

VALLEY CITY PARK DISTRICT
VALLEY CITY, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

VALLEY CITY PARK DISTRICT
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VALLEY CITY PARK DISTRICT
LIST OF OFFICIALS
DECEMBER 31, 2021

PARK BOARD

William Murray
Susan Kringlie
Ross Powell
Jordyn Heck
Rich Schueneman

EMPLOYEES:

Tyler Jacobson	Director
Ashley Martinson	Office manager

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Valley City Park District
Valley City, North Dakota

Opinion

I have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Valley City Park District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Valley City Park District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Valley City Park District as of December 31, 2021, and the respective changes in modified cash basis financial position and the cash flows, where applicable, for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

I conducted my audit in accordance with modified cash basis of accounting and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Valley City Park District and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter-Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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 the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards and Government Auditing Standards 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, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgement 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 Valley City 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 in the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley City Park District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Matters

Other information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated June 15, 2024, on my considerations of the City's internal control over financial reporting and on my 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 my 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 City'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 City's internal control over financial reporting and compliance.

Fargo, North Dakota
June 15, 2024

VALLEY CITY PARK DISTRICT
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS

Cash and investments	6,635,274.81
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Total Assets	6,635,274.81
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LIABILITIES

Total liabilities	-
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NET POSITION

Invested in capital assets, net of related debt

Restricted for:

Capital projects	928,071.35
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Debt service	5,244,556.02
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Unrestricted	462,647.44
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Total Net Position	6,635,274.81
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The accompanying notes are an integral part of these financial statements.

VALLEY CITY PARK DISTRICT
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

		Program Revenues		Net (expense) Revenue & Change in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Program				
Parks and rec programs	1,814,356.59	1,347,555.66		(466,800.93)
Support Services				
Administrative	436,538.13			(436,538.13)
Debt Service	1,842,921.43			(1,842,921.43)
Total Governmental Activities	4,093,816.15	1,347,555.66	-	(2,746,260.49)
General Revenues				
Taxes:				
Property taxes				719,419.50
Management fees				58,291.68
State aid not restricted to specific program:				135,471.32
Contributions				1,885,379.38
Interest income and other revenue				73,911.38
Debt proceeds				-
Total General Revenues				2,872,473.26
Change in Net Position				126,212.77
Net Position- Beginning				6,509,062.04
Net Position- Ending				6,635,274.81

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

VALLEY CITY PARK DISTRICT
BALANCE SHEET- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL
ASSETS			
Cash and investments	462,647.44	6,172,627.37	6,635,274.81
Total Assets	462,647.44	6,172,627.37	6,635,274.81
LIABILITIES			
Total liabilities	-	-	-
NET POSITION			
Restricted for Capital Projects		928,071.35	928,071.35
Restricted for Debt Service		5,244,556.02	5,244,556.02
Unreserved	462,647.44	-	462,647.44
Total Net Position	462,647.44	6,172,627.37	6,635,274.81

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

VALLEY CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	GENERAL	SPECIAL REVENUE	TOTAL GOVERNMENTAL
Property taxes	604,570.22	114,849.28	719,419.50
Intergovernmental	131,633.56	3,837.76	135,471.32
Interest	4,023.89	1,355.66	5,379.55
Charges for services	1,347,555.66		1,347,555.66
Contributions	29,206.87	1,856,172.54	1,885,379.41
Miscellaneous	126,823.51	-	126,823.51
Total Revenues	2,243,813.71	1,976,215.24	4,220,028.95
Current:			
Program			
Grounds	317,887.29		317,887.29
Recreation	146,753.58		146,753.58
Pool	76,379.28		76,379.28
Golf course	279,375.32		279,375.32
Wellness center	893,280.22		893,280.22
Support Services			-
Administrative	436,538.13	62,999.31	499,537.44
Capital outlays	-	37,681.59	37,681.59
Debt Service		1,842,921.43	1,842,921.43
Total Expenditures	2,150,213.82	1,943,602.33	4,093,816.15
Excess revenues (expenditures)	93,599.89	32,612.91	126,212.80
Other Financing Sources (Uses):			
Transfers in	-	48,027.10	48,027.10
Transfers out	(48,027.10)	-	(48,027.10)
Debt proceeds	-	-	-
Total other financing sources and uses	(48,027.10)	48,027.10	-
Net change in fund balances	45,572.79	80,640.01	126,212.80
Fund Balance- Beginning	417,074.65	6,091,987.39	6,509,062.04
Fund Balance- Ending	462,647.44	6,172,627.40	6,635,274.84

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

VALLEY CITY PARK DISTRICT
VALLEY CITY, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Valley City Park District (District) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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.

A. Reporting Entity

The accompanying financial statements present the activities of the 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 such that exclusion would cause the district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes 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.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of Net Position and the statement of activities display information about the primary government, the District. 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, and other nonexchange 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, are presented as general revenues.

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The District currently has no fiduciary funds.

The District reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes and intergovernmental revenues.

C. Measurement Focus and Basis of Accounting
Government-wide Financial Statements. In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, Net Position/fund equity, revenues and expenditures when they result from cash transactions in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

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

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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 Position 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.

D. Budgets

Based upon available financial information and requests by the board, the clerk prepares the district budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

District taxes must be levied by the governing board on or before the October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. 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.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

F. Fund Balance/ Net Position

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District council-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has not set a General Fund minimum fund balance.

G. 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

H. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the General fund budget for 2021.

EXPENDITURES OVER APPROPRIATIONS

The district did not overspend the budget for any individual funds. No remedial action is required by the district.

NOTE 3 DEPOSITS 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 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 deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any City, District, 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 December 31, 2021, the District's carrying amount of deposits was \$6,635,275. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

Concentration of Credit Risk

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 4: PROPERTY TAXES

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

NOTE 5: LONG-TERM DEBT

Below is a summary of long-term debt owed by the District. The information is not included in the financial statements, as the financial statements are prepared on the modified cash basis.

	Payable 2020	Increases	Decreases	Payable 2021	Due Within One Year
Bonds Payable	9,155,000		230,000	8,925,000	4,635,000
Notes payable	3,884,147		1,305,861	2,578,286	

BONDS PAYABLE

Bonds payable consist of the following:

	Original Amount	Maturity Date	Interest Rate	Balance Outstanding
Refunding 2014	5,340,000	05/01/2022	1.70-4.75%	4,345,000
Refunding 2020	4,580,000	05/01/2037	1.10-3.50%	4,580,000

Year Ending December 31	Bonds Payable		Refunded Bonds	
	Principal	Interest	Principal	Interest
2022	290,000	124,065	4,345,000	78,845
2023	250,000	120,377		
2024	285,000	116,009		
2025	290,000	110,615		
2026	220,000	105,240		
2027-2031	1,180,000	436,746		
2032-2036	1,360,000	240,664		
2037	705,000	12,337		
TOTAL	4,580,000	1,266,054	4,345,000	78,845

The Refunding 2014 bonds were refinanced and will be called in 2022.

VALLEY CITY PARK DISTRICT
Notes to Financial Statements- Continued

NOTES PAYABLE

Note payable due in quarterly installments of interest due at 2.85%. Principal is due in full in January 2022. District has the right to make principal payments as donations are received. Note is secured by pledges receivable and personal guarantee. Note used for Wellness Center 2,176,920

Notes payable due in monthly installments of \$2,960, including interest at 4.50%, through December 2022; monthly installments of \$3,026, including interest through October 2027; balloon payment of \$289,715. Note used for park shop. 401,366

Total 2,578,286
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NOTE 6: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due.

	Transfer in	Transfer out
General Fund		48,027
Special Revenue Fund	48,027	

NOTE 7: 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 (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 liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The district has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

VALLEY CITY PARK DISTRICT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2021

Valley City Park District
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Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Governing Board
Valley City Park District
Valley City, North Dakota

I 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, business-type activities, and each major fund of Valley City Park District as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated June 15, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Valley City Park District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency (2021-001 and 2021-002).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley City Park District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in my audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Harold Rotunda, CPA
June 15, 2024

VALLEY CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2021

2021-001 Segregation of Duties

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled properly.

Condition

The City has one employee who is responsible for most accounting functions. The city auditor collects monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

The City is subject to size and budget constraints limiting the number of personnel within the accounting department

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

I recommend the City review its internal controls over accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of the this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

View of Responsible Officials and Planned Corrective Actions

The Council will review its current monitoring functions and determine if any additional monitoring procedures are warranted. However, due to the small size of the City, it is not cost effective for the City to hire additional accounting personnel to address this deficiency.

VALLEY CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's personnel prepared periodic financial information for internal use that meets the needs of management and the Council. However, the City currently does not prepare the financial statements, including accompanying note disclosures as required by accounting principles generally accepted in the United States of America. The City elected to have the auditor assist in the preparation of the financial statements and notes.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

I recommend the City consider the additional risk of having the auditor assist in the in the preparation of financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

View of Responsible Officials and Planned Corrective Actions

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.