WATFORD CITY PARK DISTRICT
WATFORD CITY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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WATFORD CITY PARK DISTRICT
PARK DISTRICT OFFICIALS (UNAUDITED)
DECEMBER 31, 2019 AND 2018

Justin Johnsrud	President
LeAnne Voll	Vice President
Mark Sparby	Commissioner
Katie Walters	Commissioner
Eric Krogen	Commissioner

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Park District Board
Watford City Park District
Watford City, North Dakota

Report on the Financial Statements

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

We have audited the accompanying statement of net position, balance sheet – governmental funds and statement of net position – proprietary fund, and each major fund of the Watford City Park District as of December 31, 2018, and we were engaged to audit the related statement of activities, statement of revenues, expenditures and changes in fund balance – governmental funds, statement of revenues, expenditures and changes in net position – proprietary fund, statement of cash flows-proprietary fund, and the related notes to the financial statements for the year ended December 31, 2018, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audits 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities, statement of revenues, expenditures and changes in fund balance – governmental funds, statement of revenues, expenses and changes in net position-proprietary fund, and statement of cash flows-proprietary fund for the year ending December 31, 2018.

We conducted our audits of the December 31, 2019 financial statements and December 31, 2018 statement of net position and balance sheet in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 these 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.

Except for the matter described in the "Basis for Disclaimer of Opinion" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Governmental Activities-2019	Unmodified
Business-Type Activities-2019	Unmodified
Major Governmental Funds-2019	Unmodified
Proprietary Fund-2019	Unmodified
Statement of Net Position-2018	Unmodified
Statement of Activities-2018	Disclaimer
Balance Sheet-2018	Unmodified
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds-2018	Disclaimer
Statement of Net Position-Proprietary Fund-2018	Unmodified
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary fund-2018	Disclaimer
Statement of Cash Flows-Proprietary Fund-2018	Disclaimer

Basis for Disclaimer of Opinion 2018 Operations and Cash Flows

Watford City Park District did not maintain detailed financial reports and supporting documentation for revenues and expenditures for the year ended December 31, 2018. The total amount of expenditures materially affect the net change in fund balances and change in net position for the year ended December 31, 2018.

Disclaimer of Opinion on 2018 Operations and Cash Flows

Because of the significance of the matter described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion for the revenues and expenditures for the year ended December 31, 2018. Accordingly, we do not express opinions on the statement of activities, statement of revenues, expenditures and changes in fund balance-governmental funds, statement of revenues, expenses and changes in net position-proprietary fund and statement of cash flows-proprietary fund. Accordingly, we do not express opinions on the change in net position and change to fund balance of the governmental funds or net change in net position of the proprietary fund for the year ended December 31, 2018.

Unmodified Opinions

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

In our opinion, the statement of net position, balance sheet – governmental funds and the statement of net position – proprietary fund, referred to in the second paragraph presents fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Watford City Park District as of December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 10 to the financial statements, the Watford City Park District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions for the year ended December 31, 2018.

As described in Note 11 to the financial statements, a prior period adjustment has been made to adjust the beginning net position and fund balances.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The budgetary comparison schedules for the park and recreation facilities fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. T

The budgetary comparison schedules for the park and recreation facilities fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary of the of the disclaimer opinion on the basic financial statements as explained in the “Disclaimer of Opinion on 2018 Operations and Cash Flows” paragraph, the 2019 budgetary comparison schedule – park and recreation facilities fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a report dated March 24, 2021 on our consideration of the Watford City 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 Watford City 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 Watford City Park District's internal control over financial reporting and compliance.

Brady Martz

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

March 24, 2021

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,886,045	$ 682,401	$ 4,568,446
Accounts receivable	34,252	103,081	137,333
Due from county	-	43,245	43,245
Taxes receivable	59,294	-	59,294
Due from other funds	-	120,790	120,790
Total current assets	3,979,591	949,517	4,929,108
Non-current assets:			
Capital assets:			
Construction in progress	1,567,519	-	1,567,519
Depreciable assets	4,559,845	-	4,559,845
Total non-current assets	6,127,364	-	6,127,364
Total assets	10,106,955	949,517	11,056,472
DEFERRED OUTFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	495,655	-	495,655
Cost sharing defined benefit plan - OPEB	17,542	-	17,542
Total deferred outflow of resources	513,197	-	513,197
LIABILITIES			
Current liabilities:			
Accounts payable	5,634	54,269	59,903
Accrued liabilities	8,654	22,800	31,454
Unearned revenue	-	250,000	250,000
Retainage payable	36,629	-	36,629
Due to other funds	120,790	-	120,790
Total current liabilities	171,707	327,069	498,776
Non-current liabilities:			
Accrued compensated absences	12,382	3,079	15,461
Net pension liability	699,856	-	699,856
Net OPEB liability	44,706	-	44,706
Total non-current liabilities	756,944	3,079	760,023
Total liabilities	928,651	330,148	1,258,799
DEFERRED INFLOW OF RESOURCES			
Cost sharing defined benefit plan - OPEB	1,397	-	1,397
Cost sharing defined benefit plan - pension	351,550	-	351,550
Total deferred inflow of resources	352,947	-	352,947
NET POSITION			
Net investment in capital assets	6,090,735	-	6,090,735
Restricted for:			
Park Facilities	3,799,050	-	3,799,050
Unrestricted	(551,231)	619,369	68,138
Total net position	$ 9,338,554	$ 619,369	$ 9,957,923

SEE NOTES TO THE FINANCIAL STATEMENTS

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Park operations	$ 749,646	$ 114,199	$ 745,420	$ 1,016,705	$ 1,126,678	$ -	$ 1,126,678
Business-type Activities:							
Rough Rider Center	2,107,835	967,935	204,482	-	-	(935,418)	(935,418)
Total government	$ 2,857,481	$ 1,082,134	$ 949,902	$ 1,016,705	1,126,678	(935,418)	191,260
General Revenues:							
Taxes					1,212,003	1,254,773	2,466,776
Intergovernmental					165,803	-	165,803
Interest					6,612	841	7,453
Miscellaneous					401	323	724
Transfers					(155,000)	155,000	-
Total general revenues and transfers					1,229,819	1,410,937	2,640,756
Change in net position					2,356,497	475,519	2,832,016
Net position - beginning of year					6,982,057	143,850	7,125,907
Net position - end of year					$ 9,338,554	$ 619,369	$ 9,957,923

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 7,056	$ 3,878,989	$ 3,886,045
Accounts receivable	34,252	-	34,252
Taxes receivable	51,977	7,317	59,294
Total assets	$ 93,285	$ 3,886,306	$ 3,979,591
LIABILITIES			
Accounts payable	$ 2,105	$ 40,155	$ 42,260
Accrued liabilities	8,654	-	8,654
Due to other funds	81,006	39,784	120,790
Total liabilities	91,765	79,939	171,704
DEFERRED INFLOWS OF RESOURCES			
Delinquent property taxes	51,977	7,317	59,294
FUND BALANCES			
Restricted	-	3,799,050	3,799,050
Assigned for:			
Equipment Purchase	78,462	-	78,462
Facility Maintenance	212,352	-	212,352
Unrestricted	(341,271)	-	(341,271)
Total fund balances	(50,457)	3,799,050	3,748,593
Total liabilities, deferred inflows of resources, and fund balances	$ 93,285	$ 3,886,306	$ 3,979,591

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Governmental Funds Balance		$ 3,748,593
Amounts reported for governmental activities in the statement of net position are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Delinquent property taxes		59,291
Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund		6,127,364
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans for pension and OPEB in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds		160,250
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:		
Accrued compensated absences	(12,382)	
Net pension liability	(699,856)	
Net OPEB liability	(44,706)	
Total		(756,944)
Net position of governmental activities		$ 9,338,554

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

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
REVENUES			
Taxes	$ 1,052,102	$ 147,587	$ 1,199,689
Intergovernmental	165,803	-	165,803
Charges for services	114,199	13,031	127,230
Interest	6,612	-	6,612
Grants and contributions	22,760	1,726,334	1,749,094
Miscellaneous	343	58	401
Total revenues	1,361,819	1,887,010	3,248,829
EXPENDITURES			
Current:			
Park operations	389,745	2,551	392,296
Capital outlay	327,784	1,206,260	1,534,044
Total expenditures	717,529	1,208,811	1,926,340
Excess of revenues over (under) expenditures	644,290	678,199	1,322,489
OTHER FINANCING SOURCES (USES)			
Transfers in	222,562	700,411	922,973
Transfers out	(895,411)	(182,562)	(1,077,973)
Total other financing sources (uses)	(672,849)	517,849	(155,000)
Excess of revenues and other sources (uses) over (under) expenditures	(28,559)	1,196,048	1,167,489
Fund balance - January 1	(21,898)	2,603,002	2,581,104
Fund balance - December 31	$ (50,457)	$3,799,050	$ 3,748,593

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - Total Governmental Funds		$ 1,167,489
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Current year capital outlay		1,534,044
Current year depreciation expense		(218,188)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:		
Net change in deferred property taxes		12,312
Changes in net deferred outflows and inflows relating to net pension liability		(453,077)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Net change in accrued compensated absences	5,898	
Net change in net pension liability	308,541	
Net change in net OPEB liability	(522)	
Total		313,917
Change in net position		$ 2,356,497

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2019

	Rough Rider Center Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 682,401
Accounts receivable	103,081
Due from county	43,245
Due from other funds	120,790
Total current assets	949,517
Total assets	949,517
LIABILITIES	
Current liabilities:	
Accounts payable	54,269
Accrued liabilities	22,800
Unearned revenue	250,000
Total current liabilities	327,069
Noncurrent liabilities:	
Compensated absences	3,079
Total liabilities	330,148
NET POSITION	
Unrestricted	619,369
Total net position	$ 619,369

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Rough Rider Center Fund
OPERATING REVENUES	
Charges for services	$ 967,935
OPERATING EXPENSES	
Salaries and employee benefits	1,009,055
General maintenance and supplies	374,922
Utilities	483,804
Other operating expenses	240,054
Total operating expenses	2,107,835
Operating income (loss)	(1,139,900)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	1,254,773
Contributions	204,482
Interest	841
Miscellaneous	323
Total nonoperating revenues (expenses)	1,460,419
Income (loss) before contributions and transfers	320,519
Transfers in	155,000
Change in net position	475,519
Net position - beginning of year	143,850
Net position - end of year	$ 619,369

WATFORD CITY PARK DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Rough Rider Center Fund
Cash flows from operating activities:	
Receipts from customers	$ 967,935
Payments to suppliers	(1,139,672)
Payments to employees	(1,009,055)
Net cash provided (used) by operating activities	(1,180,792)
Cash flows from noncapital and related financing activities:	
Intergovernmental revenues	1,255,937
Due from other funds	50,331
Contributions	204,482
Transfers in (out)	155,000
Net cash provided (used) by noncapital and related financing activities	1,665,750
Net change in cash and cash equivalents	484,958
Cash and cash equivalents - January 1	197,443
Cash and cash equivalents - December 31	$ 682,401
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	$ (1,139,900)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Accounts receivable	604
Due from county	(43,245)
Accounts payable	(383)
Accrued liabilities	6,157
Compensated absences	(4,025)
Net cash provided (used) by operating activities	$ (1,180,792)

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,053,343	$ 197,443	$ 3,250,786
Accounts receivable	34,453	103,685	138,138
Due from other funds	-	171,121	171,121
Taxes receivable	46,980	-	46,980
Total current assets	3,134,776	472,249	3,607,025
Non-current assets:			
Capital assets (net of accumulated depreciation):			
Construction in progress	1,849,539	-	1,849,539
Depreciable assets	2,961,969	-	2,961,969
Total non-current assets	4,811,508	-	4,811,508
Total assets	7,946,284	472,249	8,418,533
DEFERRED OUTFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	652,630	-	652,630
Cost sharing defined benefit plan - OPEB	16,169	-	16,169
Total deferred outflow of resources	668,799	-	668,799
LIABILITIES			
Current liabilities:			
Accounts payable	314,024	54,652	368,676
Accrued liabilities	6,944	16,643	23,587
Unearned revenue	-	250,000	250,000
Retainage payable	14,604	-	14,604
Due to other funds	171,121	-	171,121
Total current liabilities	506,693	321,295	827,988
Non-current liabilities:			
Accrued compensated absences	18,280	7,104	25,384
Net pension liability	1,008,397	-	1,008,397
Net OPEB liability	44,184	-	44,184
Total non-current liabilities	1,070,861	7,104	1,077,965
Total liabilities	1,577,554	328,399	1,905,953
DEFERRED INFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	53,609	-	53,609
Cost sharing defined benefit plan - OPEB	1,863	-	1,863
Total deferred inflow of resources	55,472	-	55,472
NET POSITION			
Net investment in capital assets	4,796,904	-	4,796,904
Restricted for:			
Park Facilities	2,603,002	-	2,603,002
Unrestricted	(417,849)	143,850	(273,999)
Total net position	$ 6,982,057	$ 143,850	$ 7,125,907

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Park operations	$ 1,352,592	$ 89,174	$ 656,223	$ 550,000	$ (57,195)	$ -	$ (57,195)
Business-Type Activities:							
Rough Rider Center	1,756,113	673,191	103,067	-	-	(979,855)	(979,855)
Total government	$ 3,108,705	$ 762,365	$ 759,290	$ 550,000	(57,195)	(979,855)	(1,037,050)
General Revenues:							
Taxes					1,250,144	956,746	2,206,890
Intergovernmental					140,829	-	140,829
Interest					5,530	103	5,633
Miscellaneous					2,047	3,776	5,823
Transfers					(155,000)	155,000	-
Total general revenues					1,243,550	1,115,625	2,359,175
Change in net position					1,186,355	135,770	1,322,125
Net position - beginning of year, as originally stated					6,043,817	(347)	6,043,470
Prior period adjustment and restatement - See Notes 10 & 11					(248,115)	8,427	(239,688)
Net position - beginning of year, restated					5,795,702	8,080	5,803,782
Net position - end of year					$ 6,982,057	$ 143,850	$ 7,125,907

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 478,473	$ 2,574,871	$ 3,053,344
Accounts receivable	34,453	-	34,453
Taxes receivable	41,210	5,771	46,981
Due from other funds	-	355,170	355,170
Total assets	$ 554,136	$ 2,935,812	$ 3,489,948
LIABILITIES			
Accounts payable	$ 1,589	$ 327,039	$ 328,628
Accrued liabilities	6,944	-	6,944
Due to other funds	526,291	-	526,291
Total liabilities	534,824	327,039	861,863
DEFERRED INFLOWS OF RESOURCES			
Delinquent property taxes	41,210	5,771	46,981
FUND BALANCES			
Restricted	-	2,603,002	2,603,002
Unrestricted	(21,898)	-	(21,898)
Total fund balances	(21,898)	2,603,002	2,581,104
Total liabilities, deferred inflows of resources, and fund balances	$ 554,136	$ 2,935,812	$ 3,489,948

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Governmental Funds Balance		$ 2,581,104
Amounts reported for governmental activities in the statement of net position are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Delinquent property taxes		46,981
Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund		4,811,508
Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans for pension and OPEB in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds		613,326
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:		
Net pension liability	(1,008,398)	
Net OPEB liability	(44,184)	
Accrued compensated absences	(18,280)	
Total		(1,070,862)
Net position of governmental activities		$ 6,982,057

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
REVENUES			
Taxes	$ 1,056,162	$ 147,002	$ 1,203,164
Intergovernmental	140,829	-	140,829
Charges for services	88,767	407	89,174
Interest	5,530	-	5,530
Grants and contributions	5,000	1,201,223	1,206,223
Miscellaneous	937	1,111	2,048
Total revenues	1,297,225	1,349,743	2,646,968
EXPENDITURES			
Current:			
Park operations	683,088	245,752	928,840
Capital outlay	139,154	849,556	988,710
Total expenditures	822,242	1,095,308	1,917,550
Excess of revenues over (under) expenditures	474,983	254,435	729,418
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	655,000	705,000
Transfers out	(705,000)	(155,000)	(860,000)
Total other financing sources (uses)	(655,000)	500,000	(155,000)
Excess of revenues and other sources (uses) over (under) expenditures	(180,017)	754,435	574,418
Fund balance - January 1, as originally stated	644,682	1,610,119	2,254,801
Prior period adjustment - note 11	(486,563)	238,448	(248,115)
Fund balance - January 1, restated	158,119	1,848,567	2,006,686
Fund balance - December 31	$ (21,898)	$2,603,002	$ 2,581,104

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balance - Total Governmental Funds		$ 574,418
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Current year capital outlay		988,710
Current year depreciation expense		(190,249)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:		
Net change in deferred property taxes		15,848
Changes in net deferred outflows and inflows relating to net pension liability		61,556
Changes in net deferred outflows and inflows relating to net OPEB liability		14,306
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Net change in net pension liability	(228,698)	
Net change in net OPEB liability	(44,188)	
Net change in accrued compensated absences	(5,348)	
Total		(278,234)
Change in net position		$ 1,186,355

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2018

	Rough Rider Center Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 197,443
Accounts receivable	103,685
Due from other funds	171,121
Total assets	472,249
LIABILITIES	
Current liabilities:	
Accounts payable	54,652
Accrued liabilities	16,643
Unearned revenue	250,000
Total current liabilities	321,295
Noncurrent liabilities:	
Compensated absences	7,104
Total liabilities	328,399
NET POSITION	
Unrestricted	143,850
Total net position	$ 143,850

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Rough Rider Center Fund
OPERATING REVENUES	
Charges for services	$ 673,191
OPERATING EXPENSES	
Salaries and employee benefits	824,035
General maintenance and supplies	335,858
Utilities	417,704
Other operating expenses	178,516
Total operating expenses	1,756,113
Operating income (loss)	(1,082,922)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	956,746
Contributions	103,067
Interest	103
Miscellaneous	3,776
Total nonoperating revenues (expenses)	1,063,692
Income (loss) before contributions and transfers	(19,230)
Transfers in	155,000
Total transfers	155,000
Change in net position	135,770
Net position - beginning of year, as originally stated	(347)
Prior period adjustment	8,427
Net position - beginning of year, restated	8,080
Net position - end of year	$ 143,850

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Rough Rider Center Fund
Cash flows from operating activities:	
Receipts from customers	$ 673,191
Payments to suppliers	(760,639)
Payments to employees	(824,035)
Net cash provided (used) by operating activities	(911,483)
Cash flows from noncapital and related financing activities:	
Intergovernmental revenues	959,826
Due from other funds	(171,121)
Contributions	103,067
Transfers in (out)	155,000
Net cash provided (used) by noncapital and related financing activities	1,046,772
Net change in cash and cash equivalents	135,289
Cash and cash equivalents - January 1	62,154
Cash and cash equivalents - December 31	$ 197,443
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (1,082,922)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Accounts receivable	(103,685)
Accounts payable	17,087
Accrued liabilities	7,863
Deferred revenue	250,000
Due to other funds	4,613
Compensated absences	(4,439)
Net cash provided (used) by operating activities	$ (911,483)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Watford City Park District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental and proprietary fund financial statements is on major funds.

Governmental Fund Types

Governmental Funds

General Fund - The general fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District does not have any special revenue funds.

Capital Project Funds - Capital project funds are used to account for the financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of district facilities and other capital assets.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District does not have any debt service funds.

The District reports the following major governmental funds:

General Fund - As described above.

Park and Recreation Facilities Fund - The park and recreation facilities fund is used to account for the financial resources used for the District's expenditures for major capital acquisitions and improvements.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The District reports the following major enterprise fund:

> **Rough Rider Center Fund** – The Rough Rider Center fund is used to account for the District's activities related to administering, maintaining, and operating the city-owned Rough Rider Center.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with a maturity date within three months of the date acquired by the District.

Accounts Receivable

Accounts receivable balances as of December 31, 2019 and 2018 consist of amounts owed to the District for prior year retribution for fraudulent activity from a prior accountant.

Due From County

Due from county consists of current taxes collected by the county treasurer, but not remitted as of December 31, 2019 and 2018.

Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31, 2019 and 2018, and are recorded as deferred inflows of resources in the governmental funds and recognized as revenue in the government-wide financial statements.

Due From (To) Other Funds

Due from (to) other funds arise when one fund advances cash to another fund or pays the expenses of another fund.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets acquired December 31, 2014 or earlier are recorded based upon their insured values as of January 1, 2015, which is not in accordance with generally accepted accounting principles in the United States. Additions made on or after January 1, 2015 are recorded at cost. Improvements that significantly extend the useful life of an asset are also capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The District's capitalization policy is $5,000 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset of materially extend the asset's useful life are not capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and infrastructure	30 years
Equipment	5 years
Vehicles	5 years
Software	3 years

Compensated Absences

All regular full-time, part-time, and introductory employees are covered by a compensated absences policy consisting of paid time off (PTO). Employees earn PTO at a rate of 11.333 to 20 hours per month dependent upon the employee's years of service. The maximum PTO that could be accumulated during a year is 300 hours, depending on years of service. Unused PTO is carried over at a maximum of 1 years' worth of accumulated PTO hours. Unused PTO in excess 240 hours is converted to extended sick leave (ESL) which has no cap. Upon termination of employment, employees receive 100 percent of their unused PTO at their rate of pay on the date of termination. Unused ESL is not paid out upon termination.

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) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Park Board – the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board 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 Park Board 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 - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Restricted net position consists of restricted assets reduced by liabilities. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of a related asset. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the restricted or net investment in capital assets components of net position.

<u>Net Position Flow Assumption</u>
Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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 resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category named *cost sharing defined benefit-pension* and *cost sharing defined benefit-OPEB*, which represents actuarial differences within NDPERS pension and NDPERS OPEB plans as well as amounts paid to the plans after the measurement date. See notes 7 & 8 for further details.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section of 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 three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, delinquent property taxes (unavailable revenue), is 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 that qualify for reporting in this category named *cost sharing defined benefit – pension* and *cost sharing defined benefit – OPEB*, represents actuarial differences within NDPERS pension and NDPERS OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See notes 7 & 8 for further details.

Interfund Transactions

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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

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 Employement Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deduction 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 benefit terms. Investments are reported at fair value.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All Park District tax levies are in compliance with state laws.

Use of Estimates

The preparation of the 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 accompanying notes. Actual results may differ from those estimates.

Implementation of New Accounting Principles

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during the year ended December 31, 2018. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to state and local government employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 2 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds.

The District maintains interest bearing cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to $250,000 at each institution. The amount on deposit in excess of FDIC insurance as of December 31, 2019 and 2018 was covered by pledged securities in the District's name.

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables/payables at December 31, 2019 were as follows:

Fund	Due From	Due To
Governmental Funds:		
General Fund	$ -	$ 81,006
Facilities Fund	-	39,784
Proprietary Funds:		
Rough Rider Center Fund	120,790	-
	$ 120,790	$ 120,790

Interfund receivables/payables at December 31, 2018 were as follows:

Fund	Due From	Due To
Governmental Funds:		
General Fund	$ -	$ 526,291
Facilities Fund	355,170	-
Proprietary Funds:		
Rough Rider Center Fund	171,121	-
	$ 526,291	$ 526,291

These advances were made to cover payroll and related expenses.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 1,849,539	$ 785,021	$ (1,067,041)	$ 1,567,519
Total capital assets not being depreciated	1,849,539	785,021	(1,067,041)	1,567,519
Capital assets, being depreciated:				
Buildings and improvements	3,171,341	1,714,048	-	4,885,389
Machinery and equipment	419,805	87,891	-	507,696
Vehicles	51,119	14,125	-	65,244
Software	18,111	-	-	18,111
Total capital assets being depreciated	3,660,376	1,816,064	-	5,476,440
Less accumulated depreciation for:				
Buildings and improvements	388,469	110,472	-	498,941
Machinery and equipment	258,265	95,138	-	353,403
Vehicles	33,562	12,578	-	46,140
Software	18,111	-	-	18,111
Total accumulated depreciation	698,407	218,188	-	916,595
Total capital assets being depreciated, net	2,961,969	1,597,876	-	4,559,845
Governmental capital assets, net	$ 4,811,508	$ 2,382,897	$ (1,067,041)	$ 6,127,364

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 1,036,354	$ 813,185	$ -	$ 1,849,539
Total capital assets not being depreciated	1,036,354	813,185	-	1,849,539
Capital assets, being depreciated:				
Buildings and improvements	3,070,624	100,717	-	3,171,341
Machinery and equipment	354,997	64,808	-	419,805
Vehicles	41,119	10,000	-	51,119
Software	18,111		-	18,111
Total capital assets being depreciated	3,484,851	175,525	-	3,660,376
Less accumulated depreciation for:				
Buildings and improvements	284,751	103,718	-	388,469
Machinery and equipment	185,152	73,113	-	258,265
Vehicles	24,672	8,890	-	33,562
Software	13,583	4,528	-	18,111
Total accumulated depreciation	508,158	190,249	-	698,407
Total capital assets being depreciated, net	2,976,693	(14,724)	-	2,961,969
Governmental capital assets, net	$ 4,013,047	$ 798,461	$ -	$ 4,811,508

Depreciation expense of $218,188 and $190,249 was charged to park operations for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 FUND DEFICITS

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

Fund	2019	2018
General Fund	$ (50,457)	$ (21,898)

NOTE 6 INTERFUND TRANSFERS

Interfund transfers at December 31, 2019 were as follows:

	General Fund	Park & Recreation Facilities Fund	Rough Rider Center Fund	Total
Transfer In	$ 222,562	$ 700,411	$ 155,000	$ 1,077,973
Transfer Out	(895,411)	(182,562)	-	(1,077,973)
	$ (672,849)	$ 517,849	$ 155,000	$ -

The purpose of the transfers out of the general fund was to provide funds to the park & recreation facilities fund for capital projects and to provide the Rough Rider Center fund with a portion of property tax revenue to help fund operations. The transfers to the general fund were to replenish the fund for incurring expenses for the other funds.

Interfund transfers at December 31, 2018 were as follows:

	General Fund	Park & Recreation Facilities Fund	Rough Rider Center Fund	Total
Transfer In	$ 50,000	$ 655,000	$ 155,000	$ 860,000
Transfer Out	(705,000)	(155,000)	-	(860,000)
	$ (655,000)	$ 500,000	$ 155,000	$ -

The purpose of the transfers out of the general fund was to provide funds to the park & recreation facilities fund for capital projects and to provide the Rough Rider Center fund with a portion of property tax revenue to help fund operations. The transfers to the general fund were to replenish the fund for incurring expenses for the other funds.

NOTE 7 PENSION PLAN: NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAIN SYSTEM)

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

NDPERS is a cost-sharing, multiple-employer defined benefit 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 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; and 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 equals or exceeds 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 of 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 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 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 covered compensation. 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 – December 31, 2019

At December 31, 2019, the District reported a liability of $699,856 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 based on the Employer'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 0.059711 percent, which was a decrease of 0.00002 percent from its proportion measured at June 30, 2018.

For the year ended December 31, 2019, the District recognized pension expense of $196,466. 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 experience	$ 414	$ (127,011)
Changes of assumptions	261,518	(224,536)
Net difference between projected and actual earnings on pension plan investments	12,193	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	176,444	(4)
Employer contributions subsequent to the measurement date	45,086	-
Total	$ 495,655	$ (351,550)

$45,086 reported as deferred outflows of resources related to pensions resulting from the District's 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 December 31:	
2020	$ 92,291
2021	72,739
2022	9,010
2023	(55,196)
2024	(19,825)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – December 31, 2018

At December 31, 2018, the District reported a liability of $1,008,397 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was based on the Employer's share of covered payroll. The Employer'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, 2018, the District's proportion was 0.059753 percent, which was an increase of 0.011244 percent from its proportion measured at June 30, 2017.

For the year ended December 31, 2018, the District recognized pension expense of $234,261. At December 31, 2018, 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 experience	$ 2,669	$ (34,308)
Changes of assumptions	364,010	(14,393)
Net difference between projected and actual earnings on pension plan investments	-	(4,906)
Changes in proportion and differences between employer contributions and proportionate share of contributions	241,166	(3)
Employer contributions subsequent to the measurement date	44,784	-
Total	$ 652,630	$ (53,609)

$44,784 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

Year ending December 31:	
2019	$ 171,695
2020	158,242
2021	138,679
2022	74,927
2023	10,694

Actuarial Assumptions – December 31, 2019

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

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%

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

Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected 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%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

Actuarial Assumptions – December 31, 2018

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	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%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%

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

Investment Rate of Return	7.75%, net of investment expenses
Cost-of-living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates 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	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Assets	19%	5.11%

Discount Rate – December 31, 2019

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

Discount Rate – December 31, 2018

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 the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

The following present the Employer's proportionate share of the net pension liability calculated using the discount rate percent of 7.50 and 6.32 percent as of December 31, 2019 and 2018, 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 or 1 percentage point higher than the current rate:

December 31, 2019	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Employer's proportionate share of the net pension liability	$ 1,003,443	$ 699,856	$ 444,790

December 31, 2018	1% Decrease	Current Discount Rate	1% Increase
	5.32%	6.32%	7.32%
Employer's proportionate share of the net pension liability	$ 1,370,224	$ 1,008,397	$ 706,464

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

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 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. 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 for 2019

At December 31, 2019, the Employer reported a liability of $44,706 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 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 June 30, 2019, the District's proportion was 0.055661 percent, which was a decrease of 0.00439 from its proportion measured at June 30, 2018.

For the year ended December 31, 2019, the Employer recognized OPEB expense of $7,359. At December 31, 2019, 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	$ 1,104	$ (1,397)
Changes of assumptions	5,328	-
Net difference between projected and actual earnings on OPEB plan investments	50	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,742	-
Employer contributions subsequent to the measurement date	4,318	-
Total	$ 17,542	$ (1,397)

The $4,318 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in the OPEB expense as follows:

Year ending December 31:	
2020	$ 2,105
2021	2,105
2022	2,521
2023	2,445
2024	1,863
Thereafter	788

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
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
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
Core-Plus Fixed Income	21%	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, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net OPEB liability	$ 57,062	$ 44,706	$ 34,130

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB for 2018

At December 31, 2018, the Employer reported a liability of $44,183 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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 December 31, 2018, the Employer's proportion was 0.056100 percent.

For the year ended December 31, 2018, the Employer recognized OPEB expense of $6,697. 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	$ 1,323	$ (913)
Changes of assumptions	3,625	-
Net difference between projected and actual earnings on OPEB plan investments	-	(950)
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,606	-
Employer contributions subsequent to the measurement date	3,615	-
Total	$ 16,169	$ (1,863)

The $3,615 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 8. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in the OPEB expense as follows:

Year ending December 31:	
2019	$ 1,606
2020	1,606
2021	1,606
2022	2,025
2023	1,948
Thereafter	1,900

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

Discount Rate

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net OPEB liability	$ 55,902	$ 44,183	$ 34,136

NOTE 9 RISK MANAGEMENT

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

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

The Watford City Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party. The State Bonding Fund provided the District with blanket fidelity bond coverage in the amount of $281,000 for the year ended December 31, 2015. The State Bonding Fund does not currently charge any premium for this coverage.

The Watford City Park District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 GASB 75 ADJUSTMENT

The District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, which required a prior period adjustment to net OPEB liability and related deferred outflows as of July 1, 2018. The cumulative effect of implementing this GASB statement was an increase in net OPEB liability of $36,208, increase of deferred outflows – OPEB of $4,654, and increase of deferred inflows – OPEB of $2,252 on the

Statement of Net Position. The adjustments resulted in a decrease of $33,806 in net position on the Statement of Activities.

NOTE 11 PRIOR PERIOD ADJUSTMENT

The District has posted a prior period adjustment to its January 1, 2018 financial statements to adjust the beginning fund balances for the General Fund, Parks & Recreation Fund, and Rough Rider Center Funds. The previous financial statements were disclaimed and entries were posted to correct fund balances. The adjustments resulted in a (decrease) increase of fund balance as follows: General fund ($486,563), Park & Recreation Facilities Fund $238,448 and Rough Rider Center Fund $8,427.

NOTE 12 NEW ACCOUNTING 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 entity's financial statements.

NOTE 13 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 busines operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the Park District. While the Park District expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain. Subsequent to year end, the District entered into a contract to purchase some land for a softball complex. A foundation called the Watford City Parks and Rec Foundation began operations and had its first board meeting in January of 2020.

Subsequent events have been evaluated through March 24, 2021, which is the date these financial statements were available to be issued.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts Original and Final	General Fund	Budget to Actual Differences
REVENUES			
Taxes	$ 1,054,000	$ 1,052,102	$ (1,898)
Intergovernmental	104,750	165,803	61,053
Charges for services	82,000	114,199	32,199
Interest	-	6,612	6,612
Grants and contributions	-	22,760	22,760
Miscellaneous	2,000	343	(1,657)
Total revenues	1,242,750	1,361,819	119,069
EXPENDITURES			
Current:			
Park operations	838,175	389,745	448,430
Capital outlay	-	327,784	(327,784)
Total expenditures	838,175	717,529	120,646
Excess of revenues over (under) expenditures	404,575	644,290	239,715
OTHER FINANCING SOURCES (USES)			
Transfers in	-	222,562	222,562
Transfers out	(430,000)	(895,411)	(465,411)
Total other financing sources (uses)	(430,000)	(672,849)	(242,849)
Excess of revenues and other sources (uses) over (under) expenditures	$ (25,425)	(28,559)	$ (3,134)
Fund balance - January 1		(21,898)	
Fund balance - December 31		$ (50,457)	

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts Original and Final	General Fund	Budget to Actual Differences
REVENUES			
Taxes	$ 1,054,000	$ 1,056,162	$ 2,162
Intergovernmental	124,753	140,829	16,076
Charges for services	84,760	88,767	4,007
Interest	-	5,530	5,530
Grants and contributions	-	5,000	5,000
Miscellaneous	4,235	937	(3,298)
Total revenues	1,267,748	1,297,225	29,477
EXPENDITURES			
Current:			
Park operations	768,567	683,088	85,479
Capital outlay	-	139,154	(139,154)
Total expenditures	768,567	822,242	(53,675)
Excess of revenues over (under) expenditures	499,181	474,983	(24,198)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Transfers out	(665,000)	(705,000)	(40,000)
Total other financing sources (uses)	(665,000)	(655,000)	10,000
Excess of revenues and other sources (uses) over (under) expenditures	$ (165,819)	(180,017)	$ (14,198)
Fund balance - January 1, as originally stated		644,682	
Prior period adjustment		(486,563)	
Fund balance - January 1, restated		158,119	
Fund balance - December 31		$ (21,898)	

WATFORD CITY PARK DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's 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	0.05971%	$ 699,856	$ 621,093	112.68%	71.66%
2018	0.05973%	1,008,397	613,851	164.27%	62.80%
2017	0.04851%	779,699	495,203	157.45%	61.98%
2016	0.03128%	304,854	315,224	96.71%	70.46%
2015	0.01410%	95,898	125,639	76.33%	77.15%

* The District implemented GASB Statement's No. 68 and 71 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.055661%	$ 44,706	$ 621,093	7.20%	63.13%
2018	0.056100%	44,183	613,851	7.20%	61.89%

* Complete data for this schedule is not available prior to 2018. The District implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for the prior year is not available.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 45,086	$ (45,086)	$ -	$ 633,596	7.12%
2018	44,974	(44,974)	-	631,579	7.12%
2017	44,906	(44,906)	-	630,707	7.12%
2016	30,962	(30,962)	-	434,857	7.12%
2015	14,452	(14,452)	-	202,977	7.12%

* The District implemented GASB Statement's No. 68 and 71 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	$ 7,223	$ (7,223)	$ -	$ 633,596	1.14%
2018	7,200	(7,200)	-	631,579	1.14%

* Complete data for this schedule is not available prior to 2018. The District implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for the prior year is not available.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before August 10th of each year, a budget is prepared for the subsequent year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. All annual appropriations lapse at fiscal year end. On or about October 7th, the proposed budget is presented to the District's commissioners for review. The Park District holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the commissioners. The final budget must be filed with the county auditor by October 10th.

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 10th.

Except as provided by the North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The District prepares its budget and reports its governmental funds on the same basis of accounting.

NOTE 2 LEGAL COMPLIANCE (BUDGETS)

The District had expenditures that exceeded budgeted appropriations for the following funds for the year ended December 31, 2019 and 2018:

General Fund-2018	$53,675
Parks & Recreation Fund-2019	52,628

No remedial action is anticipated or required by the District regarding these excess expenditures

NOTE 3 CHANGE IN ASSUMPTIONS

NDPERS Pension Plan

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.

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

NDPERS 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.

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

NOTE 4 CHANGES IN BENEFIT TERMS

NDPERS Pension Plan

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.

NDPERS 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.

WATFORD CITY PARK DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARKS & RECREATION FACILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget Amounts Original and Final	Park & Recreation Facilities Fund	Budget to Actual Differences
REVENUES			
Taxes	$ 155,000	$ 147,587	$ (7,413)
Charges for services	-	13,031	13,031
Grants and contributions	561,550	1,726,334	1,164,784
Miscellaneous	-	58	58
Total revenues	716,550	1,887,010	1,170,460
EXPENDITURES			
Current:			
Park operations	-	2,551	(2,551)
Capital outlay	1,156,183	1,206,260	(50,077)
Total expenditures	1,156,183	1,208,811	(52,628)
Excess of revenues over (under) expenditures	(439,633)	678,199	1,117,832
OTHER FINANCING SOURCES (USES)			
Transfers in	235,000	700,411	465,411
Transfers out	(155,000)	(182,562)	(27,562)
Total other financing sources (uses)	80,000	517,849	437,849
Excess of revenues and other sources (uses) over (under) expenditures	$ (359,633)	1,196,048	$ 1,555,681
Fund balance - January 1		2,603,002	
Fund balance - December 31		$ 3,799,050	

WATFORD CITY PARK DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARKS & RECREATION FACILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget Amounts Original and Final	Park & Recreation Facilities Fund	Budget to Actual Differences
REVENUES			
Taxes	$ 155,000	$ 147,002	$ (7,998)
Charges for services	1,503	407	(1,096)
Grants and contributions	645,660	1,201,223	555,563
Miscellaneous	1,111	1,111	-
Total revenues	803,274	1,349,743	546,469
EXPENDITURES			
Current:			
Park operations	-	245,752	(245,752)
Capital outlay	2,078,510	849,556	1,228,954
Total expenditures	2,078,510	1,095,308	983,202
Excess of revenues over (under) expenditures	(1,275,236)	254,435	1,529,671
OTHER FINANCING SOURCES (USES)			
Transfers in	635,000	655,000	20,000
Transfers out	(155,000)	(155,000)	-
Total other financing sources (uses)	480,000	500,000	20,000
Excess of revenues and other sources (uses) over (under) expenditures	$ (795,236)	754,435	$ 1,549,671
Fund balance - January 1 as orginally stated		1,610,119	
Prior period adjustment		238,448	
Fund balance - January 1, restated		1,848,567	
Fund balance - December 31		$ 2,603,002	

BradyMartz

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 Park District Board
Watford City Park District
Watford City, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Watford City Park District, 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 and have issued our report thereon dated March 24, 2021.

We were engaged to audit the statement of net position, balance sheet-governmental funds, and the statement of net position-proprietary fund, 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, of the Watford City Park District, as of December 31, 2018, and have issued our report thereon dated March 24, 2021. Our report disclaims an opinion on the statement of activities, the statement of revenues, expenditures and changes in fund balance-governmental funds, statement of revenues, expenses and changes in net position-proprietary fund and statement of cash flows-proprietary fund and the related notes to the financial statements because adequate detailed financial reports and supporting documentation for revenues and expenditures were not maintained and we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Watford City Park District, we considered Watford City 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 Watford City Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Watford City Park District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of Watford City Park District listed in the first paragraph in the above section, 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 and responses as item 2019-005. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Watford City Park District's Response to Findings

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

Purpose of this Report

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

Brady Martz

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

March 24, 2021

2019-001: Financial Statements Prepared by Auditor – Material Weakness

Criteria
An appropriate system of internal controls requires the District to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The District elected to not allocate resources for the preparation of the financial statements.

Effect
There is an increased risk of material misstatement to the District's financial statements.

Recommendation
We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Responses
Due to the small size of the Watford City Park District, it is not cost effective for the Watford City Park District to properly address this material weakness.

2019-002: Material Journal Entries – Material Weakness

Criteria
The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition
During our audit, material adjusting entries to the financial statements were proposed in order to bring certain financial accounts into compliance with GAAP.

Cause
The District's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis.

Effect
An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with GAAP prior to the audit.

Recommendation
In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit. We recommend the District reviews its current training system to determine if it is cost effective for the District to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Action
The accounting staff will work to ensure that all accounts are properly stated for future audits.

2019-003: Segregation of Duties – Material Weakness

Criteria
To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of authorization, custody of assets, record keeping, and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody of assets, record keeping, and reconciliation. We noted in our testing that the same individual was taking in deposits, recording the deposits, and performing the bank reconciliations. We also noted from January 2018-September 2019 the same individual was cutting the checks and was also a signer on the checks. We also noted that there is not a party that is independent of the bank reconciliation process that is reviewing the bank reconciliations and journal entries. There was also one of the disbursements we tested that didn't have dual signatures on the check.

Cause
The District has a limited number of staff available due to the size of the organization.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
We recommend that management and the board be aware of the lack of segregation of duties and implement controls wherever possible to mitigate the risk. We recommend that the district implement and/or continue the following:

- A listing of bills paid should be reviewed and approved by the Park District board. If a board member has questions on a specific bill, the supporting invoice should be provided to the board member.
- All checks require signature by two persons. One of the persons signing the checks should be a Park District board member.
- The individual responsible for printing and mailing checks should be separate from the individual responsible for authorizing payments and signing checks.
- Monthly income statements and balance sheets should be reviewed and approved by a responsible official of the Park District board.
- Bank reconciliations should be performed by a person independent of the check process. If this is not feasible, then the bank statements and reconciliations should be reviewed by a person independent of the check signing process.
- Two people should be responsible for counting cash, and both individuals should sign off on all daily cash receipts.

Views of Responsible Officials and Planned Corrective Action

- A list of bills is prepared and receive board approval every month before checks are printed and bills are paid. If a board member has any questions or concerns on a certain bill, they are addressed at Park Board meeting before they are approved to be paid.
- All checks written require two signatures.
- As of August 2019, there is separation of duties between the person responsible for printing the checks versus the one authorizing payments.
- Monthly income statements and fund balances are presented to the Park Board monthly. They are reviewed and approved at each board meeting.
- Two people are required to count cash and sign off on daily deposits.

2019-004: Disclaimer – Material Weakness

Criteria
All financial records should be maintained for the time period either as required under federal and state guidelines or the required period after the audit is complete, whichever is later.

Condition
In the course of the audit, the auditor was unable to obtain adequate financial records or supporting documentation sufficient to support an opinion on the revenues and expenses of the District for the year ended December 31, 2018.

Cause
The District was unable to provide supporting documentation for revenues and expenses recorded in their accounting system.

Effect
There is a high risk that material misstatements could occur in the financial statements, whether due to errors or fraud. The lack of sufficient accounting records resulted in disclaimers of opinion on the 2018 statement of activities, and statement of revenues, expenditures and changes in fund balance-governmental funds, statement of revenues, expenses and changes in net position-proprietary fund and statement of cash flows-proprietary fund.

Recommendation
We recommend management maintain internal controls whereby supporting documentation is maintained for revenues and expenses.

Views of Responsible Officials
Records are kept for both revenues and expenditures for at least ten years. Now that the financials have been brought in-house, all financial records are kept with the Park District.

2019-005: Bonding Coverage – Significant Deficiency

Criteria
North Dakota Century Code 26.1-21.08 requires the auditor to review the blanket bond coverage of a political subdivision and make recommendations.

Condition
During our review of bond coverage, we noted the Park District did not have bond coverage for fiscal years 2018 and 2019.

Cause
The lapse in coverage was due to the Park District not submitting the application in a timely manner.

Effect
The Park District did not maintain sufficient coverage.

Recommendation
We recommend the Park District implement policies and procedures to ensure bonding coverage is maintained. We also recommend the Park District review annually the amount of insurance they have to ensure it is appropriate.

Views of Responsible Officials
The Park District currently has bonding through 2021. Additional bonding will be applied for in January 2022.