

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

AUDIT REPORT  
For the Years Ended  
December 31, 2019 and 2018

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

TABLE OF CONTENTS  
For the Years Ended December 31, 2019 and 2018

	<u>Page</u>
List of Officials .....	1
Independent Auditor's Report .....	2
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>2019</b>	
Statement of Net Position-Modified Cash Basis .....	5
Statement of Activities-Modified Cash Basis .....	6
Statement of Assets, Liabilities and Fund Balances-Modified Cash Basis-Governmental Funds .....	7
Reconciliation of Statement of Assets, Liabilities and Fund Balances-Modified Cash Basis-Governmental Funds to Statement of Net Position-Modified Cash Basis Governmental Funds .....	8
Statement of Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis-Governmental Funds .....	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities-Modified Cash Basis-Governmental Funds .....	10
<b>2018</b>	
Statement of Net Position-Modified Cash Basis .....	11
Statement of Activities-Modified Cash Basis .....	12
Statement of Assets, Liabilities and Fund Balances-Modified Cash Basis-Governmental Funds .....	13
Reconciliation of Statement of Assets, Liabilities and Fund Balances-Modified Cash Basis-Governmental Funds to Statement of Net Position-Modified Cash Basis Governmental Funds .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis-Governmental Funds .....	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities-Modified Cash Basis-Governmental Funds .....	16
Notes to the Financial Statements .....	17

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule .....	40
Schedules of Employer's Proportionate Share of Net Pension Liability .	42
Schedules of Employer Contributions-Pension .....	43
Schedule of Employer's Share of Net OPEB Liability.....	44
Schedule of Employer Contributions-OPEB.....	45
Notes to Required Supplementary Information .....	46
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 .....	48
Schedule of Findings and Questioned Costs .....	50

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

LIST OF OFFICIALS

December 31, 2019 and 2018

<u>Official</u>	<u>Position</u>
Mike Aasen	President
Matt Glasner	Vice President
Jamison Parisien	Director
Garrick Johnson	Director
Kaitlan Grant	Director
Brian Knudson	Manager
Penny Nostdahl	Secretary/Treasurer

**L**ERVIK  
&  
**J**OHNSON  

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*Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
City of Bottineau Park Board  
Bottineau, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the City of Bottineau Park Board (Park Board), Bottineau, North Dakota, as of and for the years ended December 31, 2019 and 2018, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities of the City of Bottineau Park Board as of December 31, 2019 and 2018, and the respective changes in financial position-modified cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

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

## **Other Matters**

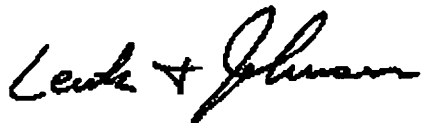
### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 40-41, the schedule of employer's share of net pension liability for the last ten fiscal years on page 42, the schedule of the employer's contributions-pension for the last ten fiscal years on page 43, schedules of employer's share of net OPEB liability for the last 10 fiscal years on page 44, schedules of employer contributions for the last 10 fiscal years on page 45, and the related notes on pages 46-47 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 on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of the Park Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Lervik & Johnson", written in a cursive style.

LERVIK & JOHNSON  
Certified Public Accountants  
Bottineau, North Dakota

December 28, 2020

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
December 31, 2019

	Primary Government
	Governmental Activities
<u>ASSETS:</u>	
<u>Current Assets:</u>	
Cash	\$ 231,803.95
Certificates of Deposit	20,000.00
Total Current Assets	251,803.95
<u>Noncurrent Assets:</u>	
Capital Assets, Net of Accumulated Depreciation	1,229,358.87
Total Assets	1,481,162.82
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Deferred Outflows Relating to Pensions and OPEB	80,102.00
<u>LIABILITIES:</u>	
<u>Noncurrent Liabilities:</u>	
Compensated Absences	16,070.02
Net Pension and OPEB Liability	158,412.00
Total Liabilities	174,482.02
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred Inflows Relating to Pensions and OPEB	156,039.00
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,229,358.87
Unrestricted	153,258.93
Total Net Position	\$ 1,382,617.80

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



CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
For the Year Ended December 31, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenues and Changes in Net Position
					Governmental Activities
<u>PRIMARY GOVERNMENT:</u>					
<u>GOVERNMENTAL ACTIVITIES:</u>					
Salaries	\$ 141,272.87	\$ -	\$ -	\$ -	\$ (141,272.87)
Payroll Taxes	12,830.93	-	-	-	(12,830.93)
Employee Benefits	37,945.79	-	-	-	(37,945.79)
Secretary/Board Expense	3,000.00	-	-	-	(3,000.00)
Office Supplies	2,484.17	-	-	-	(2,484.17)
Fees/Dues/Seminars	1,688.80	-	-	-	(1,688.80)
Special Assessment Tax	1,861.35	-	-	-	(1,861.35)
Arena Expense	50,396.48	70,745.40	5,246.84	1,000.00	26,595.76
Parks Expense	100,005.48	23,465.00	11,754.27	18,258.34	(46,527.87)
Pension Adjustment	40,684.00	-	-	-	(40,684.00)
Other	462.39	-	-	-	(462.39)
Total Governmental Activities	392,632.26	94,210.40	17,001.11	19,258.34	(262,162.41)
<u>General Revenues:</u>					
Property Tax Levy					161,921.64
State Aid Allocation via the City of Bottineau					47,365.02
Earnings on Investments					825.68
Miscellaneous Revenues					424.13
Total General Revenues					210,536.47
Change in Net Position					(51,625.94)
Net Position - January 1					1,434,243.74
Net Position - December 31					\$ 1,382,617.80

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2019

	General Fund
<u>ASSETS:</u>	
Cash	\$ 231,803.95
Certificates of Deposit	<u>20,000.00</u>
Total Assets	<u>\$ 251,803.95</u>
<u>FUND BALANCES:</u>	
Committed Fund Balance	\$ 208,876.61
Unassigned Fund Balance	<u>42,927.34</u>
Total Fund Balances	<u>\$ 251,803.95</u>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds	\$ 251,803.95
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Total net position reported for governmental  
activities in the Statement of Net  
Position is different because:

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

Cost of Capital Assets	1,878,802.03	
Less Accumulated Depreciation	<u>(649,443.16)</u>	
Net Capital Assets		1,229,358.87

Noncurrent liabilities applicable to  
governmental activities are not due  
and payable in the current period and,  
accordingly, are not reported in the  
governmental funds.

Compensated Absences	(16,070.02)
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Some liabilities, including net pension  
and OPEB obligations, are not due and  
payable in the current period and,  
therefore, are not reported in the funds.

Net Pension and OPEB Liability	(158,412.00)
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Deferred outflows and inflows of resources  
related to pensions and OPEB are applicable  
to future periods and, therefore, are not  
reported in the funds.

Deferred Outflows of Resources Related to Pensions and OPEB	156,039.00	
Deferred Inflows of Resources Related to Pensions and OPEB	<u>(80,102.00)</u>	

Total Net Position of Governmental Activities	<u>\$ 1,382,617.80</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	General Fund
<u>Revenues:</u>	
Taxes	\$ 161,921.64
State Aid Allocation via the City of Bottineau	47,365.02
Arena User Fees	71,747.40
Parks User Fees	25,499.65
Grants and Contributions	33,222.80
Interest Income	825.68
Other Income	424.13
	<hr/>
Total Revenues	341,006.32
	<hr/>
<u>Expenditures:</u>	
Current:	
Salaries	142,234.57
Payroll Taxes	12,830.93
Employee Benefits	37,945.79
Secretary/Board Expense	3,000.00
Office Supplies	2,484.17
Fees/Dues/Seminars	1,688.80
Special Assessment Tax	1,861.35
Arena Expense	38,450.69
Parks Expense	62,643.91
Other	462.39
Capital Outlay	29,995.00
	<hr/>
Total Expenditures	333,597.60
	<hr/>
Net Change in Fund Balances	7,408.72
Fund Balance - January 1	244,395.23
	<hr/>
Fund Balance - December 31	\$ 251,803.95
	<hr/>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

Net Change in Fund Balances-Total Governmental Funds	\$ 7,408.72
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The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	29,995.00	
Current Year Depreciation Expense	<u>(49,307.36)</u>	
Net Amount		(19,312.36)

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

Net increase in Compensated Absences	961.70
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Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employer contribution is reported as pension and OPEB expense.

	<u>(40,684.00)</u>
Net change in Net Position of Governmental Activities	<u>\$ (51,625.94)</u>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
December 31, 2018

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<u>ASSETS:</u>	
<u>Current Assets:</u>	
Cash	\$ 224,395.23
Certificates of Deposit	<u>20,000.00</u>
Total Current Assets	<u>244,395.23</u>
<u>Noncurrent Assets:</u>	
Capital Assets, Net of Accumulated Depreciation	<u>1,248,671.23</u>
Total Assets	<u>1,493,066.46</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Deferred Outflows Relating to Pensions and OPEB	<u>12,260.00</u>
<u>LIABILITIES:</u>	
<u>Noncurrent Liabilities:</u>	
Compensated Absences	17,031.72
Net Pension and OPEB Liability	<u>232,665.00</u>
Total Liabilities	<u>249,696.72</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Deferred Inflows Relating to Pensions and OPEB	<u>203,134.00</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,248,671.23
Unrestricted	<u>185,572.51</u>
Total Net Position	<u>\$ 1,434,243.74</u>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
For the Year Ended December 31, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenues and Changes in Net Position
					Governmental Activities
<u>PRIMARY GOVERNMENT:</u>					
<u>GOVERNMENTAL ACTIVITIES:</u>					
Salaries	\$ 142,571.58	\$ -	\$ -	\$ -	\$ (142,571.58)
Payroll Taxes	12,888.41	-	-	-	(12,888.41)
Employee Benefits	38,543.64	-	-	-	(38,543.64)
Secretary/Board Expense	2,920.00	-	-	-	(2,920.00)
Office Supplies	1,582.18	-	-	-	(1,582.18)
Fees/Dues/Seminars	5,393.00	-	-	-	(5,393.00)
Special Assessment Tax	1,925.42	-	-	-	(1,925.42)
Arena Expense	63,437.45	71,401.00	2,982.00	690.00	11,635.55
Parks Expense	61,507.65	29,211.00	27,360.21	28,351.05	23,414.61
Pension Adjustment	41,791.00	-	-	-	(41,791.00)
Other	762.32	-	-	-	(762.32)
Total Governmental Activities	373,322.65	100,612.00	30,342.21	29,041.05	(213,327.39)
<u>General Revenues:</u>					
Property Tax Levy					155,540.55
State Aid Allocation via the City of Bottineau					42,476.06
Earnings on Investments					702.76
Miscellaneous Revenues					42.00
Total General Revenues					198,761.37
Change in Net Position					(14,566.02)
Net Position - January 1					1,448,809.76
Net Position - December 31					\$ 1,434,243.74

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2018

	General Fund
<u>ASSETS:</u>	
Cash	\$ 224,395.23
Certificates of Deposit	<u>20,000.00</u>
Total Assets	<u>\$ 244,395.23</u>
<u>FUND BALANCES:</u>	
Committed Fund Balance	\$ 201,010.83
Unassigned Fund Balance	<u>43,384.40</u>
Total Fund Balances	<u>\$ 244,395.23</u>

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



CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds		\$ 244,395.23
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	1,848,807.03	
Less Accumulated Depreciation	<u>(600,135.80)</u>	
Net Capital Assets		1,248,671.23
Noncurrent liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported in the governmental funds.		
Compensated Absences		(17,031.72)
Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension and OPEB Liability		(232,665.00)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions and OPEB	203,134.00	
Deferred Inflows of Resources Related to Pensions and OPEB	<u>(12,260.00)</u>	
Total Net Position of Governmental Activities		<u><u>\$ 1,434,243.74</u></u>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2018

	General Fund
<u>Revenues:</u>	
Taxes	\$ 155,540.55
State Aid Allocation via the City of Bottineau	42,476.06
Arena User Fees	75,073.00
Parks User Fees	31,420.43
Grants and Contributions	53,501.83
Interest Income	702.76
Other Income	42.00
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Total Revenues	358,756.63
	<hr/>
<u>Expenditures:</u>	
Current:	
Salaries	140,636.12
Payroll Taxes	12,888.41
Employee Benefits	38,543.64
Secretary/Board Expense	2,920.00
Office Supplies	1,582.18
Fees/Dues/Seminars	5,393.00
Special Assessment Tax	1,925.42
Arena Expense	52,706.86
Parks Expense	27,300.99
Other	762.32
Capital Outlay	64,301.61
	<hr/>
Total Expenditures	348,960.55
	<hr/>
Net Change in Fund Balances	9,796.08
	<hr/>
Fund Balance - January 1	234,599.15
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Fund Balance - December 31	\$ 244,395.23
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

Net Change in Fund Balances-Total Governmental Funds	\$	9,796.08
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The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	64,301.61	
Current Year Depreciation Expense	<u>(44,937.25)</u>	
Net Amounts		19,364.36

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

Net increase in Compensated Absences	(1,935.46)
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Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employer contribution is reported as pension and OPEB expense.

(41,791.00)

Change in Net Position of Governmental Activities	\$	<u>(14,566.02)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the City of Bottineau Park Board is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Bottineau Park Board (Park Board). The Park Board is a governmental entity, which maintains the parks and ice arena within the City of Bottineau as its primary duties.

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

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

B. Financial Statement Presentation

**Government-wide Financial Statements:** The Statement of Net Position and the Statement of Activities display information about the primary government, the Park Board. These statements include the financial activities of the overall government, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The majority of governmental activities are financed through taxes and intergovernmental revenues (i.e., nonexchange transactions). The Park Board is also financed by fees charged to external parties, primarily for use of the ice arena and parks.

The Statement of Net Position presents the Park Board's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

**Fund Financial Statements:** Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund provides a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories as prescribed by GASB Statement No. 34 and amended by GASB Statement No. 65. Nonmajor governmental funds are combined and reported in aggregate.

The Park Board has only one governmental fund (the general fund), and currently has no proprietary or fiduciary funds.

**Governmental Fund:**

**General Fund.** This is the Park Board's primary operating fund. It accounts for all financial resources of the Park Board.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *how* transactions are recorded within the various financial statements, and include the economic resources measurement focus and the current financial resources measurement focus.

*Economic resources measurement focus:* The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non-financial) are reported in the financial statements.

*Current financial resources measurement focus:* Under this measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available, spendable financial resources during any given period. Using the current financial resources measurement focus, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures, and proceeds of general long-term debt and acquisitions under capital leases to be reported as other financing sources.

Basis of accounting refers to *when* the transactions are recorded, regardless of the measurement focus applied. The only basis of accounting used by the Park Board is the modified cash basis of accounting as discussed below.

#### ***Government-wide Financial Statements***

Both governmental and enterprise funds (of which the Park Board has none) are reported using the economic resources measurement focus and the modified cash basis of accounting in the government-wide financial statements. The modified cash basis of accounting recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions, with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the Park Board utilized the basis of accounting recognized as generally accepted, all government-wide financial statements would be presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### ***Governmental Fund Financial Statements***

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting in the governmental fund financial statements. Under this method, revenues are recognized and expenditures are recorded as described above with respect to the modified cash basis of accounting. If the Park Board utilized the basis of accounting recognized as generally accepted, fund financial statements for governmental funds would use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when measurable and available (i.e., when they are collectable within the current year or soon enough thereafter to pay liabilities of the current year).

*Proprietary funds* (of which the Park Board has none) are reported using the economic resources measurement focus and the modified cash basis of accounting, as described above. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Although the Park Board's program services include the ice arena and the parks, both of which charge user fees, the majority of the Park Board's revenues are from taxes and intergovernmental sources. The user fees would not be enough to sustain the operations of the ice arena or the parks (considering payroll expenses and administrative costs, which are listed separately from arena and park expenses in the basic financial statements). As such, the Park Board does not record the activities of the ice arena or parks as proprietary funds, resulting in a single governmental fund (the general fund) representing all Park Board activities.

#### D. Budgets

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for the general fund. The Park Board is required to present the adopted and final amended revenues and expenditures for each of these funds.

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

- On or before September 10<sup>th</sup> of the preceding fiscal year, the Park Board prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

#### E. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### F. Cash and Certificates of Deposit

Cash includes amounts in demand deposits and money market accounts. Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the Park Board to invest in:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- (4) Obligations of the state.

At December 31, 2019 and 2018, the Park Board's cash included demand deposit accounts and certificates of deposits which are stated at cost.

#### G. Capital Assets

Capital assets include land; buildings and improvements; and machinery and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Park Board as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	20 or 50 years
Improvements	20 years
Equipment	7 or 15 years
Vehicles (included in Equipment)	5 years

#### H. Compensated Absences

After a three month probationary period, each continuous full-time employee is granted vacation and sick leave benefits based on years of service. Upon termination, employees are paid up to 400 hours for any vacation earned and accumulated prior to the date of separation. In addition, employees leaving after ten years of continuous service will receive payment for up to 72 hours of sick leave earned and accumulated. Payments for vacation and sick leave upon an employee's termination are paid at the employee's pay rate immediately prior to separation. Vested or accumulated leave for governmental funds is reported in the government-wide financial statements.

#### I. Noncurrent Obligations

Noncurrent obligations may include long-term debt and net pension liabilities. In the government-wide financial statements, noncurrent obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums or discounts are capitalized and amortized over the term of the related obligation. Bond issuance costs are recorded as expenditures when paid.

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.



## **Pensions**

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

## **Other Post Employment Benefit (OPEB)**

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

## **J. Fund Equity**

In the governmental fund financial statements, governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassignable.

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principle of a permanent fund).

**Restricted Fund Balance** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, and other governments, etc.) or imposed by enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for specific purposes imposed by a formal action of the Park Board's highest level of decision-making authority, the Park Board's directors. Committed resources cannot be used for any other purpose unless the Park Board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

**Assigned Fund Balance** - represents amounts the Park Board intends to use for specific purposes as expressed by the Board or an official delegated the authority to assign amounts. As of December 31, 2019, the Park Board has not granted any official the right to assign amounts to a specific purpose.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Park Board's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances. The Park Board has not established a policy for its use of unrestricted fund balance amounts. As such, it considers committed amounts to be reduced first, followed by assigned amounts, and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE 2: DEPOSITS**

At December 31, 2019 and 2018, the deposits of the Park Board were not covered by federal depository insurance. During the years ended December 31, 2019 and 2018, the Park Board held investments in four certificates of deposit at First National Bank and Trust Co. of Bottineau in the amounts of \$10,000.00, \$5,000.00, \$2,500.00 and \$2,500.00. All certificates of deposit are short-term (i.e., mature within twelve months).

***Custodial and Concentration of credit risk:***

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Park Board will not be able to recover collateral securities that are not in the possession of an outside party. As discussed in Note 1-F, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the year ended December 31, 2019 and 2018, the Park Board's deposits were not adequately protected by insurance or collateral.

***Interest rate risk:***

The Park Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the Park Board's certificates of deposit have final maturity dates within one year.

**NOTE 3: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

	Balance 01/01/2019	Additions	Deletions	Balance 12/31/2019
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 60,500.00	\$ -	\$ -	\$ 60,500.00
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 60,500.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,500.00</b>
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 208,136.46	\$ 29,995.00	\$ -	\$ 238,131.46
Buildings and Improvements	1,580,170.57	-	-	1,580,170.57
<b>Total Capital Assets Being Depreciated</b>	<b>1,788,307.03</b>	<b>29,995.00</b>	<b>-</b>	<b>1,818,302.03</b>
<b>Less Accumulated Depreciation for:</b>				
Machinery and Equipment	159,443.37	6,959.84	-	166,403.21
Buildings and Improvements	440,692.43	42,347.52	-	483,039.95
<b>Total Accumulated Depreciation</b>	<b>600,135.80</b>	<b>49,307.36</b>	<b>-</b>	<b>649,443.16</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,188,171.23</b>	<b>\$ (19,312.36)</b>	<b>\$ -</b>	<b>\$ 1,168,858.87</b>

	Balance 01/01/2018	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 60,500.00	\$ -	\$ -	\$ 60,500.00
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 60,500.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,500.00</b>
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 185,795.81	\$ 22,340.65	\$ -	\$ 208,136.46
Buildings and Improvements	1,538,209.61	41,960.96	-	1,580,170.57
<b>Total Capital Assets Being Depreciated</b>	<b>1,724,005.42</b>	<b>64,301.61</b>	<b>-</b>	<b>1,788,307.03</b>
<i>Less Accumulated Depreciation for:</i>				
Machinery and Equipment	154,120.63	5,322.74	-	159,443.37
Buildings and Improvements	401,077.92	39,614.51	-	440,692.43
<b>Total Accumulated Depreciation</b>	<b>555,198.55</b>	<b>44,937.25</b>	<b>-</b>	<b>600,135.80</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,168,806.87</b>	<b>\$ 19,364.36</b>	<b>\$ -</b>	<b>\$ 1,188,171.23</b>

Depreciation expense of \$11,945.79 was charged to arena expense and \$37,361.57 charged to parks expense under governmental activities in the Statement of Activities during the year ended December 31, 2019. During the year ended December 31, 2018, depreciation expense of \$10,730.59 and \$34,206.66 was charged to arena expense and parks expense, respectively.

**NOTE 4: COMPENSATED ABSENCES**

During the years ended December 31, 2019 and 2018, compensated absences changed as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Compensated Absences	\$ 17,031.72	\$ -	\$ (961.70)	\$ 16,070.02

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Compensated Absences	\$ 15,096.26	\$ 1,935.46	\$ -	\$ 17,031.72

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

NOTE 5: FUND BALANCE

Fund balances as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Fund Balances		
Committed:		
Employee Benefits	\$ 5,985.81	\$ 5,235.81
Equipment	16,938.59	21,938.59
Park Improvements	2,945.43	1,195.43
Ice Plant	8,640.00	6,940.00
Arena Improvements	75,200.00	75,200.00
Forestry Park	15,000.00	25,000.00
Maintenance Reserve	23,500.00	23,500.00
A. Boettcher Estate for		
Financial Activities	34,951.00	41,426.00
Selma Wolf Estate	25,140.78	-
L. Neubauer for New or		
Remodel Arena	575.00	575.00
Unassigned:	42,927.34	43,384.40
	<u>\$ 251,803.95</u>	<u>\$ 244,395.23</u>

NOTE 6: PROPERTY TAXES

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

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

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

NOTE 7: PENSION PLANS

North Dakota Public Employees Retirement System (Main System)

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

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

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

#### ***Pension Benefits***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

#### ***Death and Disability Benefits***

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

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (All Plans)***

At December 31, 2019, the Park Board reported a total liability of \$148,900.00 for its proportionate net pension liability. The net pension liabilities for both plans were 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 NDPERS Main System employers. At June 30, 2019 the Park Board's proportion related to NDPERS was 0.012704 percent, which was a decrease of 0.000504 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019 the Park Board recognized total pension expense of \$49,170.00, At December 31, 2019 the Park Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	NDPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90.00	\$ 27,023.00
Changes of assumption	55,640.00	47,772.00
Net difference between projected and actual earnings on pension plan investments	2,594.00	-
Changes in proportion and differences between unit contributions and proportionate share of contributions	78,769.00	4,675.00
Unit contributions subsequent to the measurement date	9,409.00	-
Total	<u>\$ 146,502.00</u>	<u>\$ 79,470.00</u>

\$9,409.00 reported as deferred outflows of resources related to pensions resulting from the unit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

	NDPERS
Year Ended December 31,	
2020	\$ 27,011.00
2021	23,720.00
2022	16,712.00
2023	(5,263.00)
2024	(4,557.00)
Thereafter	-

At December 31, 2018, the Park Board reported a total liability of \$222,899.00 for its proportionate net pension liability. The net pension liabilities for both plans were 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 in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the Park Board's proportion was 0.013208 percent.

For the year ended December 31, 2018 the Park Board recognized total pension expense of \$59,848.00, At December 31, 2018 the Park Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	NDPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 589.00	\$ 7,583.00
Changes of assumption	80,462.00	3,181.00
Net difference between projected and actual earnings on pension plan investments	-	1,084.00
Changes in proportion and differences between unit contributions and proportionate share of contributions	101,873.00	-
Unit contributions subsequent to the measurement date	9,661.00	-
Total	<u>\$ 192,585.00</u>	<u>\$ 11,848.00</u>

\$9,661.00 reported as deferred outflows of resources related to pensions resulting from the unit's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

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

	NDPERS
Year Ended December 31:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-

**Actuarial assumptions-December 31, 2019**

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

	NDPERS
Inflation	2.50%
Salary Increases	See Below
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None
NDPERS 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%



**NDPERS specific actuarial assumptions:**

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 Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

	NDPERS
Inflation	2.50%
Salary Increases	See Below
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

NDPERS 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%

**NDPERS specific actuarial assumptions:**

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 Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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 presents the employer's proportionate share of the net pension liability calculated using the discount rates as of December 31, 2019 and 2018, as well as what the Park Board'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**

Employer's Proportionate Share of Net Pension Liability			
Current Discout			
	1% Decrease (6.50%)	Rate (7.50%)	1% Increase (8.50%)
NDPERS	\$ 213,491.00	\$ 148,900.00	\$ 94,633.00

**December 31, 2018**

Employer's Proportionate Share of Net Pension Liability			
Current Discout			
	1% Decrease (5.32%)	Rate (6.32%)	1% Increase (7.32%)
NDPERS	\$ 302,879.00	\$ 222,899.00	\$ 156,159.00

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

**NOTE 8      Other Post Employment Benefits (OPEB)**

**North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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 the Deferred 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 \$9,512.00 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 Park Board's proportion of the net OPEB liability was based on the Park Board's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 the Park Board's proportion was 0.011843 percent which was a decrease of 0.000557 from its proportion measured at June 31, 2018.

For the year ended December 31, 2019, the employer recognized OPEB expense of \$2,493.00. At December 31, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235.00	\$ 297.00
Changes of assumption	1,134.00	-
Net difference between projected and actual earnings on OPEB plan investments	11.00	-
Changes in proportion and differences between district contributions and proportionate share of contributions	6,651.00	335.00
District contributions subsequent to the measurement date	1,506.00	-
Total	<u>\$ 9,537.00</u>	<u>\$ 632.00</u>

\$1,506.00 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

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

	OPEB
Year Ended December 31:	
2020	\$ 1,375.00
2021	1,375.00
2022	1,463.00
2023	1,447.00
2024	1,347.00
Thereafter	392.00

**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:

	OPEB
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:

	Current Discount		
	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
OPEB	\$ 12,141.00	\$ 9,512.00	\$ 7,262.00

**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 \$9,766.00 for its proportionate share of the net OPEB liability. The 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 Park Board's proportion was 0.012400 percent.

For the year ended December 31, 2018, the employer recognized OPEB expense of \$2,461.00. At December 31, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 294.00	\$ 202.00
Changes of assumption	801.00	-
Net difference between projected and actual earnings on OPEB plan investments	-	210.00
Changes in proportion and differences between district contributions and proportionate share of contributions	7,907.00	-
District contributions subsequent to the measurement date	1,547.00	-
Total	<u>\$ 10,549.00</u>	<u>\$ 412.00</u>

\$1,547.00 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

Year Ended December 31:	OPEB
2019	\$ 1,338.00
2020	1,338.00
2021	1,338.00
2022	1,431.00
2023	1,414.00
Thereafter	1,731.00

**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:

	OPEB
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 7.25%. 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:

		Current Discount		
		1% Decrease (6.50%)	Rate (7.50%)	1% Increase (8.50%)
OPEB	\$	12,356.00	\$ 9,766.00	\$ 7,545.00

**NOTE 9: RISK MANAGEMENT**

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

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

The Park Board also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the City of Bottineau. The City of Bottineau pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City of Bottineau (and, therefore, the Park Board through the City of Bottineau) with blanket fidelity bond coverage in the amount of \$2,000,000.00 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Park Board has workers' compensation with North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance through the City of Bottineau.

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

**NOTE 10: BOTTINEAU WINTER PARK**

The Park Board owns approximately 60 acres of land and the ski-related equipment at the Bottineau Winter Park. No rent is charged for the use of the land and equipment, and the Bottineau Winter Park is separately owned and managed, with a completely separate Board of Directors. A management agreement exists between the Park Board and the Bottineau Winter Park which explains that the Bottineau Winter Park is completely responsible for its own operations, and pays for insurance related to the land and equipment. The Park Board does not give the Bottineau Winter Park financial or managerial support.

**NOTE 11: 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 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 Park Board 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.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The Park Board 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 Park Board 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.

**NOTE 12: SUBSEQUENT EVENTS**

The Park Board has evaluated subsequent events through December 28, 2020, the date which the financial statements were available to be issued.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE-MODIFIED CASH BASIS  
GENERAL FUND  
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>			
Taxes	\$ 162,624.00	\$ 161,921.64	\$ (702.36)
State Aid Allocation via the City of Bottineau	39,000.00	47,365.02	8,365.02
Arena User Fees	76,700.00	71,747.40	(4,952.60)
Parks User Fees	21,000.00	25,499.65	4,499.65
Grants and Contributions	34,200.00	33,222.80	(977.20)
Interest Income	400.00	825.68	425.68
Other Income	200.00	424.13	224.13
Total Revenues	334,124.00	341,006.32	6,882.32
<b><u>Expenditures:</u></b>			
<b>Current:</b>			
Salaries	148,060.00	142,234.57	5,825.43
Payroll Taxes	12,125.00	12,830.93	(705.93)
Employee Benefits	45,200.00	37,945.79	7,254.21
Secretary/Board Expense	3,100.00	3,000.00	100.00
Office Supplies	3,000.00	2,484.17	515.83
Fees/Dues/Seminars	750.00	1,688.80	(938.80)
Special Assessment Tax	1,877.00	1,861.35	15.65
Arena Expense	52,000.00	38,450.69	13,549.31
Parks Expense	21,050.00	62,643.91	(41,593.91)
Other	1,250.00	462.39	787.61
Capital Outlay	186,950.00	29,995.00	156,955.00
Total Expenditures	475,362.00	333,597.60	141,764.40
Net Change in Fund Balances	(141,238.00)	7,408.72	148,646.72
Fund Balance - January 1	244,395.23	244,395.23	-
Fund Balance - December 31	\$ 103,157.23	\$ 251,803.95	\$ 148,646.72

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE-MODIFIED CASH BASIS  
GENERAL FUND

For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>			
Taxes	\$ 159,594.00	\$ 155,540.55	\$ (4,053.45)
State Aid Allocation via the City of Bottineau	41,250.00	42,476.06	1,226.06
Arena User Fees	76,900.00	75,073.00	(1,827.00)
Parks User Fees	19,000.00	31,420.43	12,420.43
Grants and Contributions	48,000.00	53,501.83	5,501.83
Interest Income	500.00	702.76	202.76
Other Income	300.00	42.00	(258.00)
Total Revenues	345,544.00	358,756.63	13,212.63
<b><u>Expenditures:</u></b>			
Current:			
Salaries	144,665.00	140,636.12	4,028.88
Payroll Taxes	11,100.00	12,888.41	(1,788.41)
Employee Benefits	42,642.00	38,543.64	4,098.36
Secretary/Board Expense	3,000.00	2,920.00	80.00
Office Supplies	1,800.00	1,582.18	217.82
Fees/Dues/Seminars	5,500.00	5,393.00	107.00
Special Assessment Tax	1,980.00	1,925.42	54.58
Arena Expense	50,400.00	52,706.86	(2,306.86)
Parks Expense	27,250.00	27,300.99	(50.99)
Other	1,780.00	762.32	1,017.68
Capital Outlay	77,707.00	64,301.61	13,405.39
Total Expenditures	367,824.00	348,960.55	18,863.45
Net Change in Fund Balances	(22,280.00)	9,796.08	32,076.08
Fund Balance - January 1	234,599.15	234,599.15	-
Fund Balance - December 31	\$ 212,319.15	\$ 244,395.23	\$ 32,076.08

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	As of and for the Year Ended December 31,	
	2019	2018
<u>ND Public Employees Retirement System:</u>		
1. Unit's proportion of the net pension liability (asset)	0.012704%	0.013208%
2. Unit's proportionate share of the net pension liability (asset)	\$ 148,900.00	\$ 222,899.00
3. Unit's covered-employee payroll	\$ 132,148.00	\$ 135,683.00
4. Unit's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	112.68%	16427.00%
5. Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%

\* Complete data for these schedules is not available prior to 2018. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

SCHEDULE OF EMPLOYER CONTRIBUTIONS-PENSION  
LAST 10 FISCAL YEARS\*

ND Public Employees Retirement System:	As of and for the Year Ended December 31,	
	2019	2018
Statutorily required contribution	\$ 9,621.00	\$ 9,994.00
Contributions in relation to the statutorily required contribution	\$ (9,716.00)	\$ (8,025.00)
Contribution deficiency (excess)	\$ (95.00)	\$ 1,969.00
Unit's covered-employee payroll	\$ 132,148.00	\$ 135,683.00
Contributions as a percentage of covered-employee payroll	7.35%	5.91%

\* Complete data for these schedules is not available prior to 2018.

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY  
LAST 10 FISCAL YEARS\*

OPEB	As of and for the Year Ended December 31,	
	2019	2018
1. District's proportion of the net OPEB liability (asset)	0.011843%	0.012400%
2. District's proportionate share of the net OPEB liability (asset)	\$ 9,512.00	\$ 9,766.00
3. District's covered-employee payroll	\$ 132,148.00	\$ 135,683.00
4. District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%
5. Plan fiduciary net position as a percentage of the total OPEB liability	63.13%	61.89%

\* Complete data for these schedules is not available prior to 2018. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2019 and 2018

OPFB	As of and for the Year Ended December 31,	
	2019	2018
Statutorily required contribution	\$ 1,537.00	\$ 541.00
Contributions in relation to the statutorily required contribution	\$ (1,556.00)	\$ (541.00)
Contribution deficiency (excess)	\$ (19.00)	\$ -
District's covered-employee payroll	\$ 132,148.00	\$ 135,683.00
Contributions as a percentage of covered-employee payroll	1.18%	0.95%

\* Complete data for these schedules is not available prior to 2018.

See accompanying notes to budgetary comparison schedule.



CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2019 and 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for the general fund. The Park Board is required to present the adopted and final amended revenues and expenditures for this fund.

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

- On or before September 10<sup>th</sup> of the preceding fiscal year, the Park Board prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

NOTE 2: PENSION PLANS

**NDPERS Changes of Benefit Terms.** 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.

**Changes of assumptions.** 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.

NOTE 3: OTHER POST EMPLOYMENT BENEFITS (OPEB)

**Changes of Benefits.** 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.

**Changes of assumptions.** 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.

**L**ERVIK  
&  
**J**OHNSON  

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*Certified Public Accountants*

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

Governing Board  
City of Bottineau Park Board  
Bottineau, 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 of City of Bottineau Park Board as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise City of Bottineau Park Board's basic financial statements and have issued our report thereon dated December 28, 2020.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the City of Bottineau Park Board's internal control described in the accompanying schedule of findings and responses, items 19-1 and 19-2, to be material weaknesses.

### **Compliance and Other Matters**

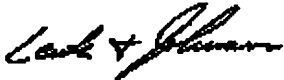
As part of obtaining reasonable assurance about whether the City of Bottineau Park Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

### **City of Bottineau Park Board's Response to Findings**

The City of Bottineau Park Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Bottineau Park Board'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.



LERVIK & JOHNSON  
Certified Public Accountants  
Bottineau, North Dakota

December 28, 2020

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended December 31, 2019 and 2018

**FINDINGS-FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

**19-1 Segregation of Duties**

**Condition:**

The City of Bottineau Park Board, Bottineau, North Dakota, has one person responsible for most accounting functions.

**Criteria:**

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the district.

**Effect:**

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school's financial condition.

**Recommendation:**

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

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

**Client Response:**

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

**19-2 Preparation of Financial Statements**

**Condition:**

The City of Bottineau Park Board, Bottineau, North Dakota, does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to assist in drafting the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Criteria:**

A good system of internal accounting control contemplates a system designed to prepare financial statements in accordance with generally accepted accounting principles.

**Effect:**

Inadequate controls over financial reporting of the district result in the more than remote likelihood that the Park Board would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

**Recommendation:**

While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the district and changes in reporting requirements.

**Client Response:**

Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Lervik and Johnson P.C., a public accounting firm, to assist in the preparation of the financial statements as part of their annual audit of City of Bottineau Park Board, Bottineau, North Dakota.