



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Devils Lake Park Board

Devils Lake, North Dakota

Audit Report for the Year Ended December 31, 2020

Client Code: PS36101



Photo credit: North Dakota Tourism



Office of the
State Auditor

DEVILS LAKE PARK BOARD

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DEVILS LAKE PARK BOARD

Park Board Officials and Audit Personnel
December 31, 2020

PARK BOARD OFFICIALS

Jamie Beck	President
Kale Stromme	Vice President
Lisa Uhlenkamp	Commissioner
Peter Jerome	Commissioner
Mark Woodrow	Commissioner
Terry Wallace	Superintendent
Heather Brandvold	Office Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Park Board Commissioner
Devils Lake Park Board
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Devils Lake Park Board, Devils Lake, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Devils Lake 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the major fund of the Devils Lake Park Board, Devils Lake, North Dakota, as of December 31, 2020, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted 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 opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 on our consideration of the Devils Lake 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Devils Lake Park Board's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 2, 2021

DEVILS LAKE PARK BOARD

Statement of Net Position

December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,047,140
Intergovernmental Receivable	39,309
Accounts Receivable	1,665
Due from County	4,023
Taxes Receivable	27,154
Capital Assets	
Depreciable, Net	1,358,596
Nondepreciable	<u>3,467,138</u>
Total Assets	<u>\$ 5,945,025</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 723,278</u>
 LIABILITIES	
Accounts Payable	\$ 8,095
Salaries Payable	6,877
Interest Payable	2,471
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	38,128
Compensated Absences Payable	4,492
Due After One Year	
Long-Term Debt	4,854
Compensated Absences Payable	40,424
Net Pension and OPEB Liability	<u>1,149,963</u>
Total Liabilities	<u>\$ 1,255,304</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 179,255</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 4,825,734
Restricted	
Capital Projects	46,493
Unrestricted	<u>361,517</u>
Total Net Position	<u><u>\$ 5,233,744</u></u>

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

DEVILS LAKE PARK BOARD

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Park Operations	\$ 970,030	\$ -	\$ (970,030)
Recreation Programs	953,385	610,947	(342,438)
Interest on Long-Term Debt	2,674	-	(2,674)
Total Governmental Activities	<u>\$ 1,926,089</u>	<u>\$ 610,947</u>	<u>\$ (1,315,142)</u>
General Revenues			
Property Taxes			\$ 836,286
Unrestricted Grants			169,699
Interest			5,617
Concession Income			53,097
Miscellaneous Revenue			<u>83,112</u>
Total General Revenues			<u>\$ 1,147,811</u>
Change in Net Position			<u>\$ (167,331)</u>
Net Position - January 1			<u>\$ 5,401,075</u>
Net Position - December 31			<u><u>\$ 5,233,744</u></u>

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

DEVILS LAKE PARK BOARD

Balance Sheet – Governmental Funds

December 31, 2020

	General Fund
ASSETS	
Cash	\$ 1,047,140
Intergovernmental Receivable	39,309
Accounts Receivable	1,665
Due from County	4,023
Taxes Receivable	<u>27,154</u>
 Total Assets	 <u><u>\$ 1,119,291</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 8,095
Salaries Payable	<u>6,877</u>
 Total Liabilities	 <u>\$ 14,972</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 27,154</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 42,126</u>
 Fund Balances	
Restricted	
Capital Projects	\$ 46,493
Unassigned	
General Fund	1,030,774
Negative Fund Balance	<u>(102)</u>
 Total Fund Balances	 <u>\$ 1,077,165</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 1,119,291</u></u>

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

DEVILS LAKE PARK BOARD

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2020

Total Fund Balances for Governmental Funds	\$ 1,077,165
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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.	4,825,734
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.	27,154
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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 governmental funds.

Deferred Outflows Related to Pensions & OPEB	\$ 723,278	
Deferred Inflows Related to Pensions & OPEB	<u>(179,255)</u>	544,023

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.

Long-Term Debt	\$ (42,982)	
Interest Payable	(2,471)	
Compensated Absences	(44,916)	
Net Pension and OPEB Liability	<u>(1,149,963)</u>	<u>(1,240,332)</u>

Total Net Position of Governmental Activities	<u>\$ 5,233,744</u>
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The notes to the financial statements are an integral part of this statement.

DEVILS LAKE PARK BOARD

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

	General Fund
REVENUES	
Taxes	\$ 833,872
Intergovernmental	169,699
Charges for Services	610,947
Interest Income	5,617
Concession Income	53,097
Miscellaneous	<u>83,111</u>
Total Revenues	<u>\$ 1,756,343</u>
EXPENDITURES	
Current	
Recreation Programs	\$ 706,270
Park Operations	745,130
Capital Outlay	351,845
Debt Service	
Principal	38,128
Interest and Fees	<u>4,867</u>
Total Expenditures	<u>\$ 1,846,240</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (89,897)</u>
Net Change in Fund Balances	<u>\$ (89,897)</u>
Fund Balance - January 1	<u>\$ 1,167,062</u>
Fund Balance - December 31	<u><u>\$ 1,077,165</u></u>

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

DEVILS LAKE PARK BOARD

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

Net Change in Fund Balances - Total Governmental Funds	\$	(89,897)
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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	\$	335,098	
Depreciation Expense		<u>(247,115)</u>	87,983

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			38,128
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Interest Payable	\$	2,193	
Net Change in Compensated Absences		<u>5,810</u>	8,003

The net pension liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$	(732,137)	
Net Change in Deferred Outflows of Resources		469,573	
Net Change in Deferred Inflows of Resources		<u>48,602</u>	(213,962)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable			<u>2,414</u>
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Change in Net Position of Governmental Activities	\$	<u>(167,331)</u>
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The notes to the financial statements are an integral part of this statement.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements

For the Year Ended December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The accompanying financial statements present the activities of the Park Board. 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 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 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.

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 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 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 Board's funds. The emphasis of fund financial statements is on major governmental funds.

The Park Board reports the following major governmental fund:

General Fund - This is the Park Board'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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Park Board considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Park Board.

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 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 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
Infrastructure	10-30
Buildings	20-50
Playground Equipment	20
Vehicles and Equipment	5-15

Compensated Absences

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Up to 200 hours of vacation leave may be carried over at December 26. Vested or accumulated vacation leave is reported in the government-wide statement of net position. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

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.

Pension

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.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Fund Balance Spending Policy. It is the policy of the Park Board 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.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

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 Board'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.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

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

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

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 Board would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Park Board 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.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of 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 Board's carrying amount of deposits totaled \$1,046,215, and the bank balances totaled \$1,064,596. Of the bank balances, \$422,123 was covered by Federal Depository Insurance. The remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

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.

NOTE 4 CAPITAL ASSETS**Primary Government**

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

	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 1,358,596	\$ -	\$ -	\$ 1,358,596
Capital Assets Being Depreciated				
Buildings	\$ 4,319,058	\$ -	\$ -	\$ 4,319,058
Infrastructure	2,528,319	263,655	-	2,791,974
Playground Equipment	303,068	9,200	-	312,268
Vehicles and Equipment	764,380	62,243	13,000	813,623
Total Capital Assets, Being Depreciated	\$ 7,914,825	\$ 335,098	\$ 13,000	\$ 8,236,923
Less Accumulated Depreciation				
Buildings	\$ 2,494,820	\$ 87,041	\$ -	\$ 2,581,861
Infrastructure	1,482,559	74,834	-	1,557,393
Playground Equipment	148,587	19,451	-	168,038
Vehicles and Equipment	409,704	65,789	13,000	462,493
Total Accumulated Depreciation	\$ 4,535,670	\$ 247,115	\$ 13,000	\$ 4,769,785
Total Capital Assets Being Depreciated, Net	\$ 3,379,155	\$ 87,983	\$ -	\$ 3,467,138
Capital Assets, Net	\$ 4,737,751	\$ 87,983	\$ -	\$ 4,825,734

Depreciation expense totaling \$247,115 was charged to General Government function of the Park Board.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

NOTE 5 LONG-TERM LIABILITIES**Primary Government**

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

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Special Assessments	\$ 81,110	\$ -	\$ 38,128	\$ 42,982	\$ 38,128
Compensated Absences *	50,726	-	5,810	44,916	4,492
Net Pension and OPEB Liability	417,826	732,137	-	1,149,963	-
Total Governmental Activities	\$ 549,662	\$ 732,137	\$ 43,938	\$1,237,861	\$ 42,620

* The change in compensated absences is shown as a net change.

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

Year Ending	Special Assessments	
	Principal	Interest
2021	38,128	2,579
2022	1,618	291
2023	1,618	194
2024 - 2028	1,618	97
Total	\$ 42,982	\$ 3,161

NOTE 6 OPERATING LEASES

The Park Board was engaged in one operating lease during 2020. Total lease payments made during 2020 totaled \$2,460. Future lease payments on the remaining operating lease is as follows:

	Copier
2021	2,460
2022	1,230
Total	\$ 3,690

NOTE 7 PENSION PLAN**General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

NDPERS is a cost-sharing multiple-employer defined benefit 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.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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 was 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 for 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

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2020, the Park Board reported a liability of \$1,120,959 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park Board's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Park Board's proportion was .035631 percent, which was an increase of .002123 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Park Board recognized pension expense of \$242,894. At December 31, 2020, the Park Board reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 4,362	\$ 56,800
Changes of Assumptions	600,905	99,344
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,179	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	47,176	20,340
District Contributions Subsequent to the Measurement Date	23,565	-
Total Main System	\$ 712,187	\$ 176,484

\$23,565 was reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

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

2021	\$ 167,488
2022	124,449
2023	101,879
2024	118,322

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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 Equities	30%	6.30%
International Equities	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Employer's Proportionate Share of the Net Pension Liability	\$ 1,454,360	\$ 1,120,959	\$ 848,156

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

NOTE 8 OPEB PLAN**General Information about the OPEB Plan*****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 and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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

At December 31, 2020, the Park Board reported a liability of \$29,004 for its proportionate share of the net liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020 the Park Board's proportion was .034479 percent which was an increase of .003244 percent from June 30, 2019.

For the year ended December 31, 2020 the Park Board recognized OPEB expense of \$4,195. At December 31, 2020 the Park Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 644	\$ 695
Changes of Assumptions	3,889	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	997	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,788	2,076
District Contributions Subsequent to the Measurement Date	3,773	-
Total Main System	\$ 11,091	\$ 2,771

\$3,773 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, 2021.

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

2021	953
2022	1,210
2023	1,163
2024	877
2025	359
2026	(15)

Actuarial assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

DEVILS LAKE PARK BOARD

Notes to the Financial Statements – Continued

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's Proportionate Share of the Net OPEB Liability	\$ 38,039	\$ 29,004	\$ 21,363

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 (NDRIF), 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 Board pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general automobile liability and \$617,510 for public assets coverage.

The Park Board also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Park Board 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 political subdivision with blanket fidelity bond coverage in the amount of \$683,675 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Park Board has worker's compensation with the North Dakota Workforce Safety and Insurance.

DEVILS LAKE PARK BOARD

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 936,000	\$ 936,000	\$ 833,872	\$ (102,128)
Intergovernmental	245,068	245,068	169,699	(75,369)
Charges for Services	586,448	586,448	610,947	24,499
Interest	8,000	8,000	5,617	(2,383)
Concession Income	55,000	55,000	53,097	(1,903)
Miscellaneous	34,900	34,900	83,111	48,211
Total Revenues	<u>\$ 1,865,416</u>	<u>\$ 1,865,416</u>	<u>\$ 1,756,343</u>	<u>\$ (109,073)</u>
EXPENDITURES				
Current				
Recreation Programs	\$ 724,885	\$ 766,648	\$ 706,270	\$ 60,378
Park Operations	815,500	828,314	745,130	83,184
Capital Outlay	396,000	406,670	351,845	54,825
Debt Service				
Principal	38,125	38,128	38,128	-
Interest and Fees	4,867	4,867	4,867	-
Total Expenditures	<u>\$ 1,979,377</u>	<u>\$ 2,044,627</u>	<u>\$ 1,846,240</u>	<u>\$ 198,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (113,961)</u>	<u>\$ (179,211)</u>	<u>\$ (89,897)</u>	<u>\$ 89,314</u>
Net Change in Fund Balances	<u>\$ (113,961)</u>	<u>\$ (179,211)</u>	<u>\$ (89,897)</u>	<u>\$ 89,314</u>
Fund Balance - January 1	<u>\$ 1,167,062</u>	<u>\$ 1,167,062</u>	<u>\$ 1,167,062</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,053,101</u>	<u>\$ 987,851</u>	<u>\$ 1,077,165</u>	<u>\$ 89,314</u>

The accompanying required supplementary information notes are an integral part of this schedule.

DEVILS LAKE PARK BOARD

Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended December 31, 2020

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.035631%	\$ 1,120,959	\$ 393,048	285.20%	48.91%
2019	0.033508%	392,738	348,540	112.68%	71.66%
2018	0.035175%	593,616	361,360	164.27%	62.80%
2017	0.036590%	588,121	373,530	157.45%	61.98%
2016	0.035385%	344,861	356,601	96.71%	70.46%
2015	0.013722%	93,307	122,242	76.33%	77.15%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 27,832	\$ 27,989	\$ (157)	\$ 393,048	7.12%
2019	25,376	22,687	2,689	348,540	6.51%
2018	26,616	25,317	1,299	361,360	7.01%
2017	27,085	26,595	490	373,530	7.12%
2016	25,817	20,890	4,927	356,601	5.86%
2015	14,358	9,286	5,073	122,242	7.60%

The accompanying required supplementary information notes are an integral part of this schedule.

DEVILS LAKE PARK BOARD

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions

For the Year Ended December 31, 2020

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.034479%	\$ 29,004	\$ 393,048	7.38%	63.38%
2019	0.031235%	25,088	348,540	7.20%	63.13%
2018	0.033025%	26,009	361,360	7.20%	61.89%
2017	0.034527%	27,311	373,530	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 4,618	\$ 4,481	\$ 137	\$ 393,048	1.14%
2019	4,054	3,632	422	348,540	1.04%
2018	4,239	4,054	185	361,360	1.12%
2017	4,342	4,258	84	373,530	1.14%

The accompanying required supplementary information notes are an integral part of this schedule.

DEVILS LAKE PARK BOARD

Notes to the Required Supplementary Information

For the Year Ended December 31, 2020

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Park Board commission adopts an “appropriated budget” on the modified accrual basis of accounting.

- The Park Board prepares an annual budget on or before September tenth, the Park Board prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund of the Park Board.
- The Park Board shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the Park Board shall make any changes in the items or amounts shown in the preliminary budget.
- The final budget must be file with the County auditor before October 10th so that the County has adequate time to prepare the appropriate mill levy for the Park Board.
- Each budget is controlled by the County auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The Park Board commissioners amended the 2020 Expenditures for the General Fund as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
General Fund	\$ 1,979,377	\$ 65,250	\$ 2,044,627

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 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, 2019.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

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

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.



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 Board Commissioners
Devils Lake Park Board
Devils Lake, North Dakota

We have audited, 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, the financial statements of the governmental activities, and the major fund of Devils Lake Park Board as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Devils Lake Park Board's basic financial statements, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Devils Lake 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 Devils Lake Park Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Devils Lake Park Board'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 and 2020-002 to be material weaknesses.

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 deficiency described in the accompanying *schedule of audit findings* as item 2020-003 to be a significant deficiency.

DEVILS LAKE PARK BOARD

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 Devils Lake Park Board'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 no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Devils Lake Park Board's Response to Findings

Devils Lake Park Board's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Devils Lake Park Board'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
March 2, 2021

DEVILS LAKE PARK BOARD

Summary of Auditor's Results

For the Year Ended December 31, 2020

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?

 Yes X None Noted

DEVILS LAKE PARK BOARD

Schedule of Audit Findings

For the Year Ended December 31, 2020

2020-001 LACK OF SEGREGATION OF DUTIES– MATERIAL WEAKNESS

Condition

The Devils Lake Park Board has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of material misstatement of the Devils Lake Park Board's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Devils Lake Park Board.

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 Devils Lake Park Board.

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.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc

Devils Lake Park Board's Response

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

2020-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Devils Lake Park Board currently does not prepare the financial statements, including various off book adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to the Devils Lake Park Board's financial statements.

Cause

Management chooses not to allocate Devils Lake Park Board resources for preparation of the financial statements.

Criteria

Devils Lake Park Board is responsible for the preparation of its annual financial statements, related note disclosures and adjusting entries to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

Yes.

Recommendation

We recommend Devils Lake Park Board consider the additional risk of having the auditors assist in the preparation of the financial statements, note disclosures, and adjusting entries and consider preparing them in the future.

Devils Lake Park Board's Response

Agree. Devils Lake Park Board is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

2020-003 FRAUD RISK ASSESSMENT– SIGNIFICANT DEFICIENCY

Condition

Devils Lake Park Board does not currently prepare a fraud risk assessment of the entire entity

Effect

If the Park Board does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, assets misappropriation, and corruption.

Cause

The Park Board may not have considered preparing a fraud risk assessment.

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.

Repeating Finding

Yes.

Recommendation

We recommend Devils Lake Park Board to 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.

Devils Lake Park Board's Response

Agree. We will perform a fraud risk assessment.



GOVERNANCE COMMUNICATION

Park Board Commissioners
Devils Lake Park Board
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities and the major fund of Devils Lake Park Board, Devils Lake, North Dakota, for the year ended December 31, 2020 which collectively comprise the Park Board's basic financial statements, and have issued our report thereon dated March 2, 2021. 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 and by the Uniform Guidance

As stated in our engagement letter dated February 3, 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.

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

As part of obtaining reasonable assurance about whether Devils Lake 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 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 Devils Lake Park Board are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. 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.

DEVILS LAKE PARK BOARD

Governance Communication – Continued

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 list all misstatements detected as a result of audit procedures that were corrected by management.

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Accounts Receivable	1,665	-	-	-	1,665	-
Intergovernmental Receivable	39,309	-	-	-	39,309	-
Revenue	-	40,974	-	-	-	40,974
Expenditures	14,972	-	-	-	14,972	-
Accounts Payable	-	8,095	-	-	-	8,095
Salaries Payable	-	6,877	-	-	-	6,877
Due from County	-	-	4,023	-	4,023	-
Revenue	-	-	-	4,023	-	4,023

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 March 2, 2021.

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 Board'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.

DEVILS LAKE PARK BOARD

Governance Communication – Continued

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 Park Board Commissioners and management of Devils Lake Park Board, and 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 Devils Lake Park Board 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 Devils Lake Park Board.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 2, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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