GRAFTON PARK DISTRICT
GRAFTON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019

TABLE OF CONTENTS

GRAFTON PARK DISTRICT
LIST OF OFFICIALS (UNAUDITED)
AS OF DECEMBER 31, 2019

Name	Position
Ryer Stark	President
Scott Hills	Vice President
Cory Burns	Board Member
Todd Storey	Board Member
Jessica Tanke	Board Member
William Dahl	Director
Matt Oppegard	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Grafton Park District, Grafton, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 of 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grafton Park District, Grafton, North Dakota, as of December 31, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, beginning net position was restated to properly include accrued interest on notes payable. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

The list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of Grafton Park 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grafton Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grafton Park District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 1, 2021

BASIC FINANCIAL STATEMENTS

GRAFTON PARK DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

		Governmental Activities
ASSETS		
Cash	$	391,884
Investments		153,791
Accounts receivable		37,670
Taxes receivable		22,276
Prepaid insurance		4,647
Capital assets - not being depreciated		
Land		270,765
Capital assets:		
Buildings		2,046,612
Equipment and vehicles		465,968
Improvements		1,729,575
Less: accumulated depreciation		(1,229,832)
TOTAL ASSETS		3,893,356
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan-NDPERS		170,782
Cost sharing defined OPEB plan - NDPERS		7,505
TOTAL DEFERRED OUTFLOWS OF RESOURCES		178,287
LIABILITIES		
Accounts payable		22,766
Benefits payable		2,590
Accrued interest		23,824
Notes payable - current portion		25,539
Long-term liabilities:		
Compensated absences payable		11,601
Notes payable - non current portion		989,670
Net pension liability		202,827
Net OPEB liability		12,956
TOTAL LIABILITIES		1,291,773
DEFERRED INFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan - NDPERS		141,439
Cost sharing defined OPEB plan - NDPERS		3,411
TOTAL DEFERRED INFLOWS OF RESOURCES		144,850
NET POSITION		
Net investment in capital assets		2,267,879
Restricted for building		225,552
Restricted for special assessments		-
Unrestricted		141,589
TOTAL NET POSITION	$	2,635,020

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Fees, Fines Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	$ 311,691	$ -	$ -	$ -	$ (311,691)
Culture and recreation	558,302	421,243	-	-	(137,059)
Interest	41,272	-	-	-	(41,272)
Total Governmental Activities	$ 911,265	$ 421,243	$ -	$ -	(490,022)
General Revenues:					
Property taxes					335,752
Grants and contributions not restricted to specific programs					138,574
Miscellaneous revenue					2,113
Total general revenues					476,439
Change in net position					(13,583)
Net Position - Beginning					2,673,031
Prior Period Adjustment - See Note 12					(24,428)
Net Position - Beginning as Restated					2,648,603
Net Position - Ending					$ 2,635,020

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2019

	General Fund	Special Assessments	Building	Total
ASSETS				
Cash	$ 246,284	$ -	$ 145,600	$ 391,884
Investments	76,401	-	77,390	153,791
Accounts receivable	37,670	-	-	37,670
Taxes receivable	19,714	-	2,562	22,276
Prepaid insurance	4,647	-	-	4,647
TOTAL ASSETS	$ 384,716	$ -	$ 225,552	$ 610,268
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 22,766	$ -	$ -	$ 22,766
Benefits payable	2,590	-	-	2,590
TOTAL LIABILITIES	25,356	-	-	25,356
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	19,714	-	2,562	22,276
TOTAL DEFERRED INFLOWS OF RESOURCES	19,714	-	2,562	22,276
FUND BALANCES				
Nonspendable	4,647	-	-	4,647
Restricted				
Restricted for building	-	-	222,990	222,990
Restricted for special assessments	-	-	-	-
Unrestricted				
Unassigned	334,999	-	-	334,999
TOTAL FUND BALANCES	339,646	-	222,990	562,636
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 384,716	$ -	$ 225,552	$ 610,268

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

Total fund balances - governmental funds		$ 562,636
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Land	$ 270,765	
Buildings	2,046,612	
Equipment	465,968	
Improvements	1,729,575	
Less: accumulated depreciation	(1,229,832)	
		3,283,088
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
Pension		29,343
OPEB		4,094
Long-term liabilities, including bonds payable, loans payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. 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.		
Accrued Interest	(23,824)	
Compensated absences	(11,601)	
Notes payable	(1,015,209)	
Net Pension Liability	(202,827)	
Net OPEB Liability	(12,956)	
		(1,266,417)
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		22,276
Total net position - governmental activities		$ 2,635,020

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Special Assessments	Building	Total
REVENUES				
Taxes	$ 298,761	$ -	$ 34,012	$ 332,773
Intergovernmental	138,574	-	-	138,574
Charges for services	421,243	-	-	421,243
Interest income	-	-	1,143	1,143
Miscellaneous	128	-	-	128
TOTAL REVENUES	858,706	-	35,155	893,861
EXPENDITURES				
Current				
General government	272,978	-	-	272,978
Culture and recreation	403,989	-	11,420	415,409
Capital outlay	60,450	-	-	60,450
Debt service				
Principal	24,502	-	-	24,502
Interest and fiscal charges	41,877	-	-	41,877
TOTAL EXPENDITURES	803,796	-	11,420	815,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,910	-	23,735	78,645
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	-	(1,054)	-	(1,054)
Transfer from other funds	1,054	-	-	1,054
TOTAL OTHER FINANCING SOURCES (USES)	1,054	(1,054)	-	-
NET CHANGE IN THE FUND BALANCE	55,964	(1,054)	23,735	78,645
FUND BALANCE, BEGINNING OF YEAR	283,682	1,054	199,255	483,991
FUND BALANCE, END OF YEAR	$ 339,646	$ -	$ 222,990	$ 562,636

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

Total net change in fund balances - governmental funds		$ 78,645
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay	60,450	
Depreciation expense	(136,565)	
		(76,115)
Net book value of assets disposed		(5,458)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current finanical resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardles of when it is due.		605
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of Debt - Loan Payable		24,502
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Compensated Absences		(5,058)
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.		
Net change in unavailable property taxes		2,979
Change in net pension and OPEB liabilities and related deferred outflows and inflows of resources.		(33,683)
Change in net position - governmental activities		$ (13,583)

See Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grafton Park District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The accompanying financial statements present the activities of the Grafton Park District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading.

Currently, the Grafton Park District does not have any component units.

Basis of Reporting

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, sales and services, and other non-exchange transactions.

Fund Financial Statements

The fund financial statements provide information about the District's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The General Fund, Special Assessment Fund and Building Fund are major funds, with no non-major funds presented.

Governmental Funds

General Fund
This fund is the primary operating fund of the District and always classified as a major. It accounts for all activities except those legally or administratively required to be accounted for in another fund.

Building Fund
This fund is used for upkeep on the pool and various buildings, land purchases and other District activities not accounted for in the other funds.

Special Assessment Fund
This fund is for the accounting for taxes levied and for the payment of the special assessments levied on District property.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

If both restricted and unrestricted resources are available to use for the same purpose, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

Investments

Investments consist of certificates of deposit with original maturities longer than three months.

Accounts Receivable

Receivables are carried at invoice amount, no allowance for uncollectible amounts is recorded. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Revenues

The District's program revenues consist of charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Class	Years
Buildings	50
Other Improvements	25
Vehicles	5 - 10
Equipment	5 - 40

Compensated Absences

Each full-time, continuous employee is granted vacation benefits from 80 hours to 160 hours per year based on years of service. An employee must complete the first six months of continuous service prior to taking any vacation. The maximum number of vacation hours that can be carried over at year-end is the one year annual allowance for the staff member. If an employee, through no fault of his/her own, cannot take vacation prior to December 31st, the Park Board may approve a carryover in excess of the maximum allowed carryover. Upon termination of employment, employees are paid for the accumulated vacation leave. Additionally, each full-time employee is entitled to sick leave earned at the rate of one day per month (96 hours per year) with no maximum accumulation limit. Ten percent of sick leave is paid upon retirement only. Vested accumulated vacation leave is reported in the government-wide statement of net position and the change in compensated absences is reported by expense function in the statement of activities.

Park Employees	Yearly Hours
0 - 1 years	40
2 - 6 years	96
7 - 14 years	120
15 plus years	160

Unearned Revenue

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Long-Term Debt

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.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as “Other Financing Uses” and “Expenditures”, respectively, in the fund financial statements.

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 Benefits (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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for 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 resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan* which represents actuarial differences within the NDPERS pension plans and NDPERS OPEB plan as well as amounts paid to the plans after the measurement date. See Notes 8 and 9 for more details.

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. The District has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, *unavailable property taxes* and *uncertified special assessments* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position *as cost sharing defined benefit pension plan and cost sharing defined OPEB plan*, which represents the actuarial differences within the NDPERS pension plans and OPEB plan. See Notes 8 and 69 for more details.

Net Position

In the government-wide financial statements, equity is classified as "net position" and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.

2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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 District Commission-the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District Commission removes 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 District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The District Commission has 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 District’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Minimum Fund Balance Policy

The Board has not formally adopted a fund balance policy for the General Fund.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District’s governmental activities and its business-type activities are eliminated in the statement of activities.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budgetary Information

The Distrcit adopts an annual budget on a basis consistent with the accrual basis of accounting for the District's funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for the general fund and each major special revenue fund.

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

> On or before September 10 of the preceding fiscal year, the District prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
>
> The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget.
>
> The final budget must be filed with the county auditor by October 10.
>
> No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, 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.

Budget Amendments

The District's governing board did not amend the budgets during the year ended December 31, 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the General Fund by $95,726 during the year ended December 31, 2019. No remedial action is anticipated or required by the District regarding these excess expenditures.

NOTE 3 - DEPOSITS AND INVESTMENTS

The District maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents. In addition, non-pooled investments are separately held and reflected in their respective funds balance sheet as investments. The District's investments consist of certificates of deposits.

In accordance with North Dakota laws, the District maintains deposits at depositories authorized by the Board. The depositories are members of the Federal Reserve System.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution.

The District maintains cash deposits at various financial institutions. The amounts on deposit were insured by the FDIC up to $250,000. At December 31, 2019, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions.

Credit Risk

State statutes authorize local governments to invest 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, 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 of the type listed above.

c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d) Obligations of the State.

NOTE 4 - TAXES RECEIVABLE

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of the month.

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 5 - CAPITAL ASSETS

The following are summaries of changes in capital assets for the year ended December 31, 2019:

	Balance 01/01/19	Additions	Disposals	Transfers	Balance 12/31/19
Governmental Activities					
Non - depreciable					
Land	$ 270,765	$ -	$ -	$ -	$ 270,765
	270,765	-	-	-	270,765
Depreciable					
Buildings	2,023,701	22,911	-	-	2,046,612
Equipment and vehicles	441,808	31,438	(7,278)	-	465,968
Improvements	1,723,475	6,100	-	-	1,729,575
	4,188,984	60,449	(7,278)	-	4,242,155
Less Accumulated Depreciation					
Buildings	403,838	51,833	-	-	455,671
Equipment and vehicles	300,607	21,391	(1,820)	-	320,178
Improvements	390,642	63,341	-	-	453,983
Total	1,095,087	136,565	(1,820)	-	1,229,832
Net Depreciable	3,093,897	(76,116)	(5,458)	-	3,012,323
Net Capital Assets for Governmental Activities	$ 3,364,662	$ (76,116)	$ (5,458)	$ -	$ 3,283,088

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

Governmental Activities:	12/31/2019
Culture and Recreation	$ 136,565

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

NOTE 7 - BENEFITS PAYABLE

Benefits payable consists of a liability account reflecting amounts withheld from employee paychecks for state income taxes.

NOTE 8 - DEBT

Long-Term Debt

The following is a summary of the long-term debt activity for the year:

	Balance 01-01-19	Increases	Decreases	Balance 12-31-19	Due Within One Year
Governmental Activities:					
Compensated Absences*	$ 6,543	$ 5,058	$ -	$ 11,601	$ -
Choice Financial Arena Note	990,000	-	24,502	965,498	25,539
City of Grafton	24,856	-	-	24,856	-
Walsh County Development Authority	24,856	-	-	24,856	-
	$ 1,046,255	$ 5,058	$ 24,502	$ 1,026,811	$ 25,539

* 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. Compensated absences will be liquidated from the general fund.

The amount of future payments and the combined future payments on the above governmental activities long-term debt is as follows:

	Hockey Arena - Choice Financial		
	Principal	Interest	Total
2020	$ 25,539	$ 40,841	$ 66,380
2021	26,620	39,760	66,380
2022	27,745	38,635	66,380
2023	28,919	37,461	66,380
2024	30,142	36,238	66,380
2025-2029	170,949	160,948	331,897
2030-2034	210,295	121,602	331,897
2035-2039	258,698	73,199	331,897
2040-2043	186,591	16,304	202,895
	$ 965,498	$ 564,988	$ 1,530,486

	Walsh County JDA				City of Grafton Note		
	Principal	Interest	Total		Principal	Interest	Total
2020	$ -	$ -	$ -	2020	$ -	$ -	$ -
2021	-	-	-	2021	-	-	-
2022	-	-	-	2022	-	-	-
2023	-	-	-	2023	-	-	-
2024	-	-	-	2024	-	-	-
2025 - 2029	-	-	-	2025 - 2029	-	-	-
2030 - 2033	24,856	-	24,856	2030 - 2033	24,856	-	24,856
	$ 24,856	$ -	$ 24,856		$ 24,856	$ -	$ 24,856

NOTE 9 - PENSION PLAN

North Dakota Public Employees' Retirement System (NDPERS)

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 provisions 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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.

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% 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, 2019, the District reported a liability of $202,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the District's proportion was .017305 percent which was an increase of 0.00801 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense of $46,354. At December 31, 2019, the District 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 economic experience	$ 120	$ 36,809
Changes in actuarial assumptions	75,791	65,073
Net difference between projected and actual investment earnings	3,534	-
Changes in proportion	84,835	39,556
Contributions paid to NDPERS subsequent to the measurement date	6,592	-
Total	$ 170,872	$ 141,438

$6,592 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

Year ending June 30:	Pension Expense Amount
2020	$ 16,216
2021	13,351
2022	(130)
2023	(5,505)
2024	(1,091)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	10.00%
	36 - 40	7.50%
	41 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%
	*Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages 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	30.00%	6.25%
International Equity	21.00%	6.95%
Private Equity	7.00%	10.15%
Domestic Fixed Income	23.00%	2.11%
Global Real Assets	19.00%	5.41%

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).

For this purpose of this valuation, the expected rate of return on the pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount rate is 7.50%.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
District's proportionate share of the NDPERS net pension liability:	$ 290,810	$ 202,827	$ 128,906

Pension Plan Fiduciary Net Position

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

NOTE 10 - DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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 parttime/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 yea ris shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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, 2019, the Employer reported a liability of $12,956 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District'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 June 30, 2019, the District's proportion was 0.01613 percent.

For the year ended December 31, 2019, the District recognized OPEB expense of $1,923. At December 31, 2019, the District 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 economic experience	$ 320	$ 405
Changes of assumptions actuarial assumptions	1,544	-
Net difference between projected and actual investment earnings	14	-
Changes in proportion	4,572	3,006
Contributions paid subsequent to the measurement date	1,055	-
Total	$ 7,505	$ 3,411

$1,055 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 ending December 31, 2020.

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

Year ending June 30:	Pension Expense Amount
2020	$ 401
2021	401
2022	522
2023	500
2024	368
2025	669
Thereafter	178

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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	7.25%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	33.00%	6.00%
Sm Cap Domestic Equities	6.00%	7.30%
Domestic Fixed Income	40.00%	2.07%
International Equities	21.00%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2019, and July 1, 2018, 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, 2019, calculated using the discount rate of 7.25%, 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 in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net OPEB liability	$ 16,537	$ 12,956	$ 9,891

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Accrued interest on notes payable was not recorded on December 31, 2018. As a result, net position as of January 1, 2018 was reduced by $24,428.

NOTE 13 - SCHEDULE OF TRANSFERS

During the year the special assessment fund was closed and remaining balances were transferred into the general fund.

NOTE 14 - NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 15 - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. The extent of the impact this matter will have on the District's results of operations and financial condition is uncertain.

Other than the event noted above, there were no significant events that occurred subsequent to the District's year end. Subsequent events have been evaluated through November 1, 2021, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GRAFTON PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	$ 329,890	$ 329,890	$ 298,761	$ (31,129)
Intergovernmental	22,720	22,720	138,574	115,854
Charges for services	355,460	355,460	421,243	65,783
Miscellaneous	-	-	128	128
TOTAL REVENUES	708,070	708,070	858,706	150,636
EXPENDITURES				
General government	298,647	298,647	272,978	25,669
Culture and recreation	386,773	386,773	403,989	(17,216)
Capital outlay	22,650	22,650	60,450	(37,800)
Debt service-principal	-	-	24,502	(24,502)
Debt service-interest	-	-	41,877	(41,877)
TOTAL EXPENDITURES	708,070	708,070	803,796	(95,726)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	54,910	54,910
OTHER SOURCES (USES)				
Transfer from other funds	-	-	1,054	1,054
TOTAL OTHER SOURCES (USES)	-	-	1,054	1,054
NET CHANGE IN FUND BALANCE	-	-	55,964	55,964
FUND BALANCE - JANUARY 1	283,682	283,682	283,682	-
FUND BALANCE - DECEMBER 31	$ 283,682	$ 283,682	$ 339,646	$ 55,964

See Notes to the Required Supplementary Information

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYERS SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

North Dakota Public Employees Retirement System

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	$ 13,126	$ 13,126	$ -	$ 184,359	7.12%
2018	11,487	11,487	-	161,340	7.12%
2017	11,613	11,613	-	164,590	7.06%
2016	11,082	11,082	-	153,067	7.24%
2015	8,162	8,162	-	107,458	7.60%

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

The amounts presented for each year were determined as of the District's year end which is December 31.

See Note to the Required Supplementary Information

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 YEARS

North Dakota Public Employees Retirement System

Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.017305%	$ 202,827	$ 180,002	112.68%	71.66%
2018	0.009297%	156,897	95,512	164.27%	62.80%
2017	0.015904%	255,629	162,360	157.45%	61.98%
2016	0.014142%	148,032	153,067	96.71%	70.46%
2015	0.012062%	82,020	119,134	68.85%	77.70%

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST 10 YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	$ 2,102	$ 2,102	$ -	$ 184,359	1.14%
2018	1,839	1,839	$ -	161,340	1.14%

The amounts presented for each year were determined as of the District's year end which is December 31.

The District implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for prior years is not available.

See Note to the Required Supplementary Information

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYER PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS

Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.016131%	$ 12,956	$ 180,002	7.20%	63.13%
2018	0.008729%	6,875	95,512	7.20%	61.89%

The amounts presented for each year were determined as of the measurement date of the collective net OPEB liability which is June 30.

The Employer implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for previous years is not available.

See Notes to the Required Supplementary Information

NOTE 1 - BUDGETING POLICIES

The governing body of each municipality, annually on or before August 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

1) Estimated expenditures of the municipality for the current fiscal year.
2) Estimated expenditures for the ensuing fiscal year.
3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the director shall give notice that the preliminary budget is on file in the office of the director and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the director shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	Budget	Actual	Excess
Culture and recreation	$ 386,773	$ 403,989	$ 17,216
Capital outlay	22,650	60,450	37,800
Debt service-principal	-	24,502	24,502
Interest and fiscal charges	-	41,877	41,877

The District’s revenues in excess of budgeted amounts and carryover of fund balance were used to fund the excess expenditures.

NOTE 3 - CHANGES OF ASSUMPTIONS

NDPERS

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 4 – CHANGES OF BENEFIT TERMS

NDPERS

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

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 Commissioners
Grafton Park District
Grafton, 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 each major fund of Grafton Park District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Grafton Park District's basic financial statements and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Grafton Park District's Response to Findings

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

Purpose of this Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 1, 2021

2019-001 - Material Weakness

Statement of condition:
The District has limited office staff who are responsible for the accounting and administrative functions. The degree of internal control is severely limited.

Effect of condition:
The District's internal control structure does not provide for the proper separation of duties.

Recommendation:
The District should attempt to maintain proper separation of duties whenever possible.

Response:
We concur with the auditor's recommendation. The District will consider the costs and benefits of this recommendation.

2019-002 – Material Weakness

Statement of condition:
The District does not have an internal control designed to identify all journal entries required to maintain a general ledger and to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect of condition:
As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, adjusting journal entries were proposed to properly reflect the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Recommendation:
It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider the design of its internal control system and changes required to permit the preparation of the financial statements and accompanying notes.

Response:
We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.