



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Lake Metigoshe Recreation Service District

Bottineau, North Dakota

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

Client Code: PS5029



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Office of the
State Auditor

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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LAKE METIGOSHE RECREATION SERVICE DISTRICT

District Officials and Audit Personnel
December 31, 2020 and 2019

DISTRICT OFFICIALS

At December 31, 2020

Kathy Garbe	Chairperson
Bryan Schweitzer	Vice Chairperson
Allen Boettcher	Board Member
Randy Conway	Board Member
Verdell Lund	Board Member
Mike McIntee	Board Member
Mike Nehring	Board Member
Jill Watson	Board Member
Valerie Zwak	Board Member
Mike Hall	Manager
Chad Strand	Accountant

At December 31, 2019

Valerie Zwak	Chairperson
Kathy Garbe	Co-Vice Chairperson
Allen Boettcher	Co-Vice Chairperson
Brian Jensen	Board Member
Verdell Lund	Board Member
Mike McIntee	Board Member
Mike Nehring	Board Member
Bryan Schweitzer	Board Member
Jill Watson	Board Member
Mike Hall	Manager
Chad Strand	Accountant

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

Board of District Commissioners
Lake Metigoshe Recreation Service District
Bottineau, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Lake Metigoshe Recreation Service District, Bottineau, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Lake Metigoshe Recreation Service District's basic financial statements as listed in the table of contents.

Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, the business-type activities, and each major fund of the Lake Metigoshe Recreation Service District, North Dakota, as of December 31, 2020 and 2019, 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 schedules, 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 notes to the required supplementary information as listed 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 February 10, 2020 on our consideration of the Lake Metigoshe Recreation Service 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 Lake Metigoshe Recreation Service 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 the Lake Metigoshe Recreation Service District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 15, 2021

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 500	\$ 135,665	\$ 136,165
Investments	-	650,377	650,377
Special Assessments Receivable	-	42,166	42,166
Investment in Cooperatives	-	49,407	49,407
Capital Assets			
Nondepreciable	-	50,607	50,607
Depreciable, Net	-	3,438,387	3,438,387
Total Assets	<u>\$ 500</u>	<u>\$ 4,366,609</u>	<u>\$ 4,367,109</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions and OPEB	<u>\$ -</u>	<u>\$ 302,609</u>	<u>\$ 302,609</u>
LIABILITIES			
Accounts Payable	\$ 38	\$ 25,526	\$ 25,564
Salaries and Benefits Payable	4,952	2,531	7,483
Interest Payable	-	208	208
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	25,000	25,000
Due After One Year			
Compensated Absences Payable	-	10,370	10,370
Net Pension & OPEB Liability	-	493,553	493,553
Total Liabilities	<u>\$ 4,990</u>	<u>\$ 557,188</u>	<u>\$ 562,178</u>
DEFERRED INFLOWS OF RESOURCES			
Derived from Pensions and OPEB	<u>\$ -</u>	<u>\$ 71,737</u>	<u>\$ 71,737</u>
NET POSITION			
Net Investment in Capital Assets	\$ -	\$ 3,463,786	\$ 3,463,786
Unrestricted	<u>(4,490)</u>	<u>576,507</u>	<u>572,017</u>
Total Net Position	<u>\$ (4,490)</u>	<u>\$ 4,040,293</u>	<u>\$ 4,035,803</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Governmental Activities	Business-Type Activities	Total
Governmental Activities					
General Government	\$ 39,203	\$ -	\$ (39,203)	\$ -	\$ (39,203)
Business-Type Activities					
Sewer	\$ 519,320	\$ 504,911	\$ -	\$ (14,409)	\$ -
Garbage	200,137	200,835	-	698	-
Total Business-Type Activities	\$ 719,457	\$ 705,746	\$ -	\$ (13,711)	\$ -
Total Primary Government	\$ 758,660	\$ 705,746	\$ (39,203)	\$ (13,711)	\$ (39,203)
General Revenues					
Property Taxes			\$ 12,864	\$ -	\$ 12,864
Unrestricted Investment Earnings			34	15,736	15,770
Miscellaneous Revenue			-	16,335	16,335
Net Cash Transfers			19,088	(19,088)	-
Total General Revenues			\$ 31,986	\$ 12,983	\$ 44,969
Changes in Net Position			\$ (7,217)	\$ (728)	\$ (7,945)
Net Position - January 1			\$ 2,727	\$ 4,041,021	\$ 4,043,748
Net Position - December 31			\$ (4,490)	\$ 4,040,293	\$ 4,035,803

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2020

	<u>General Fund</u>
ASSETS	
Cash	\$ 500
Total Assets	<u>\$ 500</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 38
Salaries and Benefits Payable	<u>4,952</u>
Fund Balances	
Unassigned	<u>\$ (4,490)</u>
Total Liabilities and Fund Balances	<u>\$ 500</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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

Total Fund Balances for Governmental Funds	<u>\$ (4,490)</u>
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Total Net Position of Governmental Activities	<u><u>\$ (4,490)</u></u>
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The notes to the financial statements are an integral part of this statement.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 12,864
Interest	34
	<hr/>
Total Revenues	\$ 12,898
	<hr/>
EXPENDITURES	
General Government	\$ 39,203
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (26,305)
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers In	\$ 19,500
Transfers Out	(412)
	<hr/>
Total Other Financing Sources and Uses	\$ 19,088
	<hr/>
Net Change in Fund Balances	\$ (7,217)
	<hr/>
Fund Balance - January 1	\$ 2,727
	<hr/>
Fund Balance - December 31	\$ (4,490)
	<hr/> <hr/>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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	<u>\$ (7,217)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (7,217)</u></u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position – Proprietary Funds

December 31, 2020

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
ASSETS			
Current Assets			
Cash	\$ 124,812	\$ 10,853	\$ 135,665
Investments	637,877	12,500	650,377
Total Current Assets	\$ 762,689	\$ 23,353	\$ 786,042
Noncurrent Assets			
Special Assessments Receivable	\$ 29,516	\$ 12,650	\$ 42,166
Investments in Cooperatives	49,407	-	49,407
Capital Assets			
Nondepreciable	50,607	-	50,607
Depreciable, Net	3,438,387	-	3,438,387
Total Noncurrent Assets	\$ 3,567,917	\$ 12,650	\$ 3,580,567
Total Assets	\$ 4,330,606	\$ 36,003	\$ 4,366,609
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions and OPEB	\$ 302,609	\$ -	\$ 302,609
Total Assets & Deferred Outflows of Resources	\$ 4,633,215	\$ 36,003	\$ 4,669,218
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 7,663	\$ 17,863	\$ 25,526
Salaries and Benefits Payable	2,531	-	2,531
Interest Payable	208	-	208
Long-Term Debt	25,000	-	25,000
Total Current Liabilities	\$ 35,402	\$ 17,863	\$ 53,265
Noncurrent Liabilities			
Compensated Absences	\$ 10,370	\$ -	\$ 10,370
Net Pension Liability	493,553	-	493,553
Total Noncurrent Liabilities	\$ 503,923	\$ -	\$ 503,923
Total Liabilities	\$ 539,325	\$ 17,863	\$ 557,188
DEFERRED INFLOWS OF RESOURCES			
Derived from Pensions and OPEB	\$ 71,737	\$ -	\$ 71,737
Total Liabilities & Deferred Inflows of Resources	\$ 611,062	\$ 17,863	\$ 628,925
NET POSITION			
Net Investment in Capital Assets	\$ 3,463,786	\$ -	\$ 3,463,786
Unrestricted	558,367	18,140	576,507
Total Net Position	\$ 4,022,153	\$ 18,140	\$ 4,040,293

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
 For the Year Ended December 31, 2020

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 504,911	\$ 200,835	\$ 705,746
Miscellaneous	15,960	375	16,335
Total Operating Revenues	<u>\$ 520,871</u>	<u>\$ 201,210</u>	<u>\$ 722,081</u>
OPERATING EXPENSES			
Salaries & Wages	\$ 278,245	\$ -	\$ 278,245
Utilities	50,669	-	50,669
Supplies, Repairs, & Maintenance	46,793	-	46,793
Insurance	31,059	-	31,059
Professional Fees	212	-	212
Miscellaneous	1,080	-	1,080
Garbage Operations	-	200,137	200,137
Depreciation	110,304	-	110,304
Total Operating Expenses	<u>\$ 518,362</u>	<u>\$ 200,137</u>	<u>\$ 718,499</u>
Operating Income (Loss)	<u>\$ 2,509</u>	<u>\$ 1,073</u>	<u>\$ 3,582</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	\$ 15,304	\$ 432	\$ 15,736
Interest Expense and Service Charges	(958)	-	(958)
Total Nonoperating Revenues (Expenses)	<u>\$ 14,346</u>	<u>\$ 432</u>	<u>\$ 14,778</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 16,855</u>	<u>\$ 1,505</u>	<u>\$ 18,360</u>
TRANSFERS			
Transfers In	\$ 127,617	\$ -	\$ 127,617
Transfers Out	(144,205)	(2,500)	(146,705)
Total Transfers	<u>\$ (16,588)</u>	<u>\$ (2,500)</u>	<u>\$ (19,088)</u>
Change in Net Position	<u>\$ 267</u>	<u>\$ (995)</u>	<u>\$ (728)</u>
Net Position - January 1	<u>\$ 4,021,886</u>	<u>\$ 19,135</u>	<u>\$ 4,041,021</u>
Net Position - December 31	<u>\$ 4,022,153</u>	<u>\$ 18,140</u>	<u>\$ 4,040,293</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 502,158	\$ 199,655	\$ 701,813
Payments to Suppliers	(127,618)	(198,846)	(326,464)
Payments to Employees	(202,979)	-	(202,979)
Miscellaneous Revenue	12,697	375	13,072
Net Cash Provided by Operating Activities	\$ 184,258	\$ 1,184	\$ 185,442
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	\$ 127,617	\$ -	\$ 127,617
Transfers Out	(144,205)	(2,500)	(146,705)
Net Cash Used by Noncapital Financing Activities	\$ (16,588)	\$ (2,500)	\$ (19,088)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	\$ (128,792)	\$ -	\$ (128,792)
Principal Paid on Capital Debt	(20,000)	-	(20,000)
Interest and Fees Paid on Capital Debt	(1,125)	-	(1,125)
Net Cash Used by Capital and Related Financing Activities	\$ (149,917)	\$ -	\$ (149,917)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Certificate of Deposit	\$ (100,376)	\$ -	\$ (100,376)
Interest Income	15,304	432	15,736
Net Cash Provided by Capital and Related Financing Activities	\$ (85,072)	\$ 432	\$ (84,640)
Net Increase in Cash	\$ (67,319)	\$ (884)	\$ (68,203)
Cash - January 1	\$ 192,131	\$ 11,737	\$ 203,868
Cash - December 31	\$ 124,812	\$ 10,853	\$ 135,665
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 2,509	\$ 1,073	\$ 3,582
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	\$ 110,304	\$ -	\$ 110,304
Change in Assets and Liabilities			
Special Assessments Receivable	(2,753)	(1,180)	(3,933)
Investment in Cooperatives	(3,263)	-	(3,263)
Deferred Pension and OPEB Outflows	(202,398)	-	(202,398)
Accounts Payable	2,195	1,291	3,486
Salaries Payable	(6,558)	-	(6,558)
Payroll Taxes Payable	(1,025)	-	(1,025)
Compensated Absences	1,837	-	1,837
Net Pension and OPEB Liability	305,476	-	305,476
Deferred Pension and OPEB Inflows	(22,066)	-	(22,066)
Net Cash Provided by Operating Activities	\$ 184,258	\$ 1,184	\$ 185,442

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 7,000	\$ 203,868	\$ 210,868
Investments	-	550,001	550,001
Special Assessments Receivable	-	38,233	38,233
Investment in Cooperatives	-	46,144	46,144
Capital Assets			
Nondepreciable	-	50,607	50,607
Depreciable, Net	-	3,419,899	3,419,899
Total Assets	<u>\$ 7,000</u>	<u>\$ 4,308,752</u>	<u>\$ 4,315,752</u>
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions and OPEB	<u>\$ -</u>	<u>\$ 100,211</u>	<u>\$ 100,211</u>
LIABILITIES			
Accounts Payable	\$ 75	\$ 22,040	\$ 22,115
Salaries and Benefits Payable	4,198	10,114	14,312
Interest Payable	-	375	375
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	20,000	20,000
Due After One Year			
Long-Term Debt	-	25,000	25,000
Compensated Absences Payable	-	8,533	8,533
Net Pension & OPEB Liability	-	188,077	188,077
Total Liabilities	<u>\$ 4,273</u>	<u>\$ 274,139</u>	<u>\$ 278,412</u>
DEFERRED INFLOWS OF RESOURCES:			
Derived from Pensions and OPEB	<u>\$ -</u>	<u>\$ 93,803</u>	<u>\$ 93,803</u>
NET POSITION			
Net Investment in Capital Assets	\$ -	\$ 3,425,131	\$ 3,425,131
Unrestricted	<u>2,727</u>	<u>615,890</u>	<u>618,617</u>
Total Net Position	<u>\$ 2,727</u>	<u>\$ 4,041,021</u>	<u>\$ 4,043,748</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues Fees, Fines, and Charges for Services	Net (Expense) Revenue and Changes in Net Position		
			Governmental Activities	Business- Type Activities	Total
Governmental Activities					
General Government	\$ 43,442	\$ -	\$ (43,442)	\$ -	\$ (43,442)
Business-Type Activities					
Sewer	\$ 444,868	\$ 528,860	\$ -	\$ 83,992	\$ -
Garbage	212,803	190,594	-	(22,209)	-
Total Business-Type Activities	\$ 657,671	\$ 719,454	\$ -	\$ 61,783	\$ -
Total Primary Government	\$ 701,113	\$ 719,454	\$ (43,442)	\$ 61,783	\$ (43,442)
General Revenues					
Property Taxes			\$ 13,553	\$ -	\$ 13,553
Unrestricted Investment Earnings			43	10,134	10,177
Miscellaneous Revenue			-	12,312	12,312
Net Cash Transfers			32,205	(32,205)	-
Total General Revenues			\$ 45,801	\$ (9,759)	\$ 36,042
Changes in Net Position			\$ 2,359	\$ 52,024	\$ 54,383
Net Position - January 1			\$ 368	\$ 3,988,997	\$ 3,989,365
Net Position - December 31			\$ 2,727	\$ 4,041,021	\$ 4,043,748

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2019

	<u>General Fund</u>
ASSETS	
Cash	\$ 7,000
Total Assets	<u>\$ 7,000</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 75
Salaries and Benefits Payable	<u>4,198</u>
Total Liabilities	<u>\$ 4,273</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 4,273</u>
Fund Balances	
Unassigned	<u>\$ 2,727</u>
Total Fund Balances	<u>\$ 2,727</u>
Total Liabilities and Fund Balances	<u>\$ 7,000</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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

Total Fund Balances for Governmental Funds	<u>\$ 2,727</u>
Total Net Position of Governmental Activities	<u><u>\$ 2,727</u></u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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

	General Fund
REVENUES	
Property Taxes	\$ 13,553
Interest	43
	<hr/>
Total Revenues	\$ 13,596
	<hr/>
EXPENDITURES	
General Government	\$ 43,442
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,846)
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers In	\$ 35,000
Transfers Out	(2,795)
	<hr/>
Total Other Financing Sources and Uses	\$ 32,205
	<hr/>
Net Change in Fund Balances	\$ 2,359
	<hr/>
Fund Balance - January 1	\$ 368
	<hr/>
Fund Balance - December 31	\$ 2,727
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The notes to the financial statements are an integral part of this statement.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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, 2019

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 2,359</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,359</u></u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position – Proprietary Funds

December 31, 2019

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
ASSETS			
Current Assets			
Cash	\$ 192,131	\$ 11,737	\$ 203,868
Investments	537,501	12,500	550,001
Total Current Assets	<u>\$ 729,632</u>	<u>\$ 24,237</u>	<u>\$ 753,869</u>
Noncurrent Assets			
Special Assessments Receivable	\$ 26,763	\$ 11,470	\$ 38,233
Investments in Cooperatives	46,144	-	46,144
Capital Assets			
Nondepreciable	50,607	-	50,607
Depreciable, Net	3,419,899	-	3,419,899
Total Noncurrent Assets	<u>\$ 3,543,413</u>	<u>\$ 11,470</u>	<u>\$ 3,554,883</u>
Total Assets	<u>\$ 4,273,045</u>	<u>\$ 35,707</u>	<u>\$ 4,308,752</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Derived from Pensions and OPEB	\$ 100,211	\$ -	\$ 100,211
Total Assets & Deferred Outflows of Resources	<u>\$ 4,373,256</u>	<u>\$ 35,707</u>	<u>\$ 4,408,963</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 5,468	\$ 16,572	\$ 22,040
Salaries and Benefits Payable	10,114	-	10,114
Interest Payable	375	-	375
Long-Term Debt	20,000	-	20,000
Total Current Liabilities	<u>\$ 35,957</u>	<u>\$ 16,572</u>	<u>\$ 52,529</u>
Noncurrent Liabilities			
Compensated Absences	\$ 8,533	\$ -	\$ 8,533
Long-Term Debt	25,000	-	25,000
Net Pension Liability	188,077	-	188,077
Total Noncurrent Liabilities	<u>\$ 221,610</u>	<u>\$ -</u>	<u>\$ 221,610</u>
Total Liabilities	<u>\$ 257,567</u>	<u>\$ 16,572</u>	<u>\$ 274,139</u>
DEFERRED INFLOWS OF RESOURCES:			
Derived from Pensions and OPEB	\$ 93,803	\$ -	\$ 93,803
Total Liabilities & Deferred Inflows of Resources	<u>\$ 351,370</u>	<u>\$ 16,572</u>	<u>\$ 367,942</u>
NET POSITION			
Net Investment in Capital Assets	\$ 3,425,131	\$ -	\$ 3,425,131
Unrestricted	596,755	19,135	615,890
Total Net Position	<u>\$ 4,021,886</u>	<u>\$ 19,135</u>	<u>\$ 4,041,021</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
 For the Year Ended December 31, 2019

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 528,860	\$ 190,594	\$ 719,454
Miscellaneous	12,199	113	12,312
Total Operating Revenues	\$ 541,059	\$ 190,707	\$ 731,766
OPERATING EXPENSES			
Salaries & Wages	\$ 224,156	\$ -	\$ 224,156
Utilities	50,287	-	50,287
Supplies, Repairs, & Maintenance	35,943	-	35,943
Insurance	29,743	-	29,743
Professional Fees	275	-	275
Miscellaneous	1,430	-	1,430
Garbage Operations	-	212,803	212,803
Depreciation	101,576	-	101,576
Total Operating Expenses	\$ 443,410	\$ 212,803	\$ 656,213
Operating Income (Loss)	\$ 97,649	\$ (22,096)	\$ 75,553
NONOPERATING REVENUES (EXPENSES)			
Interest Income	\$ 9,703	\$ 431	\$ 10,134
Interest Expense and Service Charges	(1,458)	-	(1,458)
Total Nonoperating Revenues (Expenses)	\$ 8,245	\$ 431	\$ 8,676
Income (Loss) Before Contributions and Transfers	\$ 105,894	\$ (21,665)	\$ 84,229
TRANSFERS			
Transfers In	\$ 164,046	\$ -	\$ 164,046
Transfers Out	(192,751)	(3,500)	(196,251)
Total Transfers	\$ (28,705)	\$ (3,500)	\$ (32,205)
Change in Net Position	\$ 77,189	\$ (25,165)	\$ 52,024
Net Position - January 1	\$ 3,944,697	\$ 44,300	\$ 3,988,997
Net Position - December 31	\$ 4,021,886	\$ 19,135	\$ 4,041,021

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2019

	Business-Type Activities		
	Sewer Fund	Garbage Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 544,739	\$ 197,399	\$ 742,138
Payments to Suppliers	(120,092)	(196,231)	(316,323)
Payments to Employees	(190,910)	-	(190,910)
Miscellaneous Revenue	11,621	113	11,734
Net Cash Provided by Operating Activities	\$ 245,358	\$ 1,281	\$ 246,639
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	\$ 164,046	\$ -	\$ 164,046
Transfers Out	(192,751)	(3,500)	(196,251)
Net Cash Used by Noncapital Financing Activities	\$ (28,705)	\$ (3,500)	\$ (32,205)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	\$ (13,257)	\$ -	\$ (13,257)
Principal Paid on Capital Debt	(20,000)	-	(20,000)
Interest and Fees Paid on Capital Debt	(1,625)	-	(1,625)
Net Cash Used by Capital and Related Financing Activities	\$ (34,882)	\$ -	\$ (34,882)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Certificate of Deposit	\$ (125,000)	\$ -	\$ (125,000)
Interest Income	9,703	431	10,134
Net Cash Provided by Capital and Related Financing Activities	\$ (115,297)	\$ 431	\$ (114,866)
Net Increase in Cash	\$ 66,474	\$ (1,788)	\$ 64,686
Cash - January 1	\$ 125,657	\$ 13,525	\$ 139,182
Cash - December 31	\$ 192,131	\$ 11,737	\$ 203,868
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	\$ 97,649	\$ (22,096)	\$ 75,553
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	\$ 101,576	\$ -	\$ 101,576
Change in Assets and Liabilities			
Special Assessments Receivable	15,879	6,805	22,684
Investment in Cooperatives	(578)	-	(578)
Deferred Pension and OPEB Outflows	29,673	-	29,673
Accounts Payable	(2,414)	16,572	14,158
Salaries Payable	6,558	-	6,558
Payroll Taxes Payable	(235)	-	(235)
Compensated Absences	1,945	-	1,945
Net Pension and OPEB Liability	(79,449)	-	(79,449)
Deferred Pension and OPEB Inflows	74,754	-	74,754
Net Cash Provided by Operating Activities	\$ 245,358	\$ 1,281	\$ 246,639

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lake Metigoshe Recreation Service District ("District") operates under the guidelines of Recreation Service Districts set forth in the North Dakota Century Code Chapter 11-28.2. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 District's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the District 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 District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

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

Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental fund:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the general government.

The District reports the following major enterprise funds:

Sewer Fund - This fund accounts for the activities of the District's sewer collection system.

Garbage Fund - This fund accounts for the activities of the District's garbage collection system.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 special assessments, grants, entitlements, and donations.

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

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

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

Cash and Investments

Cash consists of amounts in demand deposits and money market accounts.

The investments of the District consist of certificates of deposit stated at cost with maturities in excess of three months.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the business-type activities columns in the government-wide financial statements, and are reported in the enterprise fund statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased 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.

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

Infrastructure	20-100
Buildings	40
Equipment	7

Compensated Absences

Full time employees earn vacation benefits from zero to twenty days per year, depending on years of service. Unused vacation is forfeited by the employee at the end of the year and vacation leave is not paid out upon termination.

Sick leave benefits are earned at the rate of four to eight hours per month, depending on years of service. Unused sick leave benefits are allowed to accrue to a maximum of 720 hours. Upon termination, employees with three years of service will be paid for 15% to 25% of unused sick leave hours depending on years of service. The hourly pay rate for the payout will be calculated as the average hourly rate for the last three years of employment. A liability for the vested or accumulated sick leave is reported in the government-wide and enterprise statements of net position.

Long-Term Obligations

Long-term obligations are reported as liabilities in the proprietary financial statements.

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.

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, 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 Balance

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

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

Net Position

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 capital assets. These assets are not available for future spending.

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

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 District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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

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

At year ended December 31, 2020, the District's carrying amount of deposits totaled \$916,292, and the bank balances totaled \$805,822. Of the bank balances, \$505,821 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the District's carrying amount of deposits totaled \$760,869, and the bank balances totaled \$763,134. Of the bank balances, \$463,133 was covered by Federal Depository Insurance. The remaining bank 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: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 District pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and for automobile, and \$289,592 for public assets (mobile equipment and portable property).

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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$312,938 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 5: CAPITAL ASSETS

Business-Type Activities

The following is a summary of changes in capital assets for the years ended 2020 and 2019:

Sewer Fund - 2020	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 50,607	\$ -	\$ -	\$ 50,607
Capital Assets Being Depreciated				
Infrastructure	\$ 4,893,322	\$ -	\$ -	\$ 4,893,322
Equipment	865,276	128,792	-	994,068
Buildings	68,424	-	-	68,424
Total Capital Assets, Being Depreciated	\$ 5,827,022	\$ 128,792	\$ -	\$ 5,955,814
Less Accumulated Depreciation				
Infrastructure	\$ 1,539,249	\$ 76,489	\$ -	\$ 1,615,738
Equipment	810,569	32,104	-	842,673
Buildings	57,305	1,711	-	59,016
Total Accumulated Depreciation	\$ 2,407,123	\$ 110,304	\$ -	\$ 2,517,427
Total Capital Assets Being Depreciated, Net	\$ 3,419,899	\$ 18,488	\$ -	\$ 3,438,387
Total Capital Assets, Net	\$ 3,470,506	\$ 18,488	\$ -	\$ 3,488,994

Sewer Fund - 2019	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 50,607	\$ -	\$ -	\$ 50,607
Capital Assets Being Depreciated				
Infrastructure	\$ 4,893,322	\$ -	\$ -	\$ 4,893,322
Equipment	852,019	13,257	-	865,276
Buildings	68,424	-	-	68,424
Total Capital Assets, Being Depreciated	\$ 5,813,765	\$ 13,257	\$ -	\$ 5,827,022
Less Accumulated Depreciation				
Infrastructure	\$ 1,462,760	\$ 76,489	\$ -	\$ 1,539,249
Equipment	787,192	23,377	-	810,569
Buildings	55,595	1,710	-	57,305
Total Accumulated Depreciation	\$ 2,305,547	\$ 101,576	\$ -	\$ 2,407,123
Total Capital Assets Being Depreciated, Net	\$ 3,508,218	\$ (88,319)	\$ -	\$ 3,419,899
Total Capital Assets, Net	\$ 3,558,825	\$ (88,319)	\$ -	\$ 3,470,506

Depreciation expense was charged to conservation of natural resources.

NOTE 6: TRANSFERS

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.

NOTE 7: LONG-TERM LIABILITIES

Business-Type Activities

The following changes occurred in long-term liabilities for the years ended 2020 and 2019:

Sewer Fund - 2020	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 45,000	\$ -	\$ 20,000	\$ 25,000	\$ 25,000
Compensated Absences *	8,533	1,837	-	10,370	-
Net Pension & OPEB Liability	188,077	305,476	-	493,553	-
Total Long-Term Liabilities	\$ 241,610	\$ 307,313	\$ 20,000	\$ 528,923	\$ 25,000

Sewer Fund - 2019	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 65,000	\$ -	\$ 20,000	\$ 45,000	\$ 20,000
Compensated Absences *	6,588	1,945	-	8,533	-
Net Pension & OPEB Liability	267,526		79,449	188,077	-
Total Long-Term Liabilities	\$ 339,114	\$ 1,945	\$ 99,449	\$ 241,610	\$ 20,000

The annual requirements to amortize the outstanding long-term debt at December 31, 2020 is as follows:

Sewer Fund - 2020		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2021	25,000	625
Totals	\$ 25,000	\$ 625

NOTE 8: 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 N.D.C.C. Chapter 54-52 for more complete information.

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability 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 contributions rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Notes to the Financial Statements – Continued

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

At December 31, 2020 and 2019, the following net pension liabilities were reported:

	Net Pension Liability
Sewer Fund - 2020	\$ 483,543
Sewer Fund - 2019	176,784

The net pension liability was measured as of June 30, 2020 and 2019 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective 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 and 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2018 Measurement	Pension Expense
Sewer Fund - 2020	0.015370%	0.000287%	\$ 93,345
Sewer Fund - 2019	0.015083%	-0.000104%	38,866

At December 31, 2020 and 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

Sewer Fund - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,882	\$ 24,502
Changes of Assumptions	259,210	42,854
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	15,606	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	11,993	2,628
District Contributions Subsequent to the Measurement Date	10,353	-
Total Deferred Outflows and Inflows of Resources	\$ 299,044	\$ 69,984

Sewer Fund - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 105	\$ 32,083
Changes of Assumptions	66,059	56,718
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	3,080	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	17,626	4,145
District Contributions Subsequent to the Measurement Date	10,088	-
Total	\$ 96,958	\$ 92,946

\$10,353 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
 Notes to the Financial Statements – Continued

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	\$	67,885
2022		56,991
2023		43,995
2024		49,836
2025		-

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

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 Equity	30%	6.30%
International Equity	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 Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the 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%)
Proportionate Share of the Net Pension Liability	\$ 627,361	\$ 483,543	\$ 365,865

Pension Plan Fiduciary Net Position

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

NOTE 9: 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. 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.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
 Notes to the Financial Statements – Continued

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

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

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

At December 31, 2020 and 2019, the following net OPEB liabilities were reported:

	Net OPEB Liability
Sewer Fund - 2020	\$ 11,293
Sewer Fund - 2019	10,010

The net OPEB liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective 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 and 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2018 Measurement	OPEB Expense
Sewer Fund - 2020	0.011900%	-0.002160%	\$ 1,128
Sewer Fund - 2019	0.014060%	-0.000198%	1,432

At December 31, 2020 and 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

Sewer Fund - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 222	\$ 240
Changes of Assumptions	1,342	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	344	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	1,513
District Contributions Subsequent to the Measurement Date	1,658	-
Total	\$ 3,566	\$ 1,753

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Notes to the Financial Statements – Continued

Sewer Fund - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 279	\$ 353
Changes of Assumptions	1,346	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	504
District Contributions Subsequent to the Measurement Date	1,615	-
Total	\$ 3,253	\$ 857

\$1,658 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

2021	\$ 8
2022	97
2023	81
2024	9
2025	(50)
2026	10
Thereafter	-

Actuarial assumptions

The total OPEB 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.

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 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%)
Proportionate Share of the OPEB Liability	\$ 13,129	\$ 10,010	\$ 7,373

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 13,550	\$ 13,550	\$ 12,864	\$ (686)
Interest	50	50	34	(16)
Total Revenues	\$ 13,600	\$ 13,600	\$ 12,898	\$ (702)
EXPENDITURES				
General Government	\$ 33,100	\$ 33,100	\$ 39,203	\$ (6,103)
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,500)	\$ (19,500)	\$ (26,305)	\$ (6,805)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 19,500	\$ 19,500	\$ 19,500	\$ -
Transfers Out	-	-	(412)	(412)
Total Other Financing Sources and Uses	\$ 19,500	\$ 19,500	\$ 19,088	\$ (412)
Net Change in Fund Balances	\$ -	\$ -	\$ (7,217)	\$ (7,217)
Fund Balances - January 1	\$ 2,727	\$ 2,727	\$ 2,727	\$ -
Fund Balances - December 31	\$ 2,727	\$ 2,727	\$ (4,490)	\$ (7,217)

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 13,525	\$ 13,525	\$ 13,553	\$ 28
Interest	50	50	43	(7)
Total Revenues	\$ 13,575	\$ 13,575	\$ 13,596	\$ 21
EXPENDITURES				
General Government	\$ 48,475	\$ 48,475	\$ 43,442	\$ 5,033
Excess (Deficiency) of Revenues Over Expenditures	\$ (34,900)	\$ (34,900)	\$ (29,846)	\$ 5,054
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Transfers Out	-	-	(2,795)	(2,795)
Total Other Financing Sources and Uses	\$ 35,000	\$ 35,000	\$ 32,205	\$ (2,795)
Net Change in Fund Balances	\$ 100	\$ 100	\$ 2,359	\$ 2,259
Fund Balances - January 1	\$ 368	\$ 368	\$ 368	\$ -
Fund Balances - December 31	<u>\$ 468</u>	<u>\$ 468</u>	<u>\$ 2,727</u>	<u>\$ 2,259</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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	0.015370%	\$ 483,543	\$ 169,550	285.19%	48.91%
2019	0.015083%	176,784	156,889	112.68%	71.66%
2018	0.015187%	256,297	156,018	164.27%	62.80%
2017	0.015478%	248,782	158,010	157.45%	61.98%
2016	0.010816%	105,412	100,997	104.37%	70.46%
2015	0.011337%	77,090	100,997	76.33%	77.15%
2014	0.009789%	62,133	82,459	75.35%	77.70%

**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	\$ 12,006	\$ 11,369	\$ 637	\$ 167,970	6.77%
2019	11,422	11,452	(30)	156,018	7.34%
2018	11,491	11,535	(44)	156,018	7.39%
2017	11,457	9,308	2,149	158,010	5.89%
2016	7,891	7,131	760	100,997	7.06%
2015	7,672	7,191	481	100,997	7.12%
2014	5,871	5,871	-	82,459	7.12%

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.011900%	\$ 10,010	\$ 135,653	7.38%	63.38%
2019	0.014060%	11,293	156,889	7.20%	63.13%
2018	0.014258%	11,229	156,018	7.20%	61.89%
2017	0.014606%	11,554	158,010	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	\$ 1,594	\$ 1,785	\$ (191)	\$ 167,970	1.06%
2019	1,825	1,834	(9)	156,889	1.17%
2018	1,830	1,847	(17)	156,018	1.18%
2017	1,837	1,490	347	158,010	0.94%

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Required Supplementary Information
For the Years Ended December 31, 2020 and 2019

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The recreation service district adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The recreation service district, on or before the October meeting shall determine the amount of taxes that shall be levied for district purposes and shall levy all such taxes in specific amounts. N.D.C.C. 11-23-05
- Each budget is controlled by the accountant 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. N.D.C.C. 57-15-31.1
- All appropriations laps at year-end.

NOTE 2: SCHEDULE OF EMPLOYER 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 for those years for which information is available will be presented.

NOTE 3: PENSION AND OPEB – CHANGES IN BENEFIT TERMS

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: PENSION AND OPEB – CHANGES OF ASSUMPTIONS

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.



**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 District Commissioners
Lake Metigoshe Recreation Service District
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Lake Metigoshe Recreation Service District as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Lake Metigoshe Recreation Service District's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lake Metigoshe Recreation Service 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 the Lake Metigoshe Recreation Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Metigoshe Recreation Service 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Audit Findings* as item 2020-001 that we consider to be a significant deficiency.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

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

Lake Metigoshe Recreation Service District’s Response to Findings

The Lake Metigoshe Recreation Service District’s response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. The Lake Metigoshe Recreation Service District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 15, 2021

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Summary of Auditor's Results

For the Years Ended December 31, 2020 and 2019

Financial Statements

Type of Report Issued:

Governmental Activities
Business-Type Activities
Major Funds

Unmodified
Unmodified
Unmodified

Internal control over financial reporting

Material weaknesses identified?

Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

Yes None Noted

Noncompliance material to financial statements noted?

Yes None Noted

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Schedule of Audit Findings

For the Years Ended December 31, 2020 and 2019

2020 - 001 LACK OF SEGREGATION OF DUTIES - SIGNIFICANT DEFICIENCY

Condition

The Lake Metigoshe Recreation Service 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, recording receipts and disbursements 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 districts.

Cause

Management has chosen to allocate economic resources to other functions of the Lake Metigoshe Recreation Service District.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Lake Metigoshe Recreation Service District's financial condition.

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.

Lake Metigoshe Recreation Service District's Response

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Lake Metigoshe Recreation Service District.

STATE AUDITOR
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GOVERNANCE COMMUNICATION

Board of District Commissioners
Lake Metigoshe Recreation Service District
Bottineau, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Lake Metigoshe Recreation Service District, North Dakota, for the years ended December 31, 2020 and 2019 which collectively comprise the Lake Metigoshe Recreation Service District's basic financial statements, and have issued our report thereon dated October 15, 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 August 5, 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 the Lake Metigoshe Recreation Service District'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 the Lake Metigoshe Recreation Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 October 15, 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 District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of District Commissioners and management of the Lake Metigoshe Recreation Service District, 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 the Lake Metigoshe Recreation Service District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Lake Metigoshe Recreation Service District.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 15, 2021



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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