



**NORTH DAKOTA
OFFICE OF THE
STATE AUDITOR**

State Auditor Joshua C. Gallion

Lake Metigoshe Recreation Service District

Bottineau, North Dakota

Audit Report for the Year Ended December 31, 2022 and 2021

Client Code: PS5029



Photo credit: North Dakota Tourism



Office of the
State Auditor

LAKE METIGOSHE RECREATION SERVICE DISTRICT

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For the Years Ended December 31, 2022 and 2021

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LAKE METIGOSHE RECREATION SERVICE DISTRICT

District Officials

December 31, 2022 and 2021

DISTRICT OFFICIALS

At December 31, 2022

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

At December 31, 2021

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Lake Metigoshe Recreation Service District, Bottineau, North Dakota, as of and for the years ended December 31, 2022 and 2021, 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.

In our opinion, the accompanying 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 Lake Metigoshe Recreation Service District, North Dakota, as of December 31, 2022 and 2021, and the respective changes in financial position and where applicable cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Metigoshe Recreation Service District'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.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Independent Auditor's Report – Continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Metigoshe Recreation Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Metigoshe Recreation Service District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Independent Auditor's Report – Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with GAS, we have also issued our report dated October 2, 2023, on our consideration of 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 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 GAS in considering Lake Metigoshe Recreation Service District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 2, 2023

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position

December 31, 2022

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash | \$ 500 | \$ 187,971 | \$ 188,471 |
| Investments | - | 900,413 | 900,413 |
| Special Assessments Receivable | - | 48,799 | 48,799 |
| Investment in Cooperatives | - | 56,713 | 56,713 |
| Capital Assets | | | |
| Nondepreciable | - | 50,607 | 50,607 |
| Depreciable, Net | <u>-</u> | <u>3,354,661</u> | <u>3,354,661</u> |
| Total Assets | <u>\$ 500</u> | <u>\$ 4,599,164</u> | <u>\$ 4,599,664</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | <u>\$ -</u> | <u>\$ 309,808</u> | <u>\$ 309,808</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ 64,737 | \$ 64,737 |
| Salaries and Benefits Payable | 4,844 | 4,293 | 9,137 |
| Interest Payable | - | - | - |
| Long-Term Liabilities | | | |
| Due Within One Year | - | - | - |
| Long-Term Debt | - | - | - |
| Due After One Year | - | - | - |
| Compensated Absences Payable | - | 14,255 | 14,255 |
| Net Pension & OPEB Liability | <u>-</u> | <u>452,115</u> | <u>452,115</u> |
| Total Liabilities | <u>\$ 4,844</u> | <u>\$ 535,400</u> | <u>\$ 540,244</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | <u>\$ -</u> | <u>\$ 359,630</u> | <u>\$ 359,630</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ - | \$ 3,405,268 | \$ 3,405,268 |
| Unrestricted | <u>(4,344)</u> | <u>608,674</u> | <u>604,330</u> |
| Total Net Position | <u>\$ (4,344)</u> | <u>\$ 4,013,942</u> | <u>\$ 4,009,598</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, 2022

| Functions/Programs | Expenses | Program | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|------------|--------------|--|----------------------------|---------------------------------|
| | | Revenues | Fees, Fines, and Charges for Services | Governmental Activities | Business- Type Activities |
| | | | | | Total |
| Governmental Activities | | | | | |
| General Government | \$ 30,744 | \$ - | \$ (30,744) | \$ - | \$ (30,744) |
| Business-Type Activities | | | | | |
| Sewer | \$ 746,578 | \$ 585,555 | \$ - | \$ (161,023) | \$ - |
| Garbage | 219,316 | 227,955 | - | 8,639 | - |
| Total Business-Type Activities | \$ 965,894 | \$ 813,510 | \$ - | \$ (152,384) | \$ - |
| Total Primary Government | \$ 996,638 | \$ 813,510 | \$ (30,744) | \$ (152,384) | \$ (30,744) |
| General Revenues | | | | | |
| Property Taxes | \$ 12,707 | \$ - | \$ 12,707 | \$ - | \$ 12,707 |
| Unrestricted Investment Earnings | 49 | 6,128 | 6,128 | 6,177 | 6,177 |
| Gain on Sale of Capital Assets | - | 7,957 | 7,957 | 7,957 | 7,957 |
| Miscellaneous Revenue | - | 17,643 | 17,643 | 17,643 | 17,643 |
| Net Cash Transfers | 17,665 | (17,665) | (17,665) | (17,665) | (17,665) |
| Total General Revenues | \$ 30,421 | \$ 14,063 | \$ 44,484 | \$ 44,484 | \$ 44,484 |
| Changes in Net Position | \$ (323) | \$ (138,321) | \$ (138,644) | \$ (138,644) | \$ (138,644) |
| Net Position - January 1 | \$ (4,021) | \$ 4,152,263 | \$ 4,148,242 | \$ 4,148,242 | \$ 4,148,242 |
| Net Position - December 31 | \$ (4,344) | \$ 4,013,942 | \$ 4,009,598 | \$ 4,009,598 | \$ 4,009,598 |

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2022

| | General Fund |
|--|-------------------|
| ASSETS | |
| Cash | <u>\$ 500</u> |
| Total Assets | <u>\$ 500</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts Payable | \$ - |
| Salaries and Benefits Payable | <u>4,844</u> |
| Fund Balances | |
| Unassigned | <u>\$ (4,344)</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 of Governmental Funds to the Statement of Net Position
December 31, 2022

Total Fund Balances for Governmental Funds \$ (4,344)

Total Net Position of Governmental Activities \$ (4,344)

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, 2022

| | General Fund |
|--|--------------------|
| REVENUES | |
| Property Taxes | \$ 12,707 |
| Interest | <u>49</u> |
| Total Revenues | <u>\$ 12,756</u> |
| EXPENDITURES | |
| General Government | <u>\$ 30,744</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (17,988)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers In | \$ 18,500 |
| Transfers Out | <u>(835)</u> |
| Total Other Financing Sources and Uses | <u>\$ 17,665</u> |
| Net Change in Fund Balances | <u>\$ (323)</u> |
| Fund Balance - January 1 | <u>\$ (4,021)</u> |
| Fund Balance - December 31 | <u>\$ (4,344)</u> |

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (323)

Change in Net Position of Governmental Activities \$ (323)

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement Net Position – Proprietary Funds

For the Year Ended December 31, 2022

| | Business-Type Activities | | |
|---|--------------------------|--------------|--------------|
| | Sewer Fund | Garbage Fund | Total |
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 168,656 | \$ 19,315 | \$ 187,971 |
| Investments | 887,913 | 12,500 | 900,413 |
| Total Current Assets | \$ 1,056,569 | \$ 31,815 | \$ 1,088,384 |
| Noncurrent Assets | | | |
| Special Assessments Receivable | \$ 34,159 | \$ 14,640 | \$ 48,799 |
| Investments in Cooperatives | 56,713 | - | 56,713 |
| Capital Assets | | | |
| Nondepreciable | 50,607 | - | 50,607 |
| Depreciable, Net | 3,354,661 | - | 3,354,661 |
| Total Noncurrent Assets | \$ 3,496,140 | \$ 14,640 | \$ 3,510,780 |
| Total Assets | \$ 4,552,709 | \$ 46,455 | \$ 4,599,164 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | \$ 309,808 | \$ - | \$ 309,808 |
| Total Assets & Deferred Outflows of Resources | \$ 4,862,517 | \$ 46,455 | \$ 4,908,972 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 46,753 | \$ 17,984 | \$ 64,737 |
| Salaries and Benefits Payable | 4,293 | - | 4,293 |
| Interest Payable | - | - | - |
| Long-Term Debt | - | - | - |
| Total Current Liabilities | \$ 51,046 | \$ 17,984 | \$ 69,030 |
| Noncurrent Liabilities | | | |
| Compensated Absences | \$ 14,255 | \$ - | \$ 14,255 |
| Net Pension Liability | 452,115 | - | 452,115 |
| Total Noncurrent Liabilities | \$ 466,370 | \$ - | \$ 466,370 |
| Total Liabilities | \$ 517,416 | \$ 17,984 | \$ 535,400 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | \$ 359,630 | \$ - | \$ 359,630 |
| Total Liabilities & Deferred Inflows of Resources | \$ 877,046 | \$ 17,984 | \$ 895,030 |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ 3,405,268 | \$ - | \$ 3,405,268 |
| Unrestricted | 580,203 | 28,471 | 608,674 |
| Total Net Position | \$ 3,985,471 | \$ 28,471 | \$ 4,013,942 |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

December 31, 2022

| | Business-Type Activities | | |
|--|--------------------------|------------------------|-------------------------|
| | Sewer Fund | Garbage Fund | Total |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 585,555 | \$ 227,955 | \$ 813,510 |
| Miscellaneous | 17,367 | 276 | 17,643 |
| Total Operating Revenues | <u>\$ 602,922</u> | <u>\$ 228,231</u> | <u>\$ 831,153</u> |
| OPERATING EXPENSES | | | |
| Salaries & Wages | \$ 444,608 | \$ - | \$ 444,608 |
| Utilities | 51,560 | - | 51,560 |
| Supplies, Repairs, & Maintenance | 99,030 | - | 99,030 |
| Insurance | 32,341 | - | 32,341 |
| Professional Fees | - | - | - |
| Miscellaneous | 1,780 | - | 1,780 |
| Garbage Operations | - | 215,928 | 215,928 |
| Depreciation | 120,647 | - | 120,647 |
| Total Operating Expenses | <u>\$ 749,966</u> | <u>\$ 215,928</u> | <u>\$ 965,894</u> |
| Operating Income (Loss) | <u>\$ (147,044)</u> | <u>\$ 12,303</u> | <u>\$ (134,741)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | \$ 5,870 | \$ 258 | \$ 6,128 |
| Gain on Capital Assets | 7,957 | - | 7,957 |
| Total Nonoperating Revenues (Expenses) | <u>\$ 13,827</u> | <u>\$ 258</u> | <u>\$ 14,085</u> |
| Income (Loss) Before Contributions and Transfers | <u>\$ (133,217)</u> | <u>\$ 12,561</u> | <u>\$ (120,656)</u> |
| TRANSFERS | | | |
| Transfers In | \$ 185,985 | \$ - | \$ 185,985 |
| Transfers Out | (193,650) | (10,000) | (203,650) |
| Total Transfers | <u>\$ (7,665)</u> | <u>\$ (10,000)</u> | <u>\$ (17,665)</u> |
| Change in Net Position | <u>\$ (140,882)</u> | <u>\$ 2,561</u> | <u>\$ (138,321)</u> |
| Net Position - January 1 | <u>\$ 4,126,353</u> | <u>\$ 25,910</u> | <u>\$ 4,152,263</u> |
| Net Position - December 31 | <u>\$ 3,985,471</u> | <u>\$ 28,471</u> | <u>\$ 4,013,942</u> |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Cash Flows – Proprietary Funds

December 31, 2022

| | Business-Type Activities | | |
|--|--------------------------|--------------------|---------------------|
| | Sewer Fund | Garbage Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 586,478 | \$ 228,350 | \$ 814,828 |
| Payments to Suppliers | (142,268) | (215,807) | (358,075) |
| Payments to Employees | (215,474) | - | (215,474) |
| Miscellaneous Revenue | 14,074 | 276 | 14,350 |
| Net Cash Provided by Operating Activities | <u>\$ 242,810</u> | <u>\$ 12,819</u> | <u>\$ 255,629</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers In | \$ 185,985 | \$ - | \$ 185,985 |
| Transfers Out | (193,650) | (10,000) | (203,650) |
| Net Cash Used by Noncapital Financing Activities | <u>\$ (7,665)</u> | <u>\$ (10,000)</u> | <u>\$ (17,665)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of Capital Assets | \$ (132,652) | \$ - | \$ (132,652) |
| Principal Paid on Capital Debt | - | - | - |
| Interest and Fees Paid on Capital Debt | - | - | - |
| Net Cash Used by Capital and Related Financing Activities | <u>\$ (132,652)</u> | <u>\$ -</u> | <u>\$ (132,652)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment in Certificate of Deposit | \$ (150,000) | \$ - | \$ (150,000) |
| Interest Income | 5,869 | 258 | \$ 6,127 |
| Net Cash Provided by Capital and Related Financing Activities | <u>\$ (144,131)</u> | <u>\$ 258</u> | <u>\$ (143,873)</u> |
| Net Increase in Cash | <u>\$ (41,638)</u> | <u>\$ 3,077</u> | <u>\$ (38,561)</u> |
| Cash - January 1 | <u>\$ 210,294</u> | <u>\$ 16,238</u> | <u>\$ 226,532</u> |
| Cash - December 31 | <u>\$ 168,656</u> | <u>\$ 19,315</u> | <u>\$ 187,971</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating Income | <u>\$ (147,044)</u> | <u>\$ 12,303</u> | <u>\$ (134,741)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation | \$ 120,797 | \$ - | \$ 120,797 |
| Change in Assets and Liabilities | | | |
| Special Assessments Receivable | 923 | 395 | 1,318 |
| Investment in Cooperatives | (3,293) | - | (3,293) |
| Deferred Pension and OPEB Outflows | (119,047) | - | (119,047) |
| Accounts Payable | 42,293 | 121 | 42,414 |
| Salaries Payable | - | - | - |
| Payroll Taxes Payable | 144 | - | 144 |
| Compensated Absences | 1,929 | - | 1,929 |
| Net Pension and OPEB Liability | 293,668 | - | 293,668 |
| Deferred Pension and OPEB Inflows | 52,440 | - | 52,440 |
| Net Cash Provided by Operating Activities | <u>\$ 242,810</u> | <u>\$ 12,819</u> | <u>\$ 255,629</u> |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Net Position

December 31, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash | \$ 500 | \$ 226,532 | \$ 227,032 |
| Investments | - | 750,413 | 750,413 |
| Special Assessments Receivable | - | 50,117 | 50,117 |
| Investment in Cooperatives | - | 53,420 | 53,420 |
| Capital Assets | | | |
| Nondepreciable | - | 50,607 | 50,607 |
| Depreciable, Net | <u>-</u> | <u>3,334,848</u> | <u>3,334,848</u> |
| Total Assets | <u>\$ 500</u> | <u>\$ 4,465,937</u> | <u>\$ 4,466,437</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | <u>\$ -</u> | <u>\$ 190,761</u> | <u>\$ 190,761</u> |
| Total Assets & Deferred Outflows of Resources | <u>\$ 500</u> | <u>\$ 4,656,698</u> | <u>\$ 4,657,198</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ 22,323 | \$ 22,323 |
| Salaries and Benefits Payable | 4,521 | 4,149 | 8,670 |
| Interest Payable | - | - | - |
| Long-Term Liabilities | | | |
| Due Within One Year | | | |
| Long-Term Debt | - | - | - |
| Due After One Year | | | |
| Compensated Absences Payable | - | 12,326 | 12,326 |
| Net Pension & OPEB Liability | <u>-</u> | <u>158,447</u> | <u>158,447</u> |
| Total Liabilities | <u>\$ 4,521</u> | <u>\$ 197,245</u> | <u>\$ 201,766</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Derived from Pensions and OPEB | <u>\$ -</u> | <u>\$ 307,190</u> | <u>\$ 307,190</u> |
| Total Liabilities & Deferred Inflows of Resources | <u>\$ 4,521</u> | <u>\$ 504,435</u> | <u>\$ 508,956</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | \$ - | \$ 3,385,455 | \$ 3,385,455 |
| Unrestricted | <u>(4,021)</u> | <u>766,808</u> | <u>762,787</u> |
| Total Net Position | <u>\$ (4,021)</u> | <u>\$ 4,152,263</u> | <u>\$ 4,148,242</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, 2021

| 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 | \$ 43,564 | \$ - | \$ (43,564) | \$ - | \$ (43,564) |
| Business-Type Activities | | | | | |
| Sewer | \$ 468,316 | \$ 563,557 | \$ - | \$ 95,241 | \$ - |
| Garbage | 214,356 | 222,492 | - | 8,136 | - |
| Total Business-Type Activities | \$ 682,672 | \$ 786,049 | \$ - | \$ 103,377 | \$ - |
| Total Primary Government | \$ 726,236 | \$ 786,049 | \$ (43,564) | \$ 103,377 | \$ (43,564) |
| General Revenues | | | | | |
| Property Taxes | \$ 13,276 | \$ - | \$ - | \$ 13,276 | |
| Unrestricted Investment Earnings | 52 | 9,505 | 9,505 | 9,557 | |
| Miscellaneous Revenue | - | 29,794 | 29,794 | 29,794 | |
| Net Cash Transfers | 30,705 | (30,706) | (30,706) | (1) | |
| Total General Revenues | \$ 44,033 | \$ 8,593 | \$ 8,593 | \$ 52,626 | |
| Changes in Net Position | \$ 469 | \$ 111,970 | \$ 111,970 | \$ 112,439 | |
| Net Position - January 1 | \$ (4,490) | \$ 4,040,293 | \$ 4,040,293 | \$ 4,035,803 | |
| Net Position - December 31 | \$ (4,021) | \$ 4,152,263 | \$ 4,152,263 | \$ 4,148,242 | |

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Balance Sheet – Governmental Funds

December 31, 2021

| | General Fund |
|--|-------------------|
| ASSETS | |
| Cash | <u>\$ 500</u> |
| Total Assets | <u>\$ 500</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts Payable | <u>\$ -</u> |
| Salaries and Benefits Payable | <u>4,521</u> |
| Total Liabilities | <u>\$ 4,521</u> |
| Total Liabilities & Deferred Inflows of Resources | <u>\$ 4,521</u> |
| Fund Balances | |
| Unassigned | <u>\$ (4,021)</u> |
| Total Fund Balances | <u>\$ (4,021)</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 of Governmental Funds to the Statement of Net Position
December 31, 2021**

| | |
|--|-------------------|
| Total Fund Balances for Governmental Funds | \$ (4,021) |
| Total Net Position of Governmental Activities | \$ (4,021) |

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, 2021

| | General Fund |
|--|--------------------|
| REVENUES | |
| Property Taxes | \$ 13,276 |
| Interest | <u>52</u> |
| Total Revenues | <u>\$ 13,328</u> |
| EXPENDITURES | |
| General Government | <u>\$ 43,564</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (30,236)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers In | \$ 31,500 |
| Transfers Out | <u>(795)</u> |
| Total Other Financing Sources and Uses | <u>\$ 30,705</u> |
| Net Change in Fund Balances | <u>\$ 469</u> |
| Fund Balance - January 1 | <u>\$ (4,490)</u> |
| Fund Balance - December 31 | <u>\$ (4,021)</u> |

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, 2021

| | |
|---|---------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 469 |
| Change in Net Position of Governmental Activities | <u>\$ 469</u> |

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement Net Position – Proprietary Funds

For the Year Ended December 31, 2021

| | Business-Type Activities | | | Total |
|---|--------------------------|--------------|--------------|-------|
| | Sewer Fund | Garbage Fund | | |
| | | | | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash | \$ 210,294 | \$ 16,238 | \$ 226,532 | |
| Investments | 737,913 | 12,500 | 750,413 | |
| Total Current Assets | \$ 948,207 | \$ 28,738 | \$ 976,945 | |
| Noncurrent Assets | | | | |
| Special Assessments Receivable | \$ 35,082 | \$ 15,035 | \$ 50,117 | |
| Investments in Cooperatives | 53,420 | - | 53,420 | |
| Capital Assets | | | | |
| Nondepreciable | 50,607 | - | 50,607 | |
| Depreciable, Net | 3,334,848 | - | 3,334,848 | |
| Total Noncurrent Assets | \$ 3,473,957 | \$ 15,035 | \$ 3,488,992 | |
| Total Assets | \$ 4,422,164 | \$ 43,773 | \$ 4,465,937 | |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Derived from Pensions and OPEB | \$ 190,761 | \$ - | \$ 190,761 | |
| Total Assets & Deferred Outflows of Resources | \$ 4,612,925 | \$ 43,773 | \$ 4,656,698 | |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 4,460 | \$ 17,863 | \$ 22,323 | |
| Salaries and Benefits Payable | 4,149 | - | 4,149 | |
| Interest Payable | - | - | - | |
| Long-Term Debt | - | - | - | |
| Total Current Liabilities | \$ 8,609 | \$ 17,863 | \$ 26,472 | |
| Noncurrent Liabilities | | | | |
| Compensated Absences | \$ 12,326 | \$ - | \$ 12,326 | |
| Net Pension Liability | 158,447 | - | 158,447 | |
| Total Noncurrent Liabilities | \$ 170,773 | \$ - | \$ 170,773 | |
| Total Liabilities | \$ 179,382 | \$ 17,863 | \$ 197,245 | |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Derived from Pensions and OPEB | \$ 307,190 | \$ - | \$ 307,190 | |
| Total Liabilities & Deferred Inflows of Resources | \$ 486,572 | \$ 17,863 | \$ 504,435 | |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 3,385,455 | \$ - | \$ 3,385,455 | |
| Unrestricted | 740,898 | 25,910 | 766,808 | |
| Total Net Position | \$ 4,126,353 | \$ 25,910 | \$ 4,152,263 | |

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

December 31, 2021

| | Business-Type Activities | | |
|--|--------------------------|-----------------|------------------|
| | Sewer Fund | Garbage Fund | Total |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 563,557 | \$ 222,492 | \$ 786,049 |
| Miscellaneous | 28,943 | 851 | 29,794 |
| Total Operating Revenues | \$ 592,500 | \$ 223,343 | \$ 815,843 |
| OPERATING EXPENSES | | | |
| Salaries & Wages | \$ 221,227 | \$ - | \$ 221,227 |
| Utilities | 50,740 | - | 50,740 |
| Supplies, Repairs, & Maintenance | 52,238 | - | 52,238 |
| Insurance | 31,442 | - | 31,442 |
| Professional Fees | 438 | - | 438 |
| Miscellaneous | 2,186 | - | 2,186 |
| Garbage Operations | - | 214,356 | 214,356 |
| Depreciation | 109,628 | - | 109,628 |
| Total Operating Expenses | \$ 467,899 | \$ 214,356 | \$ 682,255 |
| Operating Income (Loss) | \$ 124,601 | \$ 8,987 | \$ 133,588 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest Income | \$ 9,222 | \$ 283 | \$ 9,505 |
| Interest Expense and Service Charges | (417) | - | (417) |
| Total Nonoperating Revenues (Expenses) | \$ 8,805 | \$ 283 | \$ 9,088 |
| Income (Loss) Before Contributions and Transfers | \$ 133,406 | \$ 9,270 | \$ 142,676 |
| TRANSFERS | | | |
| Transfers In | \$ 175,509 | \$ - | \$ 175,509 |
| Transfers Out | (204,715) | (1,500) | (206,215) |
| Total Transfers | \$ (29,206) | \$ (1,500) | \$ (30,706) |
| Change in Net Position | \$ 104,200 | \$ 7,770 | \$ 111,970 |
| Net Position - January 1 | \$ 4,022,153 | \$ 18,140 | \$ 4,040,293 |
| Net Position - December 31 | \$ 4,126,353 | \$ 25,910 | \$ 4,152,263 |

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Statement of Cash Flows – Proprietary Funds

December 31, 2021

| | Business-Type Activities | | |
|--|--------------------------|-------------------|--------------------|
| | Sewer Fund | Garbage Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 557,991 | \$ 220,107 | \$ 778,098 |
| Payments to Suppliers | (140,246) | (214,356) | (354,602) |
| Payments to Employees | (205,458) | - | (205,458) |
| Miscellaneous Revenue | 24,928 | 851 | 25,779 |
| Net Cash Provided by Operating Activities | <u>\$ 237,215</u> | <u>\$ 6,602</u> | <u>\$ 243,817</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers In | \$ 175,509 | \$ - | \$ 175,509 |
| Transfers Out | (204,715) | (1,500) | (206,215) |
| Net Cash Used by Noncapital Financing Activities | <u>\$ (29,206)</u> | <u>\$ (1,500)</u> | <u>\$ (30,706)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of Capital Assets | \$ (6,089) | \$ - | \$ (6,089) |
| Principal Paid on Capital Debt | (25,000) | - | (25,000) |
| Interest and Fees Paid on Capital Debt | (284) | - | (284) |
| Net Cash Used by Capital and Related Financing Activities | <u>\$ (31,373)</u> | <u>\$ -</u> | <u>\$ (31,373)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment in Certificate of Deposit | \$ (100,376) | \$ - | \$ (100,376) |
| Interest Income | 9,222 | 283 | \$ 9,505 |
| Net Cash Provided by Capital and Related Financing Activities | <u>\$ (91,154)</u> | <u>\$ 283</u> | <u>\$ (90,871)</u> |
| Net Increase in Cash | <u>\$ 85,482</u> | <u>\$ 5,385</u> | <u>\$ 90,867</u> |
| Cash - January 1 | <u>\$ 124,812</u> | <u>\$ 10,853</u> | <u>\$ 135,665</u> |
| Cash - December 31 | <u>\$ 210,294</u> | <u>\$ 16,238</u> | <u>\$ 226,532</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating Income | <u>\$ 124,601</u> | <u>\$ 8,987</u> | <u>\$ 133,588</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Depreciation | \$ 109,628 | \$ - | \$ 109,628 |
| Change in Assets and Liabilities | | | |
| Special Assessments Receivable | (5,566) | (2,385) | (7,951) |
| Investment in Cooperatives | (4,013) | - | (4,013) |
| Deferred Pension and OPEB Outflows | 111,848 | - | 111,848 |
| Accounts Payable | (3,203) | - | (3,203) |
| Salaries Payable | - | - | - |
| Payroll Taxes Payable | 1,618 | - | 1,618 |
| Compensated Absences | 1,956 | - | 1,956 |
| Net Pension and OPEB Liability | (335,106) | - | (335,106) |
| Deferred Pension and OPEB Inflows | 235,453 | - | 235,453 |
| Net Cash Provided by Operating Activities | <u>\$ 237,216</u> | <u>\$ 6,602</u> | <u>\$ 243,818</u> |

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 Year Ended December 31, 2022 and 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake Metigoshe Recreation Service District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government'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 are such that exclusion would cause its financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. 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 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, the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the 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 for each fund category, *governmental* and *fiduciary*, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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 funds:

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

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.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Proprietary Fund 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 property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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 includes 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 for the primary government are reported in the business-type activities column 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 of the District are depreciated using the straight-line method over the following estimated useful lives (in years):

| | |
|----------------|------------|
| Land | Indefinite |
| Infrastructure | 20-100 |
| Buildings | 40 |
| Equipment | 7 |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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

Fund Balances

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

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

Net Position

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

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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.

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 District, Bottineau, 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, 2022, the District's carrying amount of deposits totaled \$1,024,785 and the bank balances totaled \$1,111,062. Of the bank balances, \$524,747 was covered by Federal Depository Insurance. The remaining bank balances, besides \$130,828 of the bank balances which were uninsured and uncollateralized, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the District's carrying amount of deposits totaled \$1,096,902 and the bank balances totaled \$1,000,960. Of the bank balances, \$531,090 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: TRANSFERS

Transfers are used to subsidize the general fund as well as for budgeted transfers between various sewer funds in accordance with budget authority.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

NOTE 5 CAPITAL ASSETS

Business-Type Activities

The following is a summary of changes in capital assets for the year ended December 31, 2022 and 2021 for the District:

| Sewer Fund - 2022 | Balance Jan 1 | Increases | Decreases | Balance Dec 31 |
|--|--------------------------|------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated Land | \$ 50,607 | \$ - | \$ - | \$ 50,607 |
| Capital Assets Being Depreciated Infrastructure | \$ 4,893,321 | \$ 31,250 | \$ - | \$ 4,924,571 |
| Equipment | 1,000,158 | 112,753 | (27,055) | 1,085,856 |
| Buildings | 68,424 | - | - | 68,424 |
| Total Capital Assets, Being Depreciated | \$ 5,961,903 | \$ 144,003 | \$ (27,055) | \$ 6,078,851 |
| Less Accumulated Depreciation Infrastructure | \$ 1,692,227 | \$ 79,517 | \$ - | \$ 1,771,744 |
| Equipment | 874,101 | 39,420 | 23,512 | 890,009 |
| Buildings | 60,726 | 1,711 | - | 62,437 |
| Total Accumulated Depreciation | \$ 2,627,054 | \$ 120,648 | \$ 23,512 | \$ 2,724,190 |
| Total Capital Assets Being Depreciated, Net | \$ 3,334,849 | \$ 23,355 | \$ (50,567) | \$ 3,354,661 |
| Total Capital Assets, Net | \$ 3,385,456 | \$ 23,355 | \$ (50,567) | \$ 3,405,268 |

| Sewer Fund - 2021 | Balance Jan 1 | Increases | Decreases | Balance Dec 31 |
|--|--------------------------|------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated Land | \$ 50,607 | \$ - | \$ - | \$ 50,607 |
| Capital Assets Being Depreciated Infrastructure | \$ 4,893,321 | \$ - | \$ - | \$ 4,893,321 |
| Equipment | 994,069 | 6,089 | - | 1,000,158 |
| Buildings | 68,424 | - | - | 68,424 |
| Total Capital Assets, Being Depreciated | \$ 5,955,814 | \$ 6,089 | \$ - | \$ 5,961,903 |
| Less Accumulated Depreciation Infrastructure | \$ 1,615,738 | \$ 76,489 | \$ - | \$ 1,692,227 |
| Equipment | 842,673 | 31,428 | - | 874,101 |
| Buildings | 59,016 | 1,711 | - | 60,727 |
| Total Accumulated Depreciation | \$ 2,517,427 | \$ 109,628 | \$ - | \$ 2,627,055 |
| Total Capital Assets Being Depreciated, Net | \$ 3,438,387 | \$ (103,539) | \$ - | \$ 3,334,848 |
| Total Capital Assets, Net | \$ 3,488,994 | \$ (103,539) | \$ - | \$ 3,385,455 |

Depreciation expense was charged to conservation of natural resources.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

NOTE 6 LONG-TERM LIABILITIES

Business-Type Activities

During the years ended December 31, 2022 and 2021, the following changes occurred in governmental activities long-term liabilities:

| Sewer Fund - 2022 | Balance Jan 1 | Increases | Decreases | Balance Dec 31 | Due Within One Year |
|---------------------------------|------------------|------------|-----------|-------------------|------------------------|
| Long-Term Debt Bonds Payable | \$ - | \$ - | | \$ - | \$ - |
| Compensated Absences * | 12,326 | 1,929 | - | 14,255 | - |
| Net Pension & OPEB Liability | 158,447 | 293,668 | - | 452,115 | - |
| Total Long-Term Liabilities | \$ 170,773 | \$ 295,597 | \$ - | \$ 466,370 | \$ - |

| Sewer Fund - 2021 | Balance Jan 1 | Increases | Decreases | Balance Dec 31 | Due Within One Year |
|---------------------------------|------------------|-----------|------------|-------------------|------------------------|
| Long-Term Debt Bonds Payable | \$ 25,000 | \$ - | \$ 25,000 | \$ - | \$ - |
| Compensated Absences * | 10,370 | 1,956 | - | 12,326 | - |
| Net Pension & OPEB Liability | 493,553 | | 335,106 | 158,447 | - |
| Total Long-Term Liabilities | \$ 528,923 | \$ 1,956 | \$ 360,106 | \$ 170,773 | \$ - |

* The change in Compensated Absences and Net Pension & OPEB Liability is shown as a net change.

NOTE 7: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

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

At December 31, 2022 and 2021, the following net pension liabilities were reported:

| | Net Pension Liability |
|-------------------|------------------------------|
| Sewer Fund - 2022 | \$ 436,042 |
| Sewer Fund - 2021 | 151,842 |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

The net pension liability was measured as of June 30, 2022 and 2021 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 its 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, 2022 and 2021, the entities had the following proportions, change in proportions, and pension expense:

| | | Increase (Decrease) in Proportion from June 30, 2022 and 2021 Measurement | Pension Expense |
|-------------------|------------|--|--------------------|
| | Proportion | | |
| Sewer Fund - 2022 | 0.015140% | 0.000572% | \$ 59,949 |
| Sewer Fund - 2021 | 0.014568% | -0.000802% | 26,863 |

At December 31, 2022 and 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

| Sewer Fund - 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 2,276 | \$ 8,329 |
| Changes of Assumptions | 260,760 | 161,657 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | 15,959 | 8,789 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 9,670 | 178,775 |
| District Contributions Subsequent to the Measurement Date | 11,906 | - |
| Total Deferred Outflows and Inflows of Resources | \$ 300,571 | \$ 357,550 |

| Sewer Fund - 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 2,621 | \$ 15,498 |
| Changes of Assumptions | 168,060 | 219,115 |
| Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | - | 56,316 |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 5,054 | 12,558 |
| District Contributions Subsequent to the Measurement Date | 11,743 | - |
| Total Deferred Outflows and Inflows of Resources | \$ 187,478 | \$ 303,487 |

\$11,906 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, 2022.

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:

| | |
|------|--------|
| 2023 | 30,304 |
| 2024 | 36,062 |
| 2025 | 1,848 |
| 2026 | 41,676 |
| 2027 | - |

Actuarial Assumptions

The total pension liability in the July 1, 2021 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% | 6.00% |
| International Equity | 21% | 6.70% |
| Private Equity | 7% | 9.50% |
| Domestic Fixed Income | 23% | 0.73% |
| International Fixed Income | 0% | 0.00% |
| Global Real Assets | 19% | 4.77% |
| 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.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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 1.92%; and the resulting Single Discount Rate is 7.00%

Sensitivity of the Employer's 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 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (4.10%) | Current Discount Rate (5.10%) | 1% Increase (6.10%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate Share of the Net Pension Liability | \$ 575,546 | \$ 436,042 | \$ 321,515 |

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 8: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2022 and 2021, the following net OPEB liabilities were reported:

| | Net OPEB Liability |
|-------------------|-------------------------------|
| Sewer Fund - 2022 | \$ 16,073 |
| Sewer Fund - 2021 | 6,605 |

The net OPEB liability was measured as of June 30, 2022 and 2021 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 its 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, 2022 and 2021, the entities had the following proportions, change in proportions, and pension expense:

| | Proportion | Increase (Decrease) in Proportion from June 30, 2022 and 2021 Measurement | OPEB Expense |
|-------------------|-------------------|--|-------------------------|
| Sewer Fund - 2022 | 0.013391% | 0.001515% | \$ 2,510 |
| Sewer Fund - 2021 | 0.011876% | -0.000024% | 512 |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

At December 31, 2022 and 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

| Sewer Fund - 2022 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 381 | \$ 138 |
| Changes of Assumptions | 4,049 | - |
| Net Difference Between Projected and Actual Investment | | |
| Earnings on Pension Plan Investments | 2,164 | 902 |
| Changes in Proportion and Differences Between Employer | | |
| Contributions and Proportionate Share of Contributions | 737 | 1,040 |
| District Contributions Subsequent to the Measurement Date | 1,906 | - |
| Total | \$ 9,237 | \$ 2,080 |

| Sewer Fund - 2021 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences Between Expected and Actual Experience | \$ 380 | \$ 181 |
| Changes of Assumptions | 1,023 | - |
| Net Difference Between Projected and Actual Investment | | |
| Earnings on Pension Plan Investments | - | 2,263 |
| Changes in Proportion and Differences Between Employer | | |
| Contributions and Proportionate Share of Contributions | - | 1,259 |
| District Contributions Subsequent to the Measurement Date | 1,880 | - |
| Total | \$ 3,283 | \$ 3,703 |

\$1,906 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, 2022.

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

| | |
|------|-------|
| 2023 | 1,520 |
| 2024 | 1,436 |
| 2025 | 1,354 |
| 2026 | 1,981 |
| 2027 | - |

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 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 or return | 5.75%, net of investment expenses |
| Cost of living adjustments | None |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Financial Statements – Continued

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, 2021 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap Domestic Equities | 33% | 5.85% |
| Small Cap Domestic Equities | 6% | 6.75% |
| Domestic Fixed Income | 40% | 0.50% |
| International Equities | 21% | 6.25% |

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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2021, 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 (4.39%) | Current Discount Rate (5.39%) | 1% Increase (6.39%) |
|---|---------------------|-------------------------------|---------------------|
| Proportionate Share of the OPEB Liability | \$ 20,517 | \$ 16,073 | \$ 12,343 |

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Budgetary Comparison Schedule - General Fund

December 31, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-------------|-------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 13,264 | \$ 13,264 | \$ 12,707 | \$ (557) |
| Interest | 30 | 30 | 49 | 19 |
| Total Revenues | \$ 13,294 | \$ 13,294 | \$ 12,756 | \$ (538) |
| EXPENDITURES | | | | |
| General Government | \$ 31,794 | \$ 31,794 | \$ 30,744 | \$ 1,050 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (18,500) | \$ (18,500) | \$ (17,988) | \$ 512 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | \$ 18,500 | \$ 18,500 | \$ 18,500 | \$ - |
| Transfers Out | - | - | (835) | (835) |
| Total Other Financing Sources and Uses | \$ 18,500 | \$ 18,500 | \$ 17,665 | \$ (835) |
| Net Change in Fund Balances | \$ - | \$ - | \$ (323) | \$ (323) |
| Fund Balances - January 1 | \$ 8,510 | \$ 8,510 | \$ (4,021) | \$ (12,531) |
| Fund Balances - December 31 | \$ 8,510 | \$ 8,510 | \$ (4,344) | \$ (12,854) |

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Budgetary Comparison Schedule - General Fund

December 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|-------------|-------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 13,730 | \$ 13,730 | \$ 13,276 | \$ (454) |
| Interest | 50 | 50 | 52 | 2 |
| Total Revenues | \$ 13,780 | \$ 13,780 | \$ 13,328 | \$ (452) |
| EXPENDITURES | | | | |
| General Government | \$ 32,280 | \$ 32,280 | \$ 43,564 | \$ (11,284) |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (18,500) | \$ (18,500) | \$ (30,236) | \$ (11,736) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | \$ 31,500 | \$ 31,500 | \$ 31,500 | \$ - |
| Transfers Out | - | - | (795) | (795) |
| Total Other Financing Sources and Uses | \$ 31,500 | \$ 31,500 | \$ 30,705 | \$ (795) |
| Net Change in Fund Balances | \$ 13,000 | \$ 13,000 | \$ 469 | \$ (12,531) |
| Fund Balances - January 1 | \$ (4,490) | \$ (4,490) | \$ (4,490) | \$ - |
| Fund Balances - December 31 | \$ 8,510 | \$ 8,510 | \$ (4,021) | \$ (12,531) |

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 and Employer Contributions
For the Year Ended December 31, 2022

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 |
|------|---|--|--------------------------|--|--|
| 2022 | 0.014568% | \$ 151,842 | \$ 175,748 | 248.10% | 54.47% |
| 2021 | 0.014568% | \$ 151,842 | \$ 164,971 | 92.04% | 78.26% |
| 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% |

The notes to the required supplementary information are an integral part of this statement.

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 |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2022 | \$ 13,237 | \$ 13,391 | \$ (154) | \$ 179,000 | 7.62% |
| 2021 | \$ 12,166 | \$ 12,105 | \$ 61 | \$ 172,500 | 7.34% |
| 2020 | \$ 12,006 | \$ 11,369 | \$ 637 | \$ 167,970 | 6.77% |
| 2019 | 11,422 | 11,452 | (30) | 156,889 | 7.30% |
| 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 notes to the required supplementary information are an integral part of this statement.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2022

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 |
|------|--|---|--------------------------|---|---|
| 2022 | 0.013391% | \$ 16,073 | \$ 138,249 | 11.63% | 56.28% |
| 2021 | 0.011876% | \$ 6,605 | \$ 129,474 | 5.10% | 76.63% |
| 2020 | 0.011900% | \$ 10,010 | \$ 135,653 | 9.37% | 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% | 11,597 | 158,010 | 7.31% | 59.78% |

The notes to the required supplementary information are an integral part of this statement.

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 |
|------|---------------------------------|--|----------------------------------|--------------------------|---|
| 2022 | \$ 1,683 | \$ 1,633 | 50 | \$ 179,000 | 1.18% |
| 2021 | \$ 1,557 | \$ 1,471 | 86 | \$ 172,500 | 1.14% |
| 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 | 158,101 | 0.94% |

The notes to the required supplementary information are an integral part of this statement.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Notes to the Required Supplementary Information
For the Years Ended December 31, 2022 and 2021

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

- The District adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund of the district.
- The budget includes proposed expenditures and means of financing them.
- The District holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the District shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The District, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- The District must file the budget with the county auditor by October 10th.
- Each budget is controlled by the District 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. NDCC 57-15-31.1
- All appropriations lapse 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, the District will present information for those years for which information is available.

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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 increased 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, 2020.

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, 2020.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Notes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

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

Independent Auditor's Report

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 Lake Metigoshe Recreation Service District as of and for the years ended December 31, 2022 and 2021, 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 2, 2023.

Report on 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) as a basis for designing 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as item 2022-001 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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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

Government Auditing Standards requires the auditor to perform limited procedures on Lake Metigoshe Recreation Service District's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. Lake Metigoshe Recreation Service District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 2, 2023

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Summary of Auditor's Results

For the Year Ended December 31, 2022 and 2021

Financial Statements

Type of Report Issued:

| | |
|--------------------------|------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Unmodified |
| Major Funds | Unmodified |

Internal control over financial reporting

Material weaknesses identified? _____ Yes X None Noted

Significant deficiencies identified not considered to be material weaknesses? X Yes _____ None Noted

Noncompliance material to financial statements noted? _____ Yes X None Noted

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Schedule of Audit Findings

For the Year Ended December 31, 2022 and 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

2022-001 – 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, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of material misstatement to the Lake Metigoshe Recreation Service District's financial condition, whether due to error or fraud.

Cause

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

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.

Repeat Finding

Yes.

Recommendation

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

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- 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 due to limited personnel. Where possible LMRSD segregates functions of approval, posting, custody of assets and reconciliations. If the board does hire more staff in the future, 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.

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GOVERNANCE COMMUNICATION

October 2, 2023

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 Lake Metigoshe Recreation Service District, North Dakota, for the year ended December 31, 2022 and 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake Metigoshe Recreation Service District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022 and 2021. We noted no transactions entered into by Lake Metigoshe Recreation Service District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

| 2022 Adjustments | Audit Adjustments | |
|---|-------------------|--------|
| | Debit | Credit |
| Business-Type Activities | | |
| Sewer Fund | | |
| <u>Record Adjustments to Accounts Payable</u> | | |
| Expenditures | 3,388 | - |
| Accounts Payable | - | 3,388 |
| <u>Record Adjustments to Capital Assets</u> | | |
| Capital Assets - Depreciated, Net | 6,186 | - |
| Net Position | - | 6,186 |

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 2, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Lake Metigoshe Recreation Service 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.

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.

LAKE METIGOSHE RECREATION SERVICE DISTRICT

Governance Communication – Continued

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of district's share of net pension liability and district contributions, schedule of district's share of net OPEB liability and district contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Lake Metigoshe Recreation Service District board members and management of 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 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 Lake Metigoshe Recreation Service District.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 2, 2023



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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