt outstanding of \$3,540,822. The Mandan Parks and Recreation District's total debt decreased by \$506,474 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The Mandan Parks and Recreation District has no outstanding general obligation debt. Park Districts also have a separate general debt limit that states the debt of a park service may not exceed one percent of the taxable property within the district according to the last preceding assessment. The Mandan Parks and Recreation District has stayed in compliance with that.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Revenue Bonds	\$ -	\$ -	\$ 1,410,000	\$ 1,555,000
Notes	1,203,950	1,688,562	360,034	444,088
Special Assessments	492,092	288,683	-	-
Compensated Absences	<u>72,282</u>	<u>67,506</u>	<u>2,464</u>	<u>3,457</u>
Total	<u>\$ 1,768,324</u>	<u>\$ 2,044,751</u>	<u>\$ 1,772,498</u>	<u>\$ 2,002,545</u>

Additional information on the Mandan Parks and Recreation District's long-term debt can be found in note 11 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For budgetary purposes, the Mandan Board of Park Commissioners have requested that the Mandan Parks and Recreation District maintain a minimum of \$1.25 Million as the ending general fund balance each year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Mandan Parks and Recreation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Accounting Manager, 2600 46th Ave SE, Mandan, ND 58554.

MANDAN PARKS AND RECREATION DISTRICT

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 2,411,456	\$ 458,503	\$ 2,869,959
Due from Other Governments	66,342	-	66,342
Accounts Receivable	501,762	-	501,762
Taxes Receivable	88,867	-	88,867
Contributions Receivable	959,600	-	959,600
Prepaid Expenses	2,071	-	2,071
Capital Assets, Net of Accumulated Depreciation	37,643,129	2,829,966	40,473,095
TOTAL ASSETS	41,673,227	3,288,469	44,961,696
LIABILITIES			
Accounts Payable	403,958	3,025	406,983
Salaries & Benefits Payable	67,921	2,940	70,861
Interest Payable	21,204	4,687	25,891
Long-Term Liabilities:			
Due Within One Year:			
Revenue Bonds Payable	-	145,000	145,000
Notes Payable	299,980	86,330	386,310
Special Assessments Payable	56,044	-	56,044
Due After One Year:			
Revenue Bonds Payable	-	1,265,000	1,265,000
Notes Payable	903,970	273,704	1,177,674
Special Assessments Payable	436,048	-	436,048
Compensated Absences Payable	72,282	2,464	74,746
TOTAL LIABILITIES	2,261,407	1,783,150	4,044,557
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	1,097,844	81,988	1,179,832
TOTAL DEFERRED INFLOWS OF RESOURCES	1,097,844	81,988	1,179,832
NET POSITION			
Net Investment in Capital Assets	35,947,087	1,059,932	37,007,019
Restricted for:			
Debt Service	132,801	-	132,801
Capital Projects	701,524	-	701,524
Unrestricted	1,532,564	363,399	1,895,963
TOTAL NET POSITION	\$ 38,313,976	\$ 1,423,331	\$ 39,737,307

MANDAN PARKS AND RECREATION DISTRICT
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>							
Primary Government:							
<u>Governmental Activities:</u>							
Culture and Recreation	\$ 5,541,808	\$ 1,828,547	\$ -	\$ 250,000	\$ (3,463,261)		\$ (3,463,261)
<u>Debt Service:</u>							
Interest & Service Charges	47,929	-	-	-	(47,929)		(47,929)
Total Governmental Activities	\$ 5,589,737	\$ 1,828,547	\$ -	\$ 250,000	(3,511,190)		(3,511,190)
<u>Business-Type Activities:</u>							
Raging Rivers Waterpark	\$ 647,780	\$ 734,141	\$ -	\$ -	-	\$ 86,361	86,361
Total Business-type Activities	647,780	734,141	-	-	-	86,361	86,361
Total Primary Government	\$ 6,237,517	\$ 2,562,688	\$ -	\$ 250,000	(3,511,190)	86,361	(3,424,829)
General Revenues:							
Taxes:							
Property taxes; levied for general purposes					1,865,537	-	1,865,537
Property taxes; levied for special purposes					77,408	-	77,408
Property taxes; levied for capital improvement					427,988	-	427,988
Sales Tax					61,804	-	61,804
Intergovernmental					572,497	-	572,497
Earnings on investments					35,979	-	35,979
Other Revenue					1,576,394	-	1,576,394
Gain on Disposal					16,570	-	16,570
Total General Revenues					4,634,177	-	4,634,177
Transfers					(96,369)	96,369	-
Total General Revenues and Transfers					4,537,808	96,369	4,634,177
Change in Net Position					1,026,618	182,730	1,209,348
Net Position - Beginning of Year					37,287,358	1,240,601	38,527,959
Net Position - End of Year					\$ 38,313,976	\$ 1,423,331	\$ 39,737,307

MANDAN PARKS AND RECREATION DISTRICT
Balance Sheet - Governmental Funds
December 31, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Construction		
ASSETS:					
Cash and Cash Equivalents	\$ 1,548,106	\$ 685,158	\$ 42,195	\$ 135,997	\$ 2,411,456
Taxes Receivable	69,723	16,115	-	3,029	88,867
Contributions Receivable	959,600	-	-	-	959,600
Due from Other Governments	10,662	2,465	-	53,215	66,342
Accounts Receivable	229,406	-	272,356	-	501,762
Prepaid Expenses	2,071	-	-	-	2,071
TOTAL ASSETS	<u>\$ 2,819,568</u>	<u>\$ 703,738</u>	<u>\$ 314,551</u>	<u>\$ 192,241</u>	<u>\$ 4,030,098</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 87,193	\$ 2,214	\$ 314,551	\$ -	\$ 403,958
Salary and Benefits Payable	67,921	-	-	-	67,921
Total Liabilities	<u>155,114</u>	<u>2,214</u>	<u>314,551</u>	<u>-</u>	<u>471,879</u>
Deferred Inflows of Resources:					
Deferred Revenue	1,097,844	-	-	-	1,097,844
Uncollected Taxes	69,723	16,115	-	3,029	88,867
Total Deferred Inflows of Resources	<u>1,167,567</u>	<u>16,115</u>	<u>-</u>	<u>3,029</u>	<u>1,186,711</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,322,681</u>	<u>18,329</u>	<u>314,551</u>	<u>3,029</u>	<u>1,658,590</u>
Fund Balances:					
Nonspendable for:					
Contributions Receivable	959,600	-	-	-	959,600
Prepaid Expenses	2,071	-	-	-	2,071
Restricted	-	685,409	-	129,772	815,181
Assigned	333,000	-	-	59,440	392,440
Unassigned	202,216	-	-	-	202,216
Total Fund Balances	<u>1,496,887</u>	<u>685,409</u>	<u>-</u>	<u>189,212</u>	<u>2,371,508</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,819,568</u>	<u>\$ 703,738</u>	<u>\$ 314,551</u>	<u>\$ 192,241</u>	<u>\$ 4,030,098</u>

MANDAN PARKS AND RECREATION DISTRICT
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position - Governmental Funds
 December 31, 2018

Total *Fund Balances* for Governmental Funds \$ 2,371,508

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 48,079,268	
Less Accumulated Depreciation	<u>(10,436,139)</u>	
Net Capital Assets		37,643,129

Property taxes 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 revenues in the funds.

88,867

Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position. Balances at December 31, 2018 are:

Notes Payable	(1,203,950)	
Special Assessments Payable	(492,092)	
Interest Payable	(21,204)	
Compensated Absences	<u>(72,282)</u>	
Total Long-Term Liabilities		<u>(1,789,528)</u>

Total Net Position of Governmental Activities \$ 38,313,976

MANDAN PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Construction		
REVENUES:					
Taxes	\$ 1,902,307	\$ 421,704	\$ -	\$ 76,363	\$ 2,400,374
Intergovernmental	564,763	6,554	-	1,180	572,497
Charges for Services	1,745,614	47,439	-	35,494	1,828,547
Interest	29,165	5,888	-	926	35,979
Miscellaneous	<u>935,865</u>	<u>-</u>	<u>541,306</u>	<u>99,223</u>	<u>1,576,394</u>
Total Revenues	5,177,714	481,585	541,306	213,186	6,413,791
EXPENDITURES:					
Current:					
Culture and Recreation	4,051,977	-	-	117,463	4,169,440
Capital Outlay	887,935	260,194	1,511,306	633,406	3,292,841
Debt Service:					
Principal	484,612	-	-	56,299	540,911
Interest	<u>51,950</u>	<u>-</u>	<u>-</u>	<u>7,978</u>	<u>59,928</u>
Total Expenditures	<u>5,476,474</u>	<u>260,194</u>	<u>1,511,306</u>	<u>815,146</u>	<u>8,063,120</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(298,760)	221,391	(970,000)	(601,960)	(1,649,329)
OTHER FINANCING SOURCES (USES):					
Special Assessments Issued	-	-	-	274,142	274,142
Contributions	100,000	-	-	-	100,000
Grants	150,000	-	-	-	150,000
Proceeds on Sale of Equipment	3,900	-	-	-	3,900
Transfers In (Out)	<u>(2,008,977)</u>	<u>(281,543)</u>	<u>970,000</u>	<u>1,224,151</u>	<u>(96,369)</u>
Total Other Financing Sources (Uses)	<u>(1,755,077)</u>	<u>(281,543)</u>	<u>970,000</u>	<u>1,498,293</u>	<u>431,673</u>
NET CHANGE IN FUND BALANCES	(2,053,837)	(60,152)	-	896,333	(1,217,656)
FUND BALANCES - January 1, 2018	<u>3,550,724</u>	<u>745,561</u>	<u>-</u>	<u>(707,121)</u>	<u>3,589,164</u>
FUND BALANCES - December 31, 2018	<u>\$ 1,496,887</u>	<u>\$ 685,409</u>	<u>\$ -</u>	<u>\$ 189,212</u>	<u>\$ 2,371,508</u>

MANDAN PARKS AND RECREATION DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities - Governmental Funds
 For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (1,217,656)

The change in net position reported for governmental activities in the statement of activities is different because:

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. This consists of the increase in taxes receivable. 32,363

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

Capital Assets Purchased	\$ 3,049,841	
Current Year Depreciation Expense	<u>(1,124,592)</u>	
		1,925,249

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets disposed. (1,764)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Issuance of Debt	(274,142)	
Special Assessment Transferred on Sale of Land	14,434	
Repayment of Debt	<u>540,911</u>	
		281,203

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.

Net Increase in Compensated Absences	(4,776)	
Net Decrease in Interest Payable	<u>11,999</u>	
		<u>7,223</u>

Change in Net Position of Governmental Activities \$ 1,026,618

MANDAN PARKS AND RECREATION DISTRICT
Statement of Net Position - Proprietary Funds
For the Year Ended December 31, 2018

	Raging Rivers Waterpark
ASSETS:	
Current:	
Cash and Cash Equivalents	\$ 458,503
Noncurrent:	
Capital Assets, Net of Accumulated Depreciation	2,829,966
TOTAL ASSETS	3,288,469
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	3,025
Salary & Benefits Payable	2,940
Interest Payable	4,687
Long-Term Liabilities:	
Due Within One Year:	
Revenue Bonds Payable	145,000
Note Payable	86,330
Due After One Year:	
Revenue Bonds Payable	1,265,000
Note Payable	273,704
Compensated Absences	2,464
TOTAL LIABILITIES	1,783,150
 DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenue	81,988
TOTAL DEFERRED INFLOWS OF RESOURCES	81,988
 NET POSITION:	
Net Investment in Capital Assets	1,059,932
Unrestricted	363,399
TOTAL NET POSITION	\$ 1,423,331

MANDAN PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Raging Rivers Waterpark
OPERATING REVENUES:	
Charges for Services	\$ 680,219
Sales Taxes	49,080
Cash Long/(Short)	4,842
TOTAL OPERATING REVENUES	734,141
OPERATING EXPENSES:	
Salaries and Benefits	212,953
Fees and Other Service Charges	7,380
Insurance	2,514
Utilities	87,774
Publishing and Printing	1,236
Supplies and Maintenance	115,967
Repairs and Maintenance	15,554
Depreciation	106,536
Miscellaneous	53,324
TOTAL OPERATING EXPENSES	603,238
INCOME (LOSS) FROM OPERATIONS	130,903
NON-OPERATING REVENUES (EXPENSES):	
Debt Service:	
Interest	(43,434)
Service Charges	(1,108)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(44,542)
NET INCOME (LOSS) BEFORE TRANSFERS	86,361
Transfers In (Out)	96,369
CHANGE IN NET POSITION	182,730
Net Position - January 1, 2018	1,240,601
NET POSITION - DECEMBER 31, 2018	\$ 1,423,331

MANDAN PARKS & RECREATION DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Raging Rivers Waterpark
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers and Users	\$ 743,438
Payments to Employees	(210,233)
Payments to Suppliers	(280,724)
Net Cash Provided (Used) by Operating Activities	252,481
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Transfers In	96,369
Principal Paid on Capital Debt	(229,085)
Interest Paid on Capital Debt	(43,403)
Service Charges Paid on Capital Debt	(1,108)
Net Cash Used by Capital and Related Financing Activities	(177,227)
Net Increase (Decrease) in Cash and Cash Equivalents	75,254
Cash and Cash Equivalents - January 1	383,249
Cash and Cash Equivalents - December 31	\$ 458,503
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Operating Income (Loss)	\$ 130,903
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>	
Depreciation Expense	106,536
Increase (Decrease) in Accounts Payable	3,025
Increase (Decrease) in Salaries & Benefits Payable	1,502
Increase (Decrease) in Interest Payable	2,211
Increase (Decrease) in Deferred Income	9,297
Increase (Decrease) in Compensated Absences	(993)
Total Adjustments	121,578
Net Cash Provided (Used) by Operating Activities	\$ 252,481

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mandan Parks and Recreation District, Mandan, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Park District's financial statements include all accounts of the Park District's operations. The criteria for including organizations as component units within the Park District's reporting entity included whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Park District holds the corporate powers of the organization
- the Park District appoints a voting majority of the organization's board
- the Park District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Park District
- there is a fiscal dependency by the organization on the Park District

Based on these criteria, there are no component units of Mandan Parks and Recreation District.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the primary government, Mandan Parks and Recreation District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Park District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements:

The fund financial statements provide information about the Park District's funds. Separate statements for each fund category-*governmental and proprietary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Park District reports the following major governmental funds:

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

Capital Improvements Fund. This fund accounts for financial resources used for major capital projects of the Park District.

Construction Fund. This fund was established to account for the financial resources to be used for current and future projects that will take place.

The Park District reports the following major enterprise fund:

Raging Rivers Waterpark Fund. This fund accounts for activities of the Raging Rivers Waterpark. This includes the operations and debt service functions.

C. Measurement Focus/Basis of Accounting

Government-wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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. Nonexchange transactions, in which the Park District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Private-sector standards of accounting and financial reporting issues generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

D. Cash and Cash Equivalents

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

E. Investments

Investments are recorded at market value. North Dakota state statute authorizes Park District’s to invest their surplus funds in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality’s, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by Federal Deposit Insurance Corporation of the state, d) obligations of the state.

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The consumption method is used for accounting for inventories. Under the consumption method, expenditures are recognized as the goods are used.

G. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the Park District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are 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
Buildings	50
Land Improvements	30
Furniture and Equipment	5
Vehicles and Machinery	5

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Compensated Absences

Full-time employees are entitled to annual vacation benefits at the start of their employment. Vacation benefits are earned from eight to eighteen hours per month depending on tenure with the Park District. Employees are allowed to carryover 96 to 216 hours into a new calendar year depending on tenure with the Park District. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Vested or accumulated leave for governmental funds is reported as a liability in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

I. 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.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisitions, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Interfund Transactions

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 operating transfers.

L. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

M. Fund Balance Classifications

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Park District’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

N. Deferred Inflows of Resources

Deferred inflows of resources in the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include uncollected taxes and deferred revenue.

NOTE 2 DEPOSITS – CASH AND INVESTMENTS

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

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 2 DEPOSITS – CASH AND INVESTMENTS – CONTINUED

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 entity, and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2018, the Park District's carrying amount of deposits was \$2,869,959 and the bank balance was \$2,959,953. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$2,209,953 was collateralized with securities held by the pledging financial institutions' agent not in the Park District's name. During the fiscal year ended December 31, 2018, the board reviewed the pledge of securities semi-annually.

As of December 31, 2018, the Park District pooled funds included certificates of deposit in the amount of \$250,000, which are all considered deposits.

Concentration of Credit Risk: The Park District does not have a limit on the amount the Park District may invest in any one issuer.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the Park District for rental fees and reimbursements. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 4 PROPERTY TAX

Under state law, the Park District is limited in its ability to levy property taxes. All Park District tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. The first installment is due by March 1 and the second installment is due by October 15. After the due dates, the bill becomes delinquent and penalties and interest are assessed. Taxes are collected by the county and remitted monthly to the Park District.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable represents the past four years of delinquent uncollected taxes.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of cash on hand for taxes collected but not remitted to the Park District at December 31.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 6 CAPITAL ASSETS

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,819,969	\$ -	\$ 834	\$ 4,819,135
Construction in Progress	<u>23,021,414</u>	<u>1,196,755</u>	<u>22,991,414</u>	<u>1,226,755</u>
Total Capital Assets Not Being Depreciated	27,841,383	1,196,755	22,992,248	6,045,890
<i>Capital assets, being depreciated:</i>				
Land Improvements	7,183,319	52,818	-	7,236,137
Buildings	5,210,518	23,299,734	-	28,510,252
Building Improvements	726,899	1,358,952	-	2,085,851
Furniture and Equipment	2,157,751	126,357	119,208	2,164,900
Vehicles and Machinery	1,977,723	6,640	30,000	1,954,363
Other Assets	<u>81,875</u>	<u>-</u>	<u>-</u>	<u>81,875</u>
Total Capital Assets Being Depreciated	17,338,085	24,844,501	149,208	42,033,378
<i>Less accumulated depreciation for:</i>				
Land Improvements	3,964,145	260,713	-	4,224,858
Buildings	2,054,708	427,930	-	2,482,638
Building Improvements	190,303	47,670	-	237,973
Furniture and Equipment	1,615,748	234,097	118,278	1,731,567
Vehicles and Machinery	1,599,331	145,995	30,000	1,715,326
Other Assets	<u>35,589</u>	<u>8,188</u>	<u>-</u>	<u>43,777</u>
Total Accumulated Depreciation	<u>9,459,824</u>	<u>1,124,593</u>	<u>148,278</u>	<u>10,436,139</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,878,261</u>	<u>23,719,908</u>	<u>930</u>	<u>31,597,239</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,719,644</u>	<u>\$ 24,916,663</u>	<u>\$ 22,993,178</u>	<u>\$ 37,643,129</u>
 <i>Enterprise Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 653,400	\$ -	\$ -	\$ 653,400
Total Capital Assets Not Being Depreciated	653,400	-	-	653,400
<i>Capital assets, being depreciated:</i>				
Buildings	1,574,721	-	-	1,574,721
Building Improvements	1,207,881	-	-	1,207,881
Vehicles & Machinery	<u>11,620</u>	<u>-</u>	<u>-</u>	<u>11,620</u>
Total Capital Assets Being Depreciated	2,794,222	-	-	2,794,222
<i>Less accumulated depreciation for:</i>				
Buildings	283,448	31,494	-	314,942
Building Improvements	217,738	73,918	-	291,656
Vehicles & Machinery	<u>9,934</u>	<u>1,124</u>	<u>-</u>	<u>11,058</u>
Total Accumulated Depreciation	<u>511,120</u>	<u>106,536</u>	<u>-</u>	<u>617,656</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,283,102</u>	<u>(106,536)</u>	<u>-</u>	<u>2,176,566</u>
Enterprise Activities Capital Assets, Net	<u>\$ 2,936,502</u>	<u>\$ (106,536)</u>	<u>\$ -</u>	<u>\$ 2,829,966</u>

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 6 CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs of the Park District as follows:

<u>Governmental Activities:</u> Culture and Recreation	\$ 1,124,593
---	--------------

<u>Enterprise Activities:</u> Culture and Recreation	\$ 106,536
---	------------

NOTE 7 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2018 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

NOTE 8 SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consist of amounts earned by employees for services rendered prior to December 31, 2018 but paid subsequent to that date. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from employees' wages as of December 31.

NOTE 9 DEFERRED REVENUES

Deferred revenues consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Included in deferred revenues is \$1 million from the Mandan Public School District for the use of the sports complex from 2019-2027.

NOTE 10 LEASES

Operating Leases

Lower Heart River Water Resource District: The Park District is committed under a lease with the Lower Heart River Water Resource District for land for a golf course. This lease is considered for accounting purposes to be an operating lease. Lease expenditures were \$3,800. The lease expires on September 30, 2089.

Yamaha Motor Finance Corporation: The Park District is committed under a lease with the Yamaha Motor Finance Corporation for the use of 80 golf carts. This lease is considered for accounting purposes to be an operating lease. Lease expenditures were \$60,140. The lease expires on June 1, 2020.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 10 LEASES - CONTINUED

Future minimum lease payments are as follows:

Year Ending December 31	Lower Heart River Water	Yamaha Motor Finance Corp.
2019	\$ 3,800	\$ 60,140
2020	3,800	60,140
2021	3,800	-
2022	3,800	-
2023	3,800	-
Thereafter	<u>247,000</u>	<u>-</u>
Total	<u>\$ 266,000</u>	<u>\$ 120,280</u>

NOTE 11 LONG-TERM LIABILITIES

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

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences *	\$ 67,506	\$ 4,776	\$ -	\$ 72,282	\$ -
Notes Payable	1,688,562	-	484,612	1,203,950	299,980
Special Assessment Payable	<u>288,683</u>	<u>274,142</u>	<u>70,733</u>	<u>492,092</u>	<u>56,044</u>
Total Governmental Activities	<u>\$ 2,044,751</u>	<u>\$ 278,918</u>	<u>\$ 555,345</u>	<u>\$ 1,768,324</u>	<u>\$ 356,024</u>

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
<u>Business-type Activities:</u>					
Compensated Absences *	\$ 3,457	\$ -	\$ 993	\$ 2,464	\$ -
Notes Payable	444,088	-	84,054	360,034	86,330
Revenue Bonds Payable	<u>1,555,000</u>	<u>-</u>	<u>145,000</u>	<u>1,410,000</u>	<u>145,000</u>
Total Business-type Activities	<u>\$ 2,002,545</u>	<u>\$ -</u>	<u>\$ 230,047</u>	<u>\$ 1,772,498</u>	<u>\$ 231,330</u>

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 11 LONG-TERM LIABILITIES – CONTINUED

Outstanding debt (excluding compensated absences) at December 31, 2018 consists of the following issues:

Governmental Activities:

Notes Payable:

\$700,000 Note dated January 31, 2013 for a new sprinkler system at Prairie West Golf Course, due in annual payments of \$81,227, which includes interest at 2.95% through October 1, 2022.	\$ 302,023
\$313,363 Note dated February 1, 2012 for major repairs to the Mandan Community Center Pool Area, due in annual payments of \$23,844, which includes interest at 1.7% through February 1, 2026.	176,948
\$700,000 Note dated April 6, 2016 for the purchase of land to be used for the Starion Sports Complex, due in annual payments of \$98,417, which includes interest at 2.65% through February 10, 2024.	538,340
\$292,000 Note dated March 4, 2015 for the purchase of mowers for parks and golf maintenance, due in annual payments of \$63,087, which includes interest at 3.00% through October 10, 2019.	61,224
\$300,000 Note dated April 13, 2015 for the Universal Playground, due in annual payments of \$65,586 which includes interest at 3.00% through April 12, 2020.	125,415
TOTAL	\$ 1,203,950

Special Assessments:

Special assessments dated over various years from 1999 to 2018. The maturities vary per issue and extend through 2036. The interest rates vary from 0.00 to 4.37%.	\$ 492,092
--	------------

Business-type Activities:

Notes Payable:

\$690,000 Note dated March 4, 2015 for improvements to the Raging Rivers Facility, due in annual payments of \$96,369, which includes interest at 2.75% through October 10, 2022.	\$ 360,034
---	------------

***Revenue Bonds:**

\$1,695,000 Revenue Refunding Bonds of 2016 due in annual installments of \$140,000 to \$170,000 through May 1, 2027; interest at 0.85% to 2.60%.	1,410,000
TOTAL	\$ 1,770,034

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 11 LONG-TERM LIABILITIES – CONTINUED

The annual requirements to amortize the outstanding debt are as follows:

Year	Governmental Activities				Business-Type Activities			
	Notes Payable		Special Assessments		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 299,980	\$ 32,182	\$ 56,044	\$ 15,790	\$ 145,000	\$ 27,206	\$ 86,330	\$ 10,038
2020	245,363	23,710	56,044	14,047	150,000	25,175	88,738	7,631
2021	186,652	16,836	53,642	12,304	150,000	22,925	91,212	5,157
2022	191,478	11,801	53,506	10,648	155,000	20,328	93,754	2,614
2023	115,633	6,627	53,321	8,997	155,000	17,383	-	-
2024-2028	164,844	4,936	218,491	20,212	655,000	33,395	-	-
2029-2033	-	-	1,044	64	-	-	-	-
TOTAL	\$1,203,950	\$ 96,092	\$492,092	\$ 82,062	\$1,410,000	\$ 146,412	\$360,034	\$ 25,440

NOTE 12 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

Funds	Transfers In	Transfers Out
General Fund	\$ -	\$ 720,000
Capital Improvement	-	250,000
Construction Fund	970,000	-
<i>Transfer for MPD donation to Baseball Club</i>		
Capital Improvement	-	31,543
General	31,543	-
<i>Transfer for loan payment</i>		
General Fund	-	96,369
Raging Rivers	96,369	-
<i>Transfer for loan payment</i>		
General Fund	-	1,224,151
Starion Sports Complex	1,224,151	-
<i>Entry to close Starion Sports Complex Fund</i>		

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 13 RISK MANAGEMENT

Mandan Parks and Recreation District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Mandan Parks and Recreation District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability and automobile and \$2,706,850 for inland marine.

Mandan Parks and Recreation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The park district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Park District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Mandan Parks and Recreation District has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 14 PENSION PLAN

Mandan Parks and Recreation District participates in the City of Mandan pension plan, which provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Effective January 1, 2014, employees are eligible to participate after reaching age 19 and may enroll immediately upon hire. City ordinance requires that the employee contribute at least 2% of the employee's base salary each month. These employee contributions are invested in the City of Mandan Deferred Compensation Plan. Participating employees are immediately 100% vested in the employee's contributions. The Park District's contribution of 8% for each participating employee is invested in the City of Mandan North Dakota Retirement Plan and Trust. Participating employees vest in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service – 25%

Upon completion of two years of service – 50%

Upon completion of three years of service – 75%

Upon completion of four years of service – 100%

Employees are entitled to their vested account balance. Employees may elect to received their account balance in a lump sum, lump sum direct rollover, or periodic distribution. The Park District's contributions and related interest forfeited by employees who leave employment before becoming fully vested are allocated to eligible plan participants who are employed on the last day of the plan year.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2018

NOTE 14 PENSION PLAN – CONTINUED

The Park District’s required and actual contributions for the years ended December 31, 2018, 2017 and 2016, were \$99,179, \$92,674 and \$91,442, respectively.

The Park District’s employee contributions for the years ended December 31, 2018, 2017 and 2016 were \$100,658, \$89,441 and \$75,625, respectively.

The City of Mandan issues a publicly available financial report that includes financial information and the required supplementary information for the City’s pension plan. That report can be obtained by writing to the City of Mandan, 205 2nd Ave. NW, Mandan, North Dakota 58554.

NOTE 15 LEGAL CLAIMS

An incident in June 2008 at the Mandan Community Center may result in a lawsuit or give rise to a claim. The Mandan Community Center is insured by the North Dakota Insurance Reserve Fund and any claim brought will be vigorously defended. Upon closure of the facility, the Mandan Park District will be continuing to monitor this incident.

NOTE 16 BUDGET AMENDMENTS

The board of Park District commissioners approved the following amendments to the Park District budget:

For the Year Ended December 31, 2018:

Fund	EXPENDITURES AND OTHER FINANCING USES		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 4,862,638	\$ 931,797	\$ 5,794,435
Park Share of Special Assessments	100,000	-	100,000
Mandan Baseball Boosters	121,000	7,523	128,523
Raging Rivers	717,600	24,652	742,252

NOTE 17 SUBSEQUENT EVENTS/COMMITMENTS

The Memorial Ballpark Renovation total project cost is estimated at \$2.5 million with construction beginning in 2018. Costs are shared with the Mandan Baseball Club. The Mandan Park Board approved \$1 million towards the project, and the Baseball Club committed a total of \$1.5 million which is attained through fundraising and loan proceeds. The renovation has approximately \$1.3 million of construction costs left until its completion.

***REQUIRED
SUPPLEMENTARY INFORMATION***

MANDAN PARKS AND RECREATION DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the year ended December 31, 2018

	Original Budget	Final Budget	Actual	Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,786,900	\$ 1,786,900	\$ 1,902,307	\$ 115,407
Intergovernmental	400,000	400,000	564,763	164,763
Charges for Services	1,650,500	1,650,500	1,745,614	95,114
Interest	15,000	15,000	29,165	14,165
Miscellaneous	385,250	407,750	935,865	528,115
Total Revenues	<u>4,237,650</u>	<u>4,260,150</u>	<u>5,177,714</u>	<u>917,564</u>
EXPENDITURES:				
Current:				
Culture and Recreation	3,826,020	4,264,769	4,051,977	212,792
Capital Outlay	401,908	894,943	887,935	7,008
Debt Service:				
Principal	575,210	575,223	484,612	90,611
Interest	59,500	59,500	51,950	7,550
Total Expenditures	<u>4,862,638</u>	<u>5,794,435</u>	<u>5,476,474</u>	<u>317,961</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(624,988)</u>	<u>(1,534,285)</u>	<u>(298,760)</u>	<u>1,235,525</u>
OTHER FINANCING SOURCES (USES):				
Contributions	37,500	37,500	100,000	62,500
Grants	-	-	150,000	150,000
Loan Proceeds	158,580	158,580	-	(158,580)
Proceeds on Sale of Equipment	-	-	3,900	3,900
Transfers In (Out)	32,000	32,000	(2,008,977)	(2,040,977)
Total Other Financing Sources (Uses)	<u>228,080</u>	<u>228,080</u>	<u>(1,755,077)</u>	<u>(1,983,157)</u>
NET CHANGE IN FUND BALANCES	(396,908)	(1,306,205)	(2,053,837)	(747,632)
FUND BALANCES - January 1, 2018	<u>3,550,724</u>	<u>3,550,724</u>	<u>3,550,724</u>	<u>-</u>
FUND BALANCES - December 31, 2018	<u>\$ 3,153,816</u>	<u>\$ 2,244,519</u>	<u>\$ 1,496,887</u>	<u>\$ (747,632)</u>

Mandan Parks and Recreation District
Notes to Required Supplementary Information
December 31, 2018

NOTE 1 BUDGETS

The park board adopts a budget on the modified accrual basis, which is generally accepted in the United States of America. The budget is presented for the general fund and major special revenue funds. The board is required to present the adopted and final amended budgeted receipts and disbursements for the fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before August 10th of the preceding fiscal year, the Park District prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The final budget must be submitted to the county auditor no later than October 10th.
- The governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

The actual expenditures were over budget on certain line items but, as a whole, actual expenditures were less than budgeted expenditures and no remedial action is anticipated.

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

Park Board
Mandan Parks and Recreation District
Mandan, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Mandan Parks and Recreation District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated June 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Parks and Recreation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mandan Parks and Recreation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mandan Parks and Recreation 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, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2018-001 described in the accompanying schedule of findings 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 deficiency 2018-002 described in the accompanying schedule of findings to be a significant deficiency.

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*

Compliance and Other Matters

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

Mandan Parks and Recreation District's Response to Findings

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

Purpose of this Report

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

Haga Kommer, Ltd

Haga Kommer, Ltd
Mandan, North Dakota
June 4, 2019

MANDAN PARKS AND RECREATION DISTRICT

Schedule of Findings

For the Year Ended December 31, 2018

Finding 2018-001: Preparation of Financial Statements

Condition – A good system of internal control contemplates an adequate system for the preparation of the financial statements, including the notes to the financial statements.

Criteria – The Park District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including the notes to the financial statements. As auditors, we were requested to draft the financial statements and the accompanying notes to the financial statements.

Cause – The preparation of financial statements and related notes is very technical and requires a significant amount of time.

Effect – Inadequate controls over financial reporting of the Park District results in more than a remote likelihood that the Park District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation – This is not unusual in an entity of your size. It is the responsibility of management and those charged with governance to make the decision as to whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response – We are aware of this issue and accept the risks. We produce financial statements for the board each month that gives the detail needed. The full financial statements prepared by our auditors are only needed on an annual basis.

Finding 2018-002: Segregation of Duties

Condition – There are limited staff members for the accounting functions. Considering the size of the entity, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has access to a transaction from inception to completion or can adjust and reconcile transactions.

Cause – There are a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the Park District's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in an entity of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Regarding Raging Rivers, there are several individuals who have access to cash and inventory and it is important that management adhere to the internal control procedures established. Under these conditions, the most effective controls lie in the board's knowledge of matters relating to the Park District's operations.

Management's Response – We are aware of this issue and accept the risks. As a small organization with limited staff, we have internal controls to mitigate this as much as possible.