HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

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Mandan, ND 58554
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Tri-Cities Joint JDA

Audit Report

December 31, 2018

Tri-Cities Joint JDA
Table of Contents
For The Year Ended December 31, 2018

Tri-Cities Joint JDA

List of Officials
December 31, 2018

Aaron Levorsen	Chairman
Mark Stelter	Vice Chairman/Board Representative
Wayne Nagel	Treasurer/Board Representative
Donna VandenBurg	Secretary
Misty Nagel	Board Member
John Schmid	Board Member
Ron Bartz	Board Member
Roxann Tietz	Board Member
Kent Roehl	Board Member
Rueben Pastian	Board Member
BJ Rafteseth	Board Member
Shannon Wangsvick	Lake Recreation Manager

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tri-Cities Joint JDA
Elgin, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, and the major fund of the Tri-Cities Joint JDA, Elgin, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, and the major fund of the Tri-Cities Joint JDA as of December 31, 2018, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Tri-Cities Joint JDA adopted GASB Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which resulted in a restatement of the net position as of January 1, 2018. Our opinion is not modified with respect to this matter.

Basis of Accounting

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-Cities Joint JDA's basic financial statements. The budgetary comparison information on page 21, the employer's share of net pension and OPEB liability and employer contributions on pages 22 through 23 and the notes to the supplementary information on page 24, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Audit Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the Tri-Cities Joint JDA'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 the Tri-Cities Joint JDA's internal control over financial reporting and compliance.

Haga Kommer, Ltd

Haga Kommer, Ltd
Mandan, North Dakota
March 29, 2019

Tri-Cities Joint JDA
Statement of Net Position and Governmental Funds Balance Sheet - Modified Cash Basis
December 31, 2018

	Governmental Funds Balance Sheet		
	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	$ 423,078	$ -	$ 423,078
Total Assets	$ 423,078	-	423,078
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions and OPEB		128,611	128,611
LIABILITIES			
Payroll Liabilities	$ 4,379	-	4,379
Credit Card Payable	351	-	351
Sales Tax Payable	337	-	337
Long-Term Liabilities:			
Net Pension and OPEB Liability	-	213,542	213,542
Total Liabilities	5,067	213,542	218,609
DEFERRED INFLOWS OF RESOURCES			
Derived from Pensions and OPEB		15,625	15,625
FUND BALANCES/NET POSITION			
Fund Balances:			
Assigned	418,011	(418,011)	-
Total Fund Balances	418,011	(418,011)	-
Total Liabilities and Fund Balances	$ 423,078		
Net Position:			
Unrestricted		317,455	317,455
Total Net Position		$ 317,455	$ 317,455

Explanation of adjustments between the governmental funds balance sheet and the government-wide statement of net position:

Total Fund Balances - Governmental Funds	$ 418,011
Deferred outflows of resources are not a financial resource available in the current period and, therefore, are not reported in the governmental funds balance sheet.	128,611
The net pension and OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(213,542)
Deferred inflows of resources are not due and payable in the current period and, therefore are not reported in the governmental funds balance sheet.	(15,625)
Net Position - Governmental Activities	$ 317,455

The accompanying notes are an integral part of these financial statements.

Tri-Cities Joint JDA
Statement of Activities and Governmental Fund Statement
of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2018

	Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances		
	General Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Operations & Maintenance	$ 552,227	$ 30,014	$ 582,241
Total Expenditures/Expenses	552,227	30,014	582,241
Program Revenues:			
Fees & Licenses	496,452	-	496,452
Souvenirs	6,836	-	6,836
Reclamation Grant	43,909	-	43,909
Refunds	(509)	-	(509)
Total Program Revenues	546,688	-	546,688
Net Program Revenue			(35,553)
General Revenues:			
Interest Income	661	-	661
Miscellaneous Income	15,495	-	15,495
Total General Revenues	16,156	-	16,156
Excess of Revenues Over Expenditures	10,617	(10,617)	-
Change in Net Position	-	(19,397)	(19,397)
Fund Balance/Net Position:			
Beginning of the Year	407,394	(62,128)	345,266
Adjustments to Beginning Net Position (See Note 8)	-	(8,414)	(8,414)
Beginning of the year as Restated	407,394	(70,542)	336,852
End of the Year	$ 418,011	$ (100,556)	$ 317,455

Explanation of the adjustments between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

Governmental Funds - Excess of Revenues Over Expenditures	$ 10,617
Governmental funds report the pension and OPEB expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension and OPEB expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions.	(30,014)
Statement of Activities - Change in Net Position	$ (19,397)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The Tri-Cities Joint JDA is involved in a cooperative agreement with the Bureau of Reclamation which includes operations and project management of the Lake Tschida recreation area. The Organization was formed and took over the operations of the recreation area after the Grant County JDA disbanded. The Tri-Cities Joint JDA is made up of the cities of Carson, Elgin and New Leipzig. The Organization was also formed to use their financial and other resources to encourage and assist in the development of employment opportunities within the cities and surrounding areas.

Reporting Entity

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

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

The Organization receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the Organization as a reporting entity and the Organization is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the Organization does not classify any activities as business-type.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The Organization has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Organization has presented the following major fund:

> *General Fund:* The General Fund is the main operating fund of the Organization and the only major fund at this time. This fund is used to account for all operating and financial resources of the Lake Tschida Recreation area.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the modified cash basis of accounting, the Organization recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Organization's financial statements include the reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

New Accounting Pronouncements

As of January 1, 2019, the Organization adopted GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The implementation of this standard required governments to calculate and report the costs and obligations associated with postemployment benefits other than pensions in their basic financial statements. Employers are required to recognize the entire OPEB liability and a more comprehensive measure of OPEB expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 9 and the additional disclosures required by these standards are included in Note 4 and supplemental schedules.

Cash and Cash Equivalents

Cash and cash equivalents includes non-interest bearing demand deposits.

Fund Balance Classifications

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

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

> *Restricted* – This classification reflects the constraints imposed on resources either (a) 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 Organization. Those committed amounts cannot be used for any other purpose unless the Organization 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 Organization’s “intent” to be used for special purposes, but are neither restricted nor committed. The Organization members 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 3 for additional information.

Pensions

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

Other Post Employment Benefit (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and 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.

NOTE 2 – DEPOSITS

In accordance with North Dakota statutes, the Organization 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.

NOTE 2 – DEPOSITS – 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 deposits, 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 any other state of the United States or such other securities approved by the banking board.

At December 31, 2018, the carrying amount of deposits was $423,078. The bank balance of these deposits as of December 31, 2018 was $418,535. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, $105,629 was not covered by Federal Depository Insurance or guaranteed by the State of North Dakota. The Organization's deposits were not adequately covered in accordance with state statutes.

Credit Risk: The Organization may invest idle funds as authorized in North Dakota statutes, as follows:

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

Concentration of credit risk: The Organization does not have a limit on the amount the Organization may invest in any one issuer.

NOTE 3 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of December 31, 2018 are as follows:

Deferred Outflows of Resources	
Derived from pension - PERS	$ 126,215
Derived from pension - OPEB	2,396
Total	$ 128,611
Deferred Inflows of Resources	
Derived from pension - PERS	$ 14,682
Derived from pension - OPEB	943
Total	$ 15,625

Note 4 of the financial statements contains details of the pension plan.

NOTE 4 – PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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.

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

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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 contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2018, the Organization reported a liability of $204,066 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017, the Organization's proportion was 0.012696 percent which was an decrease of .001081 percent from its proportion measured as of July 1, 2016.

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For the year ended December 31, 2018, the Organization recognized pension expense of $37,514. At December 31, 2018, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,213	$ 994
Changes of assumptions	83,681	4,603
Net difference between projected and actual earnings on pension plan investments	2,745	-
Changes in proportion and differences between employer contributions and proportionate share of contributions.	29,953	9,085
Employer contributions subsequent to the measurement date (see below)	8,623	-
Total	$ 126,215	$ 14,682

$8,623 reported as deferred outflows of resources related to pensions resulting from Organization 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 or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended December 31,	
2019	$ 24,415
2020	28,181
2021	25,255
2022	17,645
2023	7,414
Thereafter	-

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions

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

Inflation	3.50%	
Salary Increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50 +	5.00%

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

Investment rate of return	7.75 %, net of investment expenses
Cost-of-living adjustments	None

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

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

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

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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).

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

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

The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	$ 277,026	$ 204,066	$ 143,367

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

2. North Dakota Public Employees Retirement System (OPEB)

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.

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 Employer reported a liability of $9,476 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2017, the Employer's proportion was 0.011980 percent.

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

For the year ended December 31, 2018 the Employer recognized OPEB expense of $1,087. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 231
Changes of assumptions	918	-
Net difference between projected and actual earnings on OPEB plan investments	-	358
Changes in proportion and differences between employer contributions and proportionate share of contributions.	-	354
Employer contributions subsequent to the measurement date (see below)	1,478	-
Total	$ 2,396	$ 943

$1,478 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

For the year ended December 31,	
2019	$ (37)
2020	(37)
2021	(37)
2022	52
2023	52
Thereafter	19

Actuarial assumptions.

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

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

NOTE 4 – PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. 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, 2017, and July 1, 2016, 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.

Sensitivity of the Employer'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, 2017, 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	$ 11,863	$ 9,476	$ 7,430

NOTE 5 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

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 over 2,000 state agencies and political subdivisions. The Organization pays an annual premium to NDIRF for its general liability, vehicle and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

The Organization also carries commercial insurance for other risks of loss, including North Dakota Fire and Tornado fund, and worker's compensation.

NOTE 6 – RELATED PARTY TRANSACTIONS

Aaron Levorsen is the chairman of the board for the Tri-Cities Joint JDA. His wife Julie Levorsen is the accountant for the organization as an independent contractor.

Mark Stelter is the vice chairman of the board and a board representative. He owns a trailer included in the Lake Tschida operations. Mark is also the owner of Stelter Repair, which does various repairs and other work for the organization.

Rueben Pastian is a board member and also an employee of Stelter Repair.

Wayne Nagel is the father-in-law of Misty Nagel. Wayne is the treasurer of the board and a board representative and Misty is a board member for the Tri-Cities Joint JDA. Wayne is the owner of ACE Coating, which does work for the organization.

Jade Seibel is an employee of the organization. His wife Michelle Seibel is the contact for the organization's insurance with Farmers Union.

Roxann Tietz is Bruce Tietz's wife. Roxann is a board member and Bruce was hired to work maintenance.

NOTE 7 – BUREAU AGREEMENT

The Tri-Cities Joint JDA has a cooperative agreement with the Bureau of Reclamation for any projects related to the Lake Tschida operations. Any capital assets brought over from the previous entity, the Grant County JDA who was then involved in the agreement with the Bureau, are considered to be Bureau property. This remains true for the current agreement between the Tri-Cities Joint JDA and the Bureau of Reclamation. All purchases whether from grant money received from the Bureau or from the operations of the lake would be turned back over to the Bureau should the management contract end between the two organizations.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

Due to the adoption of accounting standards the beginning net position was restated to retroactively report the beginning net OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net Position - Beginning of Year, as previously reported	$ 345,266
Restatement of accounting for OPEB	(8,414)
Net Position - Beginning of Year, as restated	$ 336,852

SUPPLEMENTARY

INFORMATION

Tri-Cities Joint JDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Modified Cash Basis - Comparison to Budget - General Fund
For the Year Ended December 31, 2018

	Budget Original	Budget Amended	Actual	Favorable (Unfavorable) Variance
Revenues:				
Fees & Licenses	$ 419,315	$ 482,926	$ 496,452	$ 13,526
Souvenirs	2,800	6,778	6,836	58
Reclamation Grant	72,000	43,909	43,909	-
Interest Income	400	575	661	86
Refunds	-	(509)	(509)	-
Miscellaneous	1,100	9,649	15,495	5,846
Total Revenues	495,615	543,328	562,844	19,516
Expenditures:				
Accounting	7,500	6,920	6,920	-
Advertising	1,200	1,449	1,449	-
Audit	5,500	5,650	5,650	-
Bank & Credit Card Fees	4,300	4,869	4,812	57
Board Pay & Mileage	7,300	7,661	4,239	3,422
Campground Improvements	72,000	126,387	126,387	-
Equipment-Machinery, Vehicle & Office	36,800	36,081	36,081	-
Fishing License Expense	1,500	525	525	-
Gas, Fuel & Oil	10,000	8,116	8,116	-
Interest Expense	100	4	4	-
Miscellaneous Expense	700	519	519	-
Office Expense	11,000	16,000	14,411	1,589
Property & Liability Insurance	6,400	7,861	7,861	-
Repairs-Equipment, Vehicles, Campgrounds	8,800	8,403	8,403	-
Salaries	202,000	219,202	211,420	7,782
Sheriff Contract	28,500	28,500	28,500	-
Souvenirs	2,400	5,715	5,715	-
Supplies & Tools	15,300	9,181	8,757	424
Travel	-	67	1,628	(1,561)
Utilities	64,900	69,605	69,363	242
Vehicle Insurance & License	2,300	1,467	1,467	-
Total Expenditures	488,500	564,182	552,227	11,955
Excess of Revenues Over (Under) Expenditures	7,115	(20,854)	10,617	31,471
Fund Balance - Beginning of Year	407,394	407,394	407,394	-
Fund Balance - End of Year	$ 414,509	$ 386,540	$ 418,011	$ 31,471

See independent auditor's report.

Tri-Cities Joint JDA
Supplementary Information
For the Year Ended December 31, 2018

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

	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.012696%	0.013777%	0.009618%	0.006659%
Employer's proportionate share of the net pension liability (asset)	$ 204,066	$ 134,270	$ 65,401	$ 42,266
Employer's covered-employee payroll	$ 129,606	$ 138,836	$ 85,689	$ 56,102
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.34%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

* Complete data for this schedule is not available prior to 2015.

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

	2018	2017	2016	2015
Statutorily required contribution	$ 9,398	$ 10,052	$ 6,508	$ 3,994
Contributions in relation to the statutorily required contribution	$ (6,857)	$ 8,271	$ (6,724)	$ (3,994)
Contribution deficiency (excess)	$ 2,541	$ 1,781	$ (216)	$ -
Employer's covered-employee payroll	$ 129,606	$ 138,836	$ 85,689	$ 56,102
Contributions as a percentage of covered-employee payroll	5.29%	5.96%	7.60%	7.12%

* Complete data for this schedule is not available prior to 2015.

Data reported is measured as of 7/1/2017, 7/1/2016, 7/1/2015 and 7/1/2014.

 See independent auditor's report and notes to financial statements.

Tri-Cities Joint JDA
Supplementary Information
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*

	2018
Employer's proportion of the net OPEB liability (asset)	0.011980%
Employer's proportionate share of the net OPEB liability (asset)	$ 9,476
Employer's covered-employee payroll	$ 129,606
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

* Complete data for this schedule is not available prior to 2017.

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

	2018
Statutorily required contribution	$ 1,507
Contributions in relation to the statutorily required contribution	$ (1,098)
Contribution deficiency (excess)	$ 409
Employer's covered-employee payroll	$ 129,606
Contributions as a percentage of covered-employee payroll	0.85%

* Complete data for this schedule is not available prior to 2017.

Data reported is measured as of 7/1/2017.

NOTE 1 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM AND OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

HAGA KOMMER
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Tri-Cities Joint JDA
Elgin, 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, and the major fund of the Tri-Cities Joint JDA, Elgin, North Dakota as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Tri-Cities Joint JDA's basic financial statements and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tri-Cities Joint JDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tri-Cities Joint JDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tri-Cities Joint JDA'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identity certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. We consider deficiencies 2018-001 and 2018-002 to be significant deficiencies.

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 the Tri-Cities Joint JDA'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2018-003.

Tri-Cities Joint JDA's Response to Findings

The Tri-Cities Joint JDA's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Tri-Cities Joint JDA'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
March 29, 2019

Current Year Findings

Finding 2018-001: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Organization's auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with the modified cash basis of accounting is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the bookkeepers.

Effect – The Organization has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the Organization's auditors is not unusual in an entity of your size; however, the bookkeepers should acquire knowledge of current accounting principles and required financial statement disclosures and prepare monthly and annual financial statements.

Management's Response – The Organization has decided to accept the degree of risk associated with the Organization not preparing its own financial statements.

Finding 2018-002: Segregation of Duties

Condition – The Organization has a lack of segregation of duties due to a limited number of individuals involved. Considering the size of the Organization, 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 adequate segregation of duties so that no individual has control of a transaction from inception to completion.

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

Effect – Inadequate segregation of duties could affect the Organization's ability to timely detect misstatements in amounts that would be material to the financial statements. There are a limited number of individuals available to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

Recommendation – This is not unusual in organizations 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. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the Organization's operations.

Management's Response – The Organization is aware of the limitations and has determined additional staff is not feasible. The Organization will monitor the condition.

Finding 2018-003: Deposits

Condition – The entity is not in compliance with state law requirements for cash deposits.

Criteria – North Dakota laws require all public deposits to be protected by insurance, surety bond or collateral.

Cause – The entity receives a large amount of cash from cabin and trailer fees towards the end of the year.

Effect – The excess funds are not in compliance. $105,629 was not covered by insurance or collateral.

Recommendation – Management should ensure all deposits are protected by insurance, surety bond or collateral.

Management Response – Management transferred excess funds in January 2019 and has since complied with state laws.