



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Casselton Park District

Casselton, North Dakota

Audit Report for the Years Ended December 31, 2020 and December 31, 2019

Client Code: PS9131



Photo credit: North Dakota Tourism



Office of the
State Auditor

CASSELTON PARK DISTRICT

Table of Contents

For the Years Ended December 31, 2020 and December 31, 2019

Park District Officials	1
Independent Auditor's Report	2
Basic Financial Statements	
2020 Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Balance Sheet - Governmental Funds – Modified Cash Basis.....	6
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position – Modified Cash Basis.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds – Modified Cash Basis.....	8
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the	
Statement of Activities – Modified Cash Basis.....	9
2019 Statements	
Statement of Net Position – Modified Cash Basis	10
Statement of Activities – Modified Cash Basis	11
Balance Sheet - Governmental Funds – Modified Cash Basis.....	12
Reconciliation of Governmental Funds Balance Sheet to the	
Statement of Net Position – Modified Cash Basis.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds – Modified Cash Basis.....	14
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the	
Statement of Activities – Modified Cash Basis.....	15
Notes to the Financial Statements.....	16
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.....	22
Summary of Auditor's Results.....	24
Schedule of Audit Findings	25
Governance Communication	32

CASSELTON PARK DISTRICT

Park District Officials

December 31, 2020 and December 31, 2019

As of December 31, 2020

PARK DISTRICT OFFICIALS

Jonathan Warrey	President
Corey Cruchet	Vice President
Molly Terveen	Board Member
Matt Vrchota	Board Member
Shawwna Bosse	Board Member
Stephen Bartholomay	Park Director

As of December 31, 2019

PARK DISTRICT OFFICIALS

Jonathan Warrey	President
Corey Cruchet	Vice President
Shawwna Bosse	Board Member
Tami Lemar	Board Member
Lisa Narum	Board Member
Stephen Bartholomay	Park Director

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

Board of Park Directors
Casselton Park District
Casselton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Casselton Park District, North Dakota, as of and for the years ended December 31, 2020 and December 31, 2019, and the related notes to the financial statements, which collectively comprise Casselton Park District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Casselton Park District, North Dakota, as of December 31, 2020 and December 31, 2019, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Casselton Park District prepares its financial statements 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 opinions are not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2023 on our consideration of Casselton Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Casselton Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casselton Park District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 19, 2023

CASSELTON PARK DISTRICT

Statement of Net Position – Modified Cash Basis
December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 271,842
Capital Assets, Net	<u>3,749,019</u>
 Total Assets	 <u>\$ 4,020,861</u>
 LIABILITIES	
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	\$ 25,715
Due After One Year	
Long-Term Debt	<u>433,878</u>
 Total Liabilities	 <u>\$ 459,593</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 3,289,426
Unrestricted	<u>271,842</u>
 Total Net Position	 <u><u>\$ 3,561,268</u></u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Governmental Activities				
Park Operations	\$ 1,027,849	\$ 397,976	\$ 40,000	\$ (589,873)
Interest on Long-Term Debt	13,807	-	-	(13,807)
Total Governmental Activities	<u>\$ 1,041,656</u>	<u>\$ 397,976</u>	<u>\$ 40,000</u>	<u>\$ (603,680)</u>
General Revenues				
Property Taxes				\$ 208,836
Non restricted grants and contributions				52,770
Interest Income				737
Miscellaneous Revenue				<u>285,355</u>
Total General Revenues				<u>\$ 547,698</u>
Change in Net Position				<u>\$ (55,982)</u>
Net Position - January 1				<u>\$ 3,617,250</u>
Net Position - December 31				<u>\$ 3,561,268</u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Balance Sheet – Governmental Funds – Modified Cash Basis
December 31, 2020

	General Fund
ASSETS	
Cash	<u>\$ 271,842</u>
FUND BALANCES	
Unassigned	<u>\$ 271,842</u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis
December 31, 2020

Total Fund Balances for Governmental Funds	\$ 271,842
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Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	3,749,019
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Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
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Loans Payable	<u>(459,593)</u>
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Total Net Position of Governmental Activities	<u>\$ 3,561,268</u>
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The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis
For the Year Ended December 31, 2020

	General Fund
REVENUES	
Taxes	\$ 208,836
Intergovernmental	52,770
Charges for Services	397,975
Interest Income	737
Miscellaneous	<u>285,355</u>
Total Revenues	<u>\$ 945,673</u>
EXPENDITURES	
Current	
Administrative	\$ 356,556
Advertising	1,990
Bank Charges	8,206
Contract Services	36,727
Utilities	22,869
Insurance	4,334
Fuel	7,885
Repairs and Maintenance	106,527
Park Development	30,103
Supplies	67,298
Recreational Activities	45,677
Buildings and Leases	21,100
Equipment	67,220
Sales and Use Tax	25,299
Specials Tax	4,191
Miscellaneous	52,325
Debt Service	
Principal	23,674
Interest and Fees	<u>13,807</u>
Total Expenditures	<u>\$ 895,788</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,885</u>
Net Change in Fund Balances	<u>\$ 49,885</u>
Fund Balance - January 1	<u>\$ 221,957</u>
Fund Balance - December 31	<u><u>\$ 271,842</u></u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 49,885
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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.

Capital Outlay	\$ 18,801	
Capital Contributions	40,000	
Depreciation Expense	<u>(188,342)</u>	(129,541)

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

Repayment of Debt	<u>23,674</u>
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Change in Net Position of Governmental Activities	<u>\$ (55,982)</u>
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The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Statement of Net Position – Modified Cash Basis

December 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	\$ 221,957
Capital Assets, Net	<u>3,878,561</u>
Total Assets	<u>\$ 4,100,518</u>
LIABILITIES	
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	\$ 42,507
Due After One Year	
Long-Term Debt	<u>440,761</u>
Total Liabilities	<u>\$ 483,268</u>
NET POSITION	
Net Investment in Capital Assets	\$ 3,395,293
Unrestricted	<u>221,957</u>
Total Net Position	<u>\$ 3,617,250</u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Park Operations	\$ 968,782	\$ 321,806	\$ (646,976)
Interest on Long-Term Debt	14,224	-	(14,224)
Total Governmental Activities	<u>\$ 983,006</u>	<u>\$ 321,806</u>	<u>\$ (661,200)</u>
General Revenues			
Property Taxes			\$ 193,813
Non restricted grants and contributions			61,368
Interest Income			498
Miscellaneous Revenue			301,084
Gain on Sale of Assets			<u>3,450</u>
Total General Revenues			<u>\$ 560,213</u>
Change in Net Position			<u>\$ (100,987)</u>
Net Position - January 1			<u>\$ 3,718,237</u>
Net Position - December 31			<u>\$ 3,617,250</u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Balance Sheet – Governmental Funds – Modified Cash Basis

December 31, 2019

	General Fund
ASSETS	
Cash	<u>\$ 221,957</u>
FUND BALANCES	
Unassigned	<u>\$ 221,957</u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis
December 31, 2019

Total Fund Balances for Governmental Funds	\$ 221,957
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Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	3,878,561
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Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Loans Payable	<u>(483,268)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 3,617,250</u></u>
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The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis
For the Year Ended December 31, 2019

	General Fund
REVENUES	
Taxes	\$ 193,813
Intergovernmental	61,368
Charges for Services	321,807
Interest Income	498
Miscellaneous	<u>301,084</u>
Total Revenues	<u>\$ 878,570</u>
EXPENDITURES	
Current	
Administrative	\$ 366,144
Advertising	3,009
Bank Charges	6,443
Contract Services	48,666
Utilities	19,984
Insurance	2,265
Fuel	10,816
Repairs and Maintenance	71,060
Park Development	8,930
Supplies	63,342
Recreational Activities	41,641
Buildings and Leases	23,999
Equipment	34,723
Sales and Use Tax	32,193
Specials Tax	6,382
Miscellaneous	69,312
Debt Service	
Principal	24,827
Interest and Fees	<u>14,224</u>
Total Expenditures	<u>\$ 847,960</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,610</u>
Net Change in Fund Balances	<u>\$ 30,610</u>
Fund Balance - January 1	<u>\$ 191,347</u>
Fund Balance - December 31	<u><u>\$ 221,957</u></u>

The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities – Modified Cash Basis

For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	30,610
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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.

Capital Outlay	\$	25,549	
Depreciation Expense		<u>(185,423)</u>	(159,874)

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

Repayment of Debt			24,827
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In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

Gain on Sale of Capital Assets			<u>3,450</u>
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Change in Net Position of Governmental Activities	\$	<u>(100,987)</u>
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The notes to the financial statements are an integral part of this statement.

CASSELTON PARK DISTRICT

Notes to the Financial Statements

For the Years ended December 31, 2020 and December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Casselton Park District (hereafter referred to as "Park District") have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State 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 Park District's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Park District. The Park District 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 District are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Park District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Park District.

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the Park District's funds. The emphasis of fund financial statements is on major governmental funds.

The Park District reports the following major governmental fund:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets are generally included on their balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long term debt are recorded under the basis of accounting described above on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CASSELTON PARK DISTRICT

Notes to the Financial Statements - Continued

Cash

Cash includes amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Capital Assets

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

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

ASSETS	YEARS
Buildings	10 - 30
Infrastructure	10 - 30
Vehicles and Equipment	5 - 20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Balances

Fund Balance Spending Policy. It is the policy of the Park District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

NOTE 2 DEPOSITS**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the Park District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Park District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2020, the Park District's carrying amount of deposits totaled \$271,380, and the bank balances totaled \$292,332. All deposits were covered by Federal Depository Insurance.

At year ended December 31, 2019, the Park District's carrying amount of deposits totaled \$221,238, and the bank balances totaled \$232,335. All deposits were covered by Federal Depository Insurance.

NOTE 3 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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.

CASSELTON PARK DISTRICT

Notes to the Financial Statements - Continued

NOTE 4 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2020:

2020 Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets , Not Being Depreciated				
Land	\$ 580,500	\$ -	\$ -	\$ 580,500
Total Capital Assets, Not Being Depreciated	\$ 580,500	\$ -	\$ -	\$ 580,500
Capital Assets Being Depreciated				
Buildings	\$ 3,944,000	\$ 45,000	\$ -	\$ 3,989,000
Playground Equipment	122,000	-	-	122,000
Vehicles and Equipment	189,970	13,800	-	203,770
Total Capital Assets, Being Depreciated	\$ 4,255,970	\$ 58,800	\$ -	\$ 4,314,770
Less Accumulated Depreciation				
Buildings	\$ 817,694	\$ 155,940	\$ -	\$ 973,634
Playground Equipment	52,900	6,100	-	59,000
Vehicles and Equipment	87,315	26,302	-	113,617
Total Accumulated Depreciation	\$ 957,909	\$ 188,342	\$ -	\$ 1,146,251
Total Capital Assets Being Depreciated, Net	\$ 3,298,061	\$ (129,542)	\$ -	\$ 3,168,519
Capital Assets, Net	\$ 3,878,561	\$ (129,542)	\$ -	\$ 3,749,019

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

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets , Not Being Depreciated				
Land	\$ 580,500	\$ -	\$ -	\$ 580,500
Capital Assets Being Depreciated				
Buildings	\$ 3,944,000	\$ -	\$ -	\$ 3,944,000
Playground Equipment	122,000	-	-	122,000
Vehicles and Equipment	169,470	29,000	8,500	189,970
Total Capital Assets, Being Depreciated	\$ 4,235,470	\$ 29,000	\$ 8,500	\$ 4,255,970
Less Accumulated Depreciation				
Buildings	\$ 666,253	\$ 151,441	\$ -	\$ 817,694
Playground Equipment	46,800	6,100	-	52,900
Vehicles and Equipment	67,933	27,882	8,500	87,315
Total Accumulated Depreciation	\$ 780,986	\$ 185,423	\$ 8,500	\$ 957,909
Total Capital Assets Being Depreciated, Net	\$ 3,454,484	\$ (156,423)	\$ -	\$ 3,298,061
Capital Assets, Net	\$ 4,034,984	\$ (156,423)	\$ -	\$ 3,878,561

Depreciation expense was charged to Culture and Recreation function of the Park District.

CASSELTON PARK DISTRICT

Notes to the Financial Statements - Continued

NOTE 5 LONG-TERM LIABILITIES

During the years ended December 31, 2020, and 2019, the following changes occurred in governmental activities long-term liabilities:

2020 Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 483,268	\$ 741	\$ 24,416	\$ 459,593	\$ 25,715

2019 Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 508,094	\$ -	\$ 24,826	\$ 483,268	\$ 42,507

Debt service requirements on long-term liabilities is as follows:

Year Ending	Loans Payable	
	Principal	Interest
2021	\$ 25,144	\$ 12,550
2022	25,860	11,834
2023	26,596	11,098
2024	27,387	10,463
2025	23,051	9,561
2026-2030	125,132	37,930
2031-2035	143,379	19,683
2036-2040	63,044	2,181
Total	\$ 459,593	\$ 115,301

NOTE 6 OPERATING LEASES

The Park District was engaged in three operating leases during 2020 and 2019 respectively. Total lease payments made during 2020 and 2019 totaled \$18,195 and \$16,288 respectively. Future lease payments on the remaining operating lease is as follows:

Year Ending Dec 31	2016 JD TX 4X2	2017 JD 4X2	Golf Carts	Total
2021	\$ 732	\$ 2,094	\$ 13,907	\$ 16,733
2022	-	2,094	13,907	16,001
2023	-	524	13,907	14,430
2024	-	-	13,907	13,907
Totals	\$ 732	\$ 4,712	\$ 55,627	\$ 61,072

NOTE 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 Park District pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of three million dollars per occurrence for general liability and automobile and \$1,644,869 for public assets coverage.

CASSELTON PARK DISTRICT

Notes to the Financial Statements - Continued

The Park District also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$99,380 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 8 JOINT VENTURE

Under authorization of state statutes, Casselton Park District and the City of Casselton came together to establish a Joint Powers Agreement to improve the health, welfare, and access to recreational activities of the citizens of Casselton, ND. The Joint Powers Agreement outlined the responsibilities of both parties regarding the Wellness Center/Community Center expansion project at Central Cass High School. In 2017, the Park District received funds from the City of Casselton totaling \$2,500,000 for the Wellness/Community Center expansion at Central Cass School. Of the \$2,500,000, \$500,000 was authorized as debt to the City of Casselton which will be paid back from the Park District. The Park District then issued a check in the same amount of \$2,500,000 to Central Cass School for contribution from the city and park district. The City of Casselton is utilizing an increase in the sales tax to pay their portion of the debt issuance. The operating and capital expenses are funded by contributions from each government. The Park District's share of the assets is the cardiovascular equipment while the other equipment is paid for by the school district.



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*

Independent Auditor's Report

Board of Park Directors
Casselton Park District
Casselton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Casselton Park District as of and for the years ended December 31, 2020, and December 31, 2019 and the related notes to the financial statements, which collectively comprise Casselton Park District's basic financial statements, and have issued our report thereon dated June 19, 2023.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2020-001 through 2020-006 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as item 2020-007 to be a significant deficiency.

CASSELTON PARK DISTRICT

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casselton Park District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of audit findings* as items 2020-001.

Casselton Park District's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 19, 2023

CASSELTON PARK DISTRICT

Summary of Auditor's Results

For the Years Ended December 31, 2020 and December 31, 2019

Financial Statements

Type of Report Issued:

Governmental Activities

Major Fund

Unmodified

Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered
to be material weaknesses?

 X Yes None Noted

Noncompliance material to financial statements
noted?

 X Yes None Noted

CASSELTON PARK DISTRICT

Schedule of Audit Findings

For the Years Ended December 31, 2020 and December 31, 2019

2020-001 –LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS – MATERIAL NON-COMPLIANCE

Condition

Casselton Park District did not have supporting documentation for the estimated cash amount for the 2020 Budget. Additionally, there is no formal review process to ensure the estimated cash is properly calculated.

Criteria

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the budgeting process, management is responsible for adequate internal controls surrounding the budgeting process.

Cause

Casselton Park District may not have been fully aware of the requirements of N.D.C.C. §57-15-31(1)

Effect

The estimates for year-end cash are key components in the tax levy calculation in any budget year. Thus, Casselton Park District may have improperly calculated the tax levies for the Park District.

Repeat Finding

No.

Recommendation

We recommend that Casselton Park District ensure its compliance with all aspects of N.D.C.C. §57-15-31(1). We further recommend that Casselton Park District review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets prior to approval.

Casselton Park District's Response

We agree. The Park District will utilize the budget template from the ND State Auditor's Office to assist in budget preparation. Casselton Park District will review the budgeting process to ensure compliance with N.D.C.C. §57-15-13(1).

2020-002 – ADJUSTING JOURNAL ENTRIES – REVENUE AND EXPENDITURES MISCLASSIFICATION - MATERIAL WEAKNESS

Condition

Material auditor-identified adjusting entries for the reclassification of revenue and expenditures totaling \$103,836 and \$119,937 for 2019 and 2020, respectively, were proposed to properly reflect the financial statements in accordance with the modified cash basis of accounting. The financial statements reflect the adjustments and were approved by management.

Criteria

Casselton Park District is responsible for ensuring its annual financial statements, including revenues and other financing sources, are reliable, accurate, free of material misstatement, and in accordance with modified cash basis of accounting.

Cause

Casselton Park District, at times, records various transactions as miscellaneous revenue instead of the appropriate categories in accordance with the modified cash basis of accounting.

Effect

The financial statements may have been materially misstated if the reclassifications had not been adjusted during the audit.

Repeat Finding

No.

Recommendation

We recommend that Casselton Park District review all revenue and expenditure transactions carefully to ensure the appropriate classification and presentation in the financial statements, in accordance with modified cash basis of accounting.

Casselton Park District's Response

The Park District agrees. We will review the account codes to ensure that revenues and expenditures are properly coded into the General Ledger. If we have questions regarding the proper account code, we will contact the state auditor's office for guidance.

2020-003 – CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition

Auditor-identified adjusting entries for 2019 and 2020 capital assets in the net amounts of \$2,281,425 and \$2,212,088, respectively were proposed to properly reflect the financial statements in accordance with GAAP.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the capital assets, management is responsible for adequate internal controls surrounding the review process and subsidiary ledger reconciliations.

Cause

Casselton Park District is not tracking capital asset activities throughout the year in a capital asset listing to ensure all items are accurately reported during the preparation of the financial statements.

Effect

Casselton Park District's financial statements would have been materially misstated without the audit adjustments.

Repeat Finding

Yes.

Recommendation

We recommend Casselton Park District maintain and establish policies and procedures to ensure a detailed capital asset listing includes all additions, deletions, depreciation, and construction in progress.

Casselton Park District's Response

The Park District agrees. We will request the listing from the North Dakota State Auditor's Office and use that as a baseline and maintain the listing with additions, deletions, and any construction in progress going forward.

2020-004 – INACCURATE BANK RECONCILIATIONS – MATERIAL WEAKNESS

Condition

Testing of bank reconciliations performed by the Casselton Park District identified that year-end bank reconciliations from 2019-2020 required material adjustments due to cutoff issues, back dating expenditures in previous years, and amounts in the reconciliations not agreeing to the balance sheets. Additionally, checks which had cleared the bank prior to the reconciliations were included in the reconciliations when they should not have been.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible for adequate internal controls surrounding the review process.

Cause

Casselton Park District may not have been aware of how to correct the bank reconciliation errors. In addition, the district does not currently have a review process over the bank reconciliations.

Effect

There is an increased risk of material misstatement to the Casselton Park District's financial statements whether due to error or fraud if all bank reconciliations are not complete and accurate.

Repeat Finding

Yes.

Recommendation

We recommend Casselton Park District review its bank reconciliation procedures and update, if necessary, to ensure that all bank reconciliations are completed in a timely manner and are accurate on a monthly basis.

Casselton Park District's Response

The Park District agrees. We will review the bank reconciliation process and update as necessary. Going forward, the bank reconciliations will be reviewed at park board meetings or by a Park District executive board member for approval.

2020-005 – MATERIAL DEBT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

Casselton Park District did not include in its financial statements as of December 31, 2019, and December 31, 2020, debt totaling \$483,268 and \$459,593. Adjustments were proposed and accepted by Casselton Park District.

Criteria

Casselton Park District is responsible for ensuring its annual financial statements, including long-term debt, are reliable, appropriately classified, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

The previous audit report was reported on the cash basis of accounting and was not presenting debt on the financial statements.

Effect

Casselton Park District's financial statements would have been materially misstated without the audit adjustments.

Repeat Finding

Yes.

Recommendation

We recommend Casselton Park District ensure all long-term debt, is accurately included in its financial statements.

Casselton Park District's Response

Agree. We will review all debt agreements in the future and ensure they are properly recorded in the financial statements.

2020-006 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

Casselton Park District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the district.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Casselton Park District.

Cause

Management has chosen to allocate economic resources to other functions of Casselton Park District.

Repeat Finding

Yes.

Recommendation

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

- Financial statements and credit memos should be reviewed 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.

Casselton Park District's Response

Agree. The Park District will segregate duties when it becomes feasible.

2020-007 - FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

Casselton Park District does not currently prepare a fraud risk assessment of the entire entity.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Cause

Casselton Park District may not have considered preparing a fraud risk assessment.

Effect

If Casselton Park District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Repeat Finding

Yes.

Recommendation

We recommend the Casselton Park District prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Casselton Park District's Response

The Park District agrees. We will perform a fraud risk assessment in the upcoming future, and seek the guidance of the state auditor's office for how to execute this.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave, Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

Board of Park Directors
Casselton Park District
Casselton, North Dakota

We have audited the financial statements of the governmental activities and major fund of Casselton Park District, North Dakota, and the respective changes in financial position for the years ended December 31, 2020 and 2019 which collectively comprise Casselton Park District's basic financial statements, and have issued our report thereon dated June 19, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter dated October 27, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit, we considered Casselton Park District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

As part of obtaining reasonable assurance about whether Casselton Park District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Casselton Park District are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2020 and 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

2020 Audit Adjustments	<u>Audit Adjustments</u>	
Governmental Fund Adjustments	<u>Debit</u>	<u>Credit</u>
<u>To reclass Negative Revenue and Expenditures</u>		
Expenditures	119,637	-
Revenue	-	119,637
<u>To remove Interfund activity (Payroll Reimbursement)</u>		
Revenue	74,062	-
Expenditures	-	74,062
Government Wide Adjustments		
<u>To accrue Long-Term Debt on the Financial Statements</u>		
Net Position	459,593	-
Long-Term Debt	-	459,593
<u>To reduce Long-Term Debt by regular payment</u>		
Long-Term Debt	23,674	-
Expenditures	-	23,674
<u>To adjust Capital Assets</u>		
Capital Assets	2,281,425	-
Depreciation Expense	69,337	-
Accumulated Depreciation	-	69,337
Net Position	-	2,281,425

2019 Audit Adjustments

Governmental Fund Adjustments

To reclass Negative Revenue and Expenditures

Expenditures	103,836	-
Revenue	-	103,836

To remove Interfund activity (Payroll Reimbursement)

Revenue	63,298	-
Expenditures	-	63,298

Government Wide Adjustments

To accrue Long-Term Debt on the Financial Statements

Net Position	22,420	-
Long-Term Debt	-	22,420

To reduce Long-Term Debt by regular payment

Long-Term Debt	5,247	-
Expenditures	-	5,247

To adjust Capital Assets

Capital Assets	2,358,483	-
Depreciation Expense	77,058	-
Accumulated Depreciation	-	77,058
Net Position	-	2,358,483

To record Gain on Disposal of Capital Asset

Expenditures	3,450	-
Revenue	-	3,450

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Park District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Park Directors and management of Casselton Park District, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Casselton Park District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Casselton Park District.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 19, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505