

HORACE PARK DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

WITH INDEPENDENT AUDITOR'S REPORT

HORACE PARK DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Horace Park Board
Horace Park District
Horace, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the **Horace Park District** ("District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Horace Park District**, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Horace Park District**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Horace Park District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Horace Park District's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Horace Park District's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Horace Park District's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - Special Revenue Fund and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 27, 2025, on our consideration of the **Horace Park District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 **Horace Park District's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R".

Fargo, North Dakota
March 27, 2025

HORACE PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 2,051,552 |
| Due from other governments | 64,053 |
| Taxes receivable | 2,937 |
| Capital assets, net of accumulated depreciation | |
| Construction in progress | 700,380 |
| Buildings | 115,000 |
| Vehicles | 10,286 |
| Improvements | 155,458 |
| Total capital assets, net of accumulated depreciation | <u>981,124</u> |
| Total assets | \$ <u><u>3,099,666</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 746 |
| Retainage payable | 26,017 |
| Interest payable | 13,714 |
| Current portion of long term debt | 28,767 |
| Long-term debt, net of current portion | <u>1,797,373</u> |
| Total liabilities | <u>1,866,617</u> |
| NET POSITION | |
| Net investment in capital assets | (858,730) |
| Restricted | |
| Capital projects | 2,042,549 |
| Recreation | 18,886 |
| Unrestricted | <u>30,344</u> |
| Total net position | <u>1,233,049</u> |
| Total liabilities and net position | \$ <u><u>3,099,666</u></u> |

HORACE PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net Revenue (Expense) and Change in Net Position Total</u> |
|--------------------------------|-------------------|---------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General government | \$ 163,720 | \$ 3,675 | \$ 68,103 | \$ 956,998 | \$ 865,056 |
| Special assessments | 22,655 | - | - | - | (22,655) |
| Interest on long term debt | 14,623 | - | - | - | (14,623) |
| Total governmental activities | \$ <u>200,998</u> | \$ <u>3,675</u> | \$ <u>68,103</u> | \$ <u>956,998</u> | <u>827,778</u> |

GENERAL REVENUES

| | |
|----------------------------|----------------------------|
| Property taxes | 195,503 |
| Special assessments | 39,476 |
| State aid not restricted | 21,941 |
| Investment income | 3,820 |
| Miscellaneous revenues | <u>2,392</u> |
| Total general revenues | <u>263,132</u> |
| Change in net position | <u>1,090,910</u> |
| Net position - January 1 | <u>142,139</u> |
| Net position - December 31 | \$ <u><u>1,233,049</u></u> |

HORACE PARK DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total Government Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|---------------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 54,170 | \$ 18,886 | \$ 1,978,496 | \$ 2,051,552 |
| Due from other governments | - | - | 64,053 | 64,053 |
| Taxes receivable | <u>1,701</u> | <u>1,236</u> | <u>-</u> | <u>2,937</u> |
| Total assets | \$ <u><u>55,871</u></u> | \$ <u><u>20,122</u></u> | \$ <u><u>2,042,549</u></u> | \$ <u><u>2,118,542</u></u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ <u>746</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>746</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred tax revenue | <u>1,701</u> | <u>1,236</u> | <u>-</u> | <u>2,937</u> |
| Total liabilities and deferred inflows of resources | <u>2,447</u> | <u>1,236</u> | <u>-</u> | <u>3,683</u> |
| FUND BALANCES | | | | |
| Restricted | | | | |
| Capital projects | - | - | 2,042,549 | 2,042,549 |
| Recreation | - | 18,886 | - | 18,886 |
| Unassigned | <u>53,424</u> | <u>-</u> | <u>-</u> | <u>53,424</u> |
| Total fund balances | <u>53,424</u> | <u>18,886</u> | <u>2,042,549</u> | <u>2,114,859</u> |
| Total liabilities, deferred inflows of resources, and fund balances | \$ <u><u>55,871</u></u> | \$ <u><u>20,122</u></u> | \$ <u><u>2,042,549</u></u> | \$ <u><u>2,118,542</u></u> |

HORACE PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

| | |
|---|--------------|
| Total fund balances for governmental funds | \$ 2,114,859 |
|---|--------------|

Total net position reported for governmental activities in the statement of net position is different because:

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

| | |
|-------------------------------|------------------|
| Cost of capital assets | 1,209,774 |
| Less accumulated depreciation | <u>(228,650)</u> |

| | |
|--------------------|---------|
| Net capital assets | 981,124 |
|--------------------|---------|

Property tax receivables will be collected after year-end, but are not available to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

2,937

Long-term liabilities applicable to the District's governmental activities 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 | (1,826,140) |
| Retainage payable | (26,017) |
| Interest payable | <u>(13,714)</u> |

| | |
|-----------------------------|--------------------|
| Total long-term liabilities | <u>(1,865,871)</u> |
|-----------------------------|--------------------|

| | |
|--|-----------------------------------|
| Total net position of governmental activities | \$ <u><u>1,233,049</u></u> |
|--|-----------------------------------|

HORACE PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total Government Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------------|---------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 128,102 | \$ 64,928 | \$ - | \$ 193,030 |
| Special Assessments | - | 39,012 | - | 39,012 |
| Charges for services | 3,675 | - | - | 3,675 |
| Intergovernmental | 21,941 | - | 68,103 | 90,044 |
| Interest income | - | - | 3,820 | 3,820 |
| In lieu of dedication | - | - | 956,998 | 956,998 |
| Miscellaneous | 2,393 | - | - | 2,393 |
| | <u>156,111</u> | <u>103,940</u> | <u>1,028,921</u> | <u>1,288,972</u> |
| Total revenues | | | | |
| | <u>156,111</u> | <u>103,940</u> | <u>1,028,921</u> | <u>1,288,972</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 126,259 | - | 22,008 | 148,267 |
| Special assessments | - | 22,655 | - | 22,655 |
| Capital outlay | - | - | 674,364 | 674,364 |
| Debt service | | | | |
| Principal | - | 41,177 | - | 41,177 |
| Interest | - | 6,222 | - | 6,222 |
| | <u>126,259</u> | <u>70,054</u> | <u>696,372</u> | <u>892,685</u> |
| Total expenditures | | | | |
| | <u>126,259</u> | <u>70,054</u> | <u>696,372</u> | <u>892,685</u> |
| Excess of revenues over expenditures | <u>29,852</u> | <u>33,886</u> | <u>332,549</u> | <u>396,287</u> |
| | <u>29,852</u> | <u>33,886</u> | <u>332,549</u> | <u>396,287</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 15,000 | 15,000 |
| Bond proceeds | - | - | 1,695,000 | 1,695,000 |
| Transfers out | - | (15,000) | - | (15,000) |
| | <u>-</u> | <u>(15,000)</u> | <u>-</u> | <u>(15,000)</u> |
| Total other financing sources (uses) | | | | |
| | <u>-</u> | <u>(15,000)</u> | <u>1,710,000</u> | <u>1,695,000</u> |
| Net change in fund balances | <u>29,852</u> | <u>18,886</u> | <u>2,042,549</u> | <u>2,091,287</u> |
| Fund balance - January 1 | <u>23,572</u> | <u>-</u> | <u>-</u> | <u>23,572</u> |
| Fund balance - December 31 | <u>\$ 53,424</u> | <u>\$ 18,886</u> | <u>\$ 2,042,549</u> | <u>\$ 2,114,859</u> |

HORACE PARK DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds \$ 2,091,287

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. This is the amount by which capital outlay exceeded depreciation in the current year.

| | |
|----------------------|----------|
| Capital outlay | 712,380 |
| Depreciation expense | (27,453) |

Some revenues reported in 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 | 2,937 |
|--------------------------------|-------|

Certain liabilities, such as leases payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds

| | |
|---------------------------------|----------------|
| Net change in long-term debt | (1,653,823) |
| Net change in retainage payable | (26,017) |
| Net change in interest payable | <u>(8,401)</u> |

| | |
|-------------------------------------|--------------------|
| Net change in long-term liabilities | <u>(1,688,241)</u> |
|-------------------------------------|--------------------|

Change in net position of governmental activities \$ 1,090,910

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Financial Reporting Entity

The accompanying financial statements present the activities of the Horace Park District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or imposed financial burdens on the District.

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

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the District. 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 demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function to segment. Program revenues include (1) fees and charges paid by the recipient of goods or services offered by the program and (2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the 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.

Special Revenue Fund: This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Capital Projects Fund: This fund accounts for financial resources dedicated to the construction of new capital improvements and construction. The primary revenue source in this fund is state/federal grants/reimbursements and cash in lieu of park dedication.

Measurement Focus and Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Cash and Investments

Cash and cash investments include amounts in demand deposits and certificates of deposit, stated at cost. The certificate of deposits may be used at maturity or cashed out without penalty at any time.

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the 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 their acquisition value at the time of acquisition. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

| | |
|--------------|----------------|
| Buildings | 30 years |
| Vehicles | 7 years |
| Improvements | 10 to 30 years |

(Continued)

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and not be recognized as an inflow of resources (revenues) until that time.

Fund Financial Statements

Government fund equity is classified as fund balance and may distinguish between “Restricted” and “Unassigned” components.

Fund Balance and Classification Policies and Procedures

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, the governmental funds report fund classification that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds are spent. Fund balances are classified as follows:

Nonspendable – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Restricted fund balances are those for which constraints are placed on the use of fund balances which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of the governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by a board motion of the government’s highest level of decision-making authority, the governing board. A board motion is required to rescind a fund balance commitment.

Assigned – Assigned fund balances are amounts that are constrained by the District’s intent to be used for a specific purpose but are under the direction of the board and the District’s management.

Unassigned – Unassigned fund balances are those that have not been reported in any other classification. The general fund is the only fund that can report a positive unassigned fund balance.

As of December 31, 2020, the District reported restricted and unassigned fund balances.

Net Position – Net position represents the difference between assets and liabilities. Net positions is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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 expenditure 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.

In Lieu of Dedication

Under City of Horace ordinances, developers must dedicate land (or cash in lieu) towards new park developments. These revenues are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances as “In Lieu of Dedication” and on the Statement of Activity as “Capital Grants and Contributions.”

NOTE 2 – DEPOSITS – CASH AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in another 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 of 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 entity and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2020, the District’s carrying amount of deposits was \$2,051,552 and the bank balances were \$2,050,806. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,800,806 was uncollateralized and uninsured.

Credit Risk

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Concentration of Credit Risk

The District does not have a policy limiting the amount the District may invest in any one issuer.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable represents the past three years of uncollected current and delinquent taxes. Management believes all delinquent taxes will be collected; therefore, no allowance has been established for uncollectible taxes receivable.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5.0% 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.

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

NOTE 4 – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ - | \$ 700,380 | \$ - | \$ 700,380 |
| Capital assets, being depreciated | | | | |
| Buildings | 150,000 | - | - | 150,000 |
| Vehicles | - | 12,000 | - | 12,000 |
| Improvements | 347,394 | - | - | 347,394 |
| Total capital assets, being depreciated | 497,394 | 12,000 | - | 509,394 |
| Less accumulated depreciation for | | | | |
| Buildings | 30,000 | 5,000 | - | 35,000 |
| Vehicles | - | 1,714 | - | 1,714 |
| Improvements | 171,197 | 20,739 | - | 191,936 |
| Total accumulated depreciation | 201,197 | 27,453 | - | 228,650 |

(Continued)

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Dispositions</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|
| Total capital assets, being depreciated, net | <u>296,197</u> | <u>(15,453)</u> | <u>-</u> | <u>280,744</u> |
| Governmental activities capital assets, net | \$ <u>296,197</u> | \$ <u>684,927</u> | \$ <u>-</u> | \$ <u>981,124</u> |

Depreciation expense was charged to the general government function.

NOTE 5 – LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------|------------------------------|---------------------|------------------|---------------------------|--------------------------------|
| Bonds payable | \$ - | \$ 1,695,000 | \$ - | \$ 1,695,000 | \$ - |
| Lease payable | 126,235 | - | 11,666 | 114,569 | 12,196 |
| Notes payable | <u>46,082</u> | <u>-</u> | <u>29,511</u> | <u>16,571</u> | <u>16,571</u> |
| Total | \$ <u>172,317</u> | \$ <u>1,695,000</u> | \$ <u>41,177</u> | \$ <u>1,826,140</u> | \$ <u>28,767</u> |

The following represent the required payments on the long-term debt:

Bond Payable

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|---------------------|-------------------|---------------------|
| 2021 | \$ - | \$ 41,086 | \$ 41,086 |
| 2022 | 70,000 | 38,638 | 108,638 |
| 2023 | 70,000 | 37,238 | 107,238 |
| 2024 | 75,000 | 36,069 | 111,069 |
| 2025 | 75,000 | 35,131 | 110,131 |
| 2026-2030 | 385,000 | 158,319 | 543,319 |
| 2031-2035 | 425,000 | 117,925 | 542,925 |
| 2036-2040 | 490,000 | 53,550 | 543,550 |
| 2041-2045 | <u>105,000</u> | <u>1,575</u> | <u>106,575</u> |
| | \$ <u>1,695,000</u> | \$ <u>519,531</u> | \$ <u>2,214,531</u> |

(Continued)

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Lease Payable

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------------|-------------------------|--------------------------|
| 2021 | \$ 12,196 | \$ 5,204 | \$ 17,400 |
| 2022 | 12,750 | 4,650 | 17,400 |
| 2023 | 13,329 | 4,071 | 17,400 |
| 2024 | 13,934 | 3,465 | 17,399 |
| 2025 | 14,567 | 2,832 | 17,399 |
| 2026-2030 | <u>47,793</u> | <u>4,406</u> | <u>52,199</u> |
| | \$ <u><u>114,569</u></u> | \$ <u><u>24,628</u></u> | \$ <u><u>139,197</u></u> |

Notes Payable

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|-------------------------|---------------------|-------------------------|
| 2021 | \$ <u><u>16,571</u></u> | \$ <u><u>78</u></u> | \$ <u><u>16,649</u></u> |
| | \$ <u><u>16,571</u></u> | \$ <u><u>78</u></u> | \$ <u><u>16,649</u></u> |

NOTE 6 – CONSTRUCTION COMMITMENT

The District had the following construction commitment as of December 31, 2020:

| | <u>Total Contract</u> | <u>Total Completed</u> | <u>Retainage Payable</u> | <u>Remaining</u> |
|-----------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Meadowlark Park | \$ <u><u>1,807,900</u></u> | \$ <u><u>520,341</u></u> | \$ <u><u>26,017</u></u> | \$ <u><u>1,313,576</u></u> |

NOTE 7 – INTERFUND TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

| <u>Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|-----------------------|-------------------------|-------------------------|
| Capital projects fund | \$ 15,000 | \$ - |
| Nonmajor funds | <u>-</u> | <u>15,000</u> |
| Total | \$ <u><u>15,000</u></u> | \$ <u><u>15,000</u></u> |

Transfers are used to move unrestricted general revenue to finance programs that the District accounts for in other funds in accordance with budget authority and to subsidize other programs.

HORACE PARK DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$5,000,000 per occurrence for general liability and automobile; and \$75,070 for public assets.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

The District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to December 31, 2020, the District issued refunding improvement bonds in the amount of \$835,000 for the purpose of financing park improvements within Park Improvement District 2020-2. Future bond principal payments are due annually and range from \$25,000 to \$50,000, with interest between 0.80% to 2.75%. The bonds mature in FY2041.

Subsequent to December 31, 2020, the District issued temporary refunding improvement bonds in the amount of \$2,550,000 for the purpose of financing park improvements within Freed Park. The bonds mature in FY2025 with all principal due at that time with interest at 5.0%.

Subsequent to December 31, 2020, the District was approved for a loan in the amount of \$825,000 for parking lot, sidewalk and storm water improvements at Freed Park. Principal and interest payments are due annually, with a fixed 2.0% interest rate over 20 years.

HORACE PARK DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

HORACE PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|----------------------------|----------------------------|-------------------------|-------------------------|--------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 130,813 | \$ 130,813 | \$ 128,102 | \$ (2,711) |
| Charges for services | - | - | 3,675 | 3,675 |
| Intergovernmental | 20,000 | 20,000 | 21,941 | 1,941 |
| Miscellaneous | <u>10,000</u> | <u>10,000</u> | <u>2,393</u> | <u>(7,607)</u> |
| Total revenues | <u>160,813</u> | <u>160,813</u> | <u>156,111</u> | <u>(4,702)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | <u>160,000</u> | <u>160,000</u> | <u>126,259</u> | <u>(33,741)</u> |
| Net change in fund balance | <u>813</u> | <u>813</u> | <u>29,852</u> | <u>29,039</u> |
| Fund balance - January 1 | <u>23,572</u> | <u>23,572</u> | <u>23,572</u> | <u>-</u> |
| Fund balance - December 31 | \$ <u><u>24,385</u></u> | \$ <u><u>24,385</u></u> | \$ <u><u>53,424</u></u> | \$ <u><u>29,039</u></u> |

HORACE PARK DISTRICT

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2020

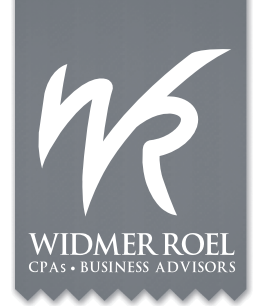
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Final Budget</u> |
|--|----------------------------|-------------------------|-------------------------|--------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 67,920 | \$ 67,920 | \$ 64,928 | \$ (2,992) |
| Special assessments | <u>40,752</u> | <u>40,752</u> | <u>39,012</u> | <u>(1,740)</u> |
| Total revenues | <u>108,672</u> | <u>108,672</u> | <u>103,940</u> | <u>(4,732)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Special assessments | 60,000 | 60,000 | 22,655 | (37,345) |
| Debt service | | | | |
| Principal | 47,500 | 47,500 | 41,177 | (6,323) |
| Interest | <u>-</u> | <u>-</u> | <u>6,222</u> | <u>6,222</u> |
| Total expenditures | <u>107,500</u> | <u>107,500</u> | <u>70,054</u> | <u>(37,446)</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,172</u> | <u>1,172</u> | <u>33,886</u> | <u>32,714</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>(15,000)</u> | <u>(15,000)</u> |
| Net change in fund balance | <u>1,172</u> | <u>1,172</u> | <u>18,886</u> | <u>17,714</u> |
| Fund balance - January 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - December 31 | \$ <u><u>1,172</u></u> | \$ <u><u>1,172</u></u> | \$ <u><u>18,886</u></u> | \$ <u><u>17,714</u></u> |

HORACE PARK DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The District adopts an annual budget on a modified accrual basis of accounting.
- The annual budget must be prepared, and District taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by the twenty-fifth of August.
- The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by the tenth of October.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager 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.
- All appropriations lapse at year-end.



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**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

Horace Park Board
Horace Park District
Horace, 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* (GAS) issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the **Horace Park District** (District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise **Horace Park District's** basic financial statements, and have issued our report thereon dated March 27, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Horace 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as item 2020-002.

Horace Park District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the **Horace Park District's** response to the findings identified in our audit and described in the accompanying schedule of findings and responses. **Horace 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.

A handwritten signature in black ink, appearing to read "William Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R".

Fargo, North Dakota
March 27, 2025

HORACE PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Governmental Activities

Unmodified

Major Funds

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

 yes X no

Noncompliance material to financial statements noted?

 X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001 (MATERIAL WEAKNESS) –SEGREGATION OF DUTIES

Condition

The 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.

Cause

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

Effect

The lack of segregation of duties increases the risk of material misstatement to the District’s financial statements, whether due to error or fraud.

Recommendation

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

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

HORACE PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Views of Responsible Officials

I agree. We hope to add staff in the coming years to address this weakness.

2020-002 (MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE) – LACK OF PLEDGE OF ASSETS

Condition

The District did not maintain an adequate pledge of securities at its bank as of December 31, 2020, which is required by state law.

Criteria

N.D.C.C. 21-04-09 states in part "when securities are so pledged to the board of any public corporation, the board shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits." Pledges are to be maintained in the amount of 110% above FDIC coverage.

Cause

The District may have been unaware of N.D.C.C. 21-04-09.

Effect

The District is not in compliance with N.D.C.C. 21-04-09 and could have an increased risk of potential loss of funds if the bank ceased operations.

Recommendation

We recommend the District ensures that it maintains adequate pledge of securities at any bank where the bank balances could exceed FDIC insurance.

Views of Responsible Officials

I agree. I opened an Insured Cash Sweep (ICS) in 2023 with a different financial institution. This is no longer an issue.