

**DICKINSON PARKS AND RECREATION
DISTRICT**

AUDIT REPORT

DECEMBER 31, 2023

**DICKINSON PARKS AND RECREATION DISTRICT
DICKINSON, NORTH DAKOTA**

TABLE OF CONTENTS
For the Year Ended December 31, 2023

	<u>PAGE(S)</u>
List of Officials	1
Independent Auditor's Report	2 – 4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Balance Sheet – Modified Cash Basis – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –Modified Cash Basis – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement Activities – Modified Cash Basis – Governmental Funds	10
Notes to Financial Statements	11 – 22
SUPPLEMENTARY REPORT	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23–24
Schedule of Findings	25

**DICKINSON PARKS AND RECREATION DISTRICT
DICKINSON, NORTH DAKOTA**

List of Officials
December 31, 2023

Scott Karsky	Board President
Tim Daniel	Vice President
Jo Marie Kadrmas	Commissioner
Zach Keller	Commissioner
Nic Stevenson	Commissioner
Benjamin Rae	Executive Director
Patty Riely	Finance Manager
Randy Sickler	Attorney

INDEPENDENT AUDITOR'S REPORT

Park Board
Dickinson Parks and Recreation District
Dickinson, North Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson Parks and Recreation District, Dickinson, North Dakota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson Parks and Recreation District, Dickinson, North Dakota as of December 31, 2023, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Dickinson Parks and Recreation 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dickinson Parks and Recreation 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.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 the Dickinson Parks and Recreation 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 the Dickinson Parks and Recreation 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.

Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2025, on our consideration of Dickinson Parks and Recreation 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 Dickinson Park and Recreation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dickinson Parks and Recreation District's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
February 12, 2025

DICKINSON PARKS AND RECREATION DISTRICT

Statement of Net Position - Modified Cash Basis

December 31, 2023

	Governmental Activities
<hr/>	
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,020,736
Certificates of Deposit	707,058
Total Current Assets	<hr/> 3,727,794
Capital Assets	
Land	262,500
Depreciable Capital Assets	18,169,699
Less: Accumulated Depreciation	(9,550,578)
Capital Assets, Net of Accumulated Depreciation	<hr/> 8,881,621
 TOTAL ASSETS	 12,609,415
 LIABILITIES	
Current Liabilities	
Employee Benefits and Taxes Payable	7,029
Total Current Liabilities	<hr/> 7,029
Long-Term Liabilities	
Due Within One Year:	
Bonds Payable	92,700
Notes Payable	353,853
Due After One Year:	
Bonds Payable	674,444
Notes Payable	259,715
Total Long-Term Liabilities	<hr/> 1,380,712
 TOTAL LIABILITIES	 <hr/> 1,387,741
 NET POSITION	
Net Investment in Capital Assets	7,500,909
Restricted	330,717
Unrestricted	<hr/> 3,390,048
 TOTAL NET POSITION	 <hr/> <hr/> \$ 11,221,674

DICKINSON PARKS AND RECREATION DISTRICT

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>					
Primary Government:					
Governmental Activities:					
Culture and Recreation	\$ 6,673,041	\$ 4,521,363	\$ 7,885	\$ -	\$ (2,143,793)
Apparel and Equipment Sales	117,790	251,321	-	-	133,531
Debt Service:					
Interest	<u>31,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,398)</u>
Total Governmental Activities	<u>\$ 6,822,229</u>	<u>\$ 4,772,684</u>	<u>\$ 7,885</u>	<u>\$ -</u>	(2,041,660)
General Revenues:					
Taxes:					
Property Taxes; Levied for General Purposes					2,195,616
Other Unrestricted Aid					1,583,507
Miscellaneous Revenue					54,128
Oil and Gas Royalties					12,765
Interest Income					<u>86,231</u>
Total General Revenues					<u>3,932,247</u>
Revenues Over (Under) Expenses					1,890,587
Gain/(Loss) on Disposal of Assets					<u>(854,221)</u>
Change in Net Position					1,036,366
Net Position - Beginning of Year					<u>10,185,308</u>
Net Position - End of Year					<u>\$ 11,221,674</u>

DICKINSON PARKS AND RECREATION DISTRICT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2023

	Major Funds					Other	Total
	General	Park Land Development	Capital Improvements	Projects	West River Improvements	Governmental Funds	Governmental Funds
ASSETS:							
Cash and Cash Equivalents	\$ 1,177,888	\$ 407,049	\$ 327,897	\$ 672,812	\$ 406,770	\$ 28,320	\$ 3,020,736
Certificates of Deposit	<u>707,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707,058</u>
TOTAL ASSETS	<u>\$ 1,884,946</u>	<u>\$ 407,049</u>	<u>\$ 327,897</u>	<u>\$ 672,812</u>	<u>\$ 406,770</u>	<u>\$ 28,320</u>	<u>\$ 3,727,794</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Employee Benefits and Taxes Payable	\$ 7,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,029
Total Liabilities	<u>7,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,029</u>
Fund Balances:							
Restricted for:							
Capital Betterments	-	-	327,897	-	406,770	-	734,667
Special Assessments	-	-	-	-	-	2,820	2,820
Committed for:							
Projects	-	-	-	672,812	-	-	672,812
Park Land Development	-	407,049	-	-	-	-	407,049
Assigned for:							
Emergencies	470,156	-	-	-	-	-	470,156
District Foundation	-	-	-	-	-	25,500	25,500
Unassigned	<u>1,407,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,407,761</u>
Total Fund Balances	<u>1,877,917</u>	<u>407,049</u>	<u>327,897</u>	<u>672,812</u>	<u>406,770</u>	<u>28,320</u>	<u>3,720,765</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,884,946</u>	<u>\$ 407,049</u>	<u>\$ 327,897</u>	<u>\$ 672,812</u>	<u>\$ 406,770</u>	<u>\$ 28,320</u>	<u>\$ 3,727,794</u>

DICKINSON PARKS AND RECREATION DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis - Governmental Funds
December 31, 2023

Total <i>Fund Balances</i> for Governmental Funds	\$ 3,720,765
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Total *net position* reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 18,169,699	
Less Accumulated Depreciation	<u>(9,550,578)</u>	
Net Capital Assets		8,619,121

Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position. Balances at December 31, 2023 are:

Revenue Bonds Payable	(767,144)	
Capital Lease Payable	<u>(613,568)</u>	
Total Long-Term Liabilities		<u>(1,380,712)</u>

Total Net Position of Governmental Activities	<u>\$ 10,959,174</u>
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DICKINSON PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2023

	Major Funds					Other	Total
	General	Park Land Development	Capital Improvements	Projects	West River Improvement	Governmental Funds	Governmental Funds
REVENUES:							
Taxes	\$ 1,740,891	\$ -	\$ 454,722	\$ -	\$ -	\$ 3	\$ 2,195,616
Intergovernmental	621,170	-	-	325,000	637,337	-	1,583,507
Charges for Services	3,674,279	-	-	411,175	-	-	4,085,454
Oil and Gas Royalties	12,765	-	-	-	-	-	12,765
Interest	86,231	-	-	-	-	-	86,231
Apparel and Equipment Sales	251,321	-	-	-	-	-	251,321
Contributions	7,885	-	-	-	-	-	7,885
Lease and Rental	435,909	-	-	-	-	-	435,909
Miscellaneous	30,303	-	23,825	-	-	-	54,128
Total Revenues	<u>6,860,754</u>	<u>-</u>	<u>478,547</u>	<u>736,175</u>	<u>637,337</u>	<u>3</u>	<u>8,712,816</u>
EXPENDITURES:							
Current:							
Culture and Recreation	1,782,610	-	203,002	-	-	-	1,985,612
Parks	54,553	(7)	-	841,516	-	-	896,062
Recreation Programs	217,772	-	-	-	-	-	217,772
Lake Patterson	166,802	-	-	-	-	-	166,802
Community Center	2,613,047	-	-	-	-	-	2,613,047
Golf	947,021	-	-	-	-	-	947,021
Capital Outlay	149,007	-	-	513,862	194,484	-	857,353
Debt Service:							
Principal	165,864	-	91,863	49,919	-	-	307,646
Interest	14,848	-	16,550	-	-	-	31,398
Total Expenditures	<u>6,111,524</u>	<u>(7)</u>	<u>311,415</u>	<u>1,405,297</u>	<u>194,484</u>	<u>-</u>	<u>8,022,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	749,230	7	167,132	(669,122)	442,853	3	690,103
Other Financing Sources (Uses)							
Transfers	(453,064)	-	(223,408)	726,197	(49,725)	-	-
Debt Proceeds	149,007	-	-	-	-	-	149,007
Total Other Financing Sources (Uses)	<u>(304,057)</u>	<u>-</u>	<u>(223,408)</u>	<u>726,197</u>	<u>(49,725)</u>	<u>-</u>	<u>149,007</u>
NET CHANGE IN FUND BALANCES	445,173	7	(56,276)	57,075	393,128	3	839,110
FUND BALANCES - January 1, 2023	<u>1,432,744</u>	<u>407,042</u>	<u>384,173</u>	<u>615,737</u>	<u>13,642</u>	<u>28,317</u>	<u>2,881,655</u>
FUND BALANCES - December 31, 2023	<u>\$ 1,877,917</u>	<u>\$ 407,049</u>	<u>\$ 327,897</u>	<u>\$ 672,812</u>	<u>\$ 406,770</u>	<u>\$ 28,320</u>	<u>\$ 3,720,765</u>

DICKINSON PARKS AND RECREATION DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 839,110
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Assets Purchased	\$ 1,664,133	
Current Year Depreciation Expense	<u>(771,295)</u>	
		892,838

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets disposed.

Gain/(Loss) on Disposal of Assets	(854,221)
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The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded principal paid.

Issuance of Debt	(149,007)	
Repayment of Debt	<u>307,646</u>	
		<u>158,639</u>

Change in Net Position of Governmental Activities	<u>\$ 1,036,366</u>
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Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dickinson Parks and Recreation District, Dickinson, North Dakota, have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The more significant of the government's accounting policies are described below.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 The Financial Reporting Entity, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

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

Basis of Presentation

Government-wide Financial Statements:

The statement of net position and statement of activities display information about the primary government, Dickinson Parks and Recreation District. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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 clearly identifiable with a specific function. Program revenues consist of fees and charges paid by the recipients of goods or services offered by the programs and operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. General revenues, including taxes, are those revenues that are not classified as program revenue.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

The fund financial statements provide detailed information for governmental funds. The fund statements' emphasis is on major governmental funds.

The District reports the following major governmental funds for the year ended December 31, 2023:

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

Park Land Development Fund - This fund accounts for the accumulation of resources to be used for the development of park land held by the District.

Capital Improvement Fund - This fund accounts for the accumulation of resources for construction and maintenance of Park District Facilities.

Projects Fund - This fund accounts for the accumulation of resources to be used for special projects and improvements.

West River Improvement Fund - This fund accounts for the accumulation of resources for improvements and maintenance of the West River Community Center building.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide financial statements are reported using the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable and accrued expenses are not included in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Only capital assets and long-term debt recorded under the basis of accounting described above are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations. Under the modified cash basis of accounting the revenue from non-exchange transactions will be recorded when it is collected.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The District follows the pronouncements for the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for all governmental entities. For the government-wide financial statements, the District follows all applicable GASB pronouncements to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with GASB pronouncements.

Equity Classifications

Government-wide Statements

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

1. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and adding back unspent proceeds.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Restricted and Unrestricted Resources

It is the District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Classification

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

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

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Formal action of the highest level of decision making authority is needed to rescind fund balance constraints for specific purposes.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Park Board and Director.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories as follows:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program – specific operating grants and contributions- these arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program – specific capital grants and contributions – these arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Cash and Cash Equivalents, and Certificates of Deposit

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit carried at cost with a term of more than three months. The certificates of deposit had interest rates of 4.31% – 5.06% and terms of 12 months at December 31, 2023.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Assets	Years
Infrastructure	15-40
Buildings	15-40
Land Improvements	15-40
Equipment and vehicles	5-20

Long- Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

Budgets

The park board adopts a budget on the modified cash basis.

- On or before September 10th of the preceding fiscal year, the park district prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The final budget and tax levy must be approved by October 7th. The final budget must be submitted to the county auditor no later than October 10th.
- The governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceeding of the board.
- All annual appropriations lapse at year-end.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Park District has control of the right-to-use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract. Leases with an initial term of more than 12 months, or that contain an option to purchase that the Park District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease.

In cases where the implicit rate is not readily determinable, the Park District uses its incremental borrowing rate based on the information available at the lease commencement date. The Park District has made an accounting policy election to use a risk-free rate based on the US Treasury T-Bill rate as of the lease commencement. The Park District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Park District continues to record rent income and rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset. The amortizable life of the leases and any leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Park District's lease agreements do not include any material residual value guarantees or restrictive covenants.

NOTE 2 DEPOSITS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities 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 park, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 2 DEPOSITS - CONTINUED

At December 31, 2023, the District's carrying amount of deposits was \$3,020,736. The bank balances as of December 31, 2023 were \$3,065,136. Of the bank balances, \$250,000 is covered by the Federal Depository Insurance; the remainder is covered by securities held by the pledging financial institutions' agent not in the District's name.

The District holds two Certificates of Deposit (CDs) each with a principal amount of \$350,000, issued by Bravera Bank. The CDs have interest rates of 5.06% and 4.31%, maturing on March 16, 2024. Interest income is recognized as earned and is reported in the financial statements for the period ending December 31, 2023. The CDs are classified as short-term based on maturity. The fair value of the CD approximates its carrying value as of the reporting date, considering the interest rate and market conditions.

Interest Rate Risk

The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk

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

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

Concentration of Credit Risk:

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Reclassification</u>	<u>Adjusted January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Capital assets not depreciated						
Land	\$ 398,580	\$ (136,080)	\$ 262,500	\$ -	\$ -	\$ 262,500
Construction in progress	<u>1,164,334</u>	<u>-</u>	<u>1,164,334</u>	<u>-</u>	<u>1,164,334</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,562,914</u>	<u>-</u>	<u>1,426,834</u>	<u>-</u>	<u>1,164,334</u>	<u>262,500</u>
Capital assets, being depreciated						
Land improvements	526,212	4,543,548	5,069,760	464,843	1,659,479	3,875,124
Buildings and improvements	5,054,552	397,295	5,451,847	108,201	149,748	5,410,300
Equipment and Vehicles	4,603,395	721,884	5,325,279	530,006	521,622	5,333,663
Infrastructure	8,286,758	(5,498,083)	2,788,675	1,725,670	963,733	3,550,612
Parks	<u>28,564</u>	<u>(28,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated	18,499,481	136,080	18,635,561	2,828,720	3,294,582	18,169,699
Total accumulated depreciation	<u>11,219,644</u>	<u>-</u>	<u>11,219,644</u>	<u>771,295</u>	<u>2,440,361</u>	<u>9,550,578</u>
Total capital assets being depreciated, net	<u>7,279,837</u>	<u>136,080</u>	<u>7,415,917</u>	<u>2,057,425</u>	<u>854,221</u>	<u>8,619,121</u>
Governmental activities- capital assets, net	<u>\$ 8,842,751</u>	<u>\$ 272,160</u>	<u>\$ 8,842,751</u>	<u>\$ 2,057,425</u>	<u>\$ 2,018,555</u>	<u>\$ 8,881,621</u>

Depreciation expense in 2023 was \$771,295.

NOTE 4 LONG-TERM DEBT

During the year ended December 31, 2023, the following changes occurred in long-term debt:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Notes Payable	\$ 680,095	\$ 149,007	\$ 215,534	\$ 613,568	\$ 353,853
Bonds Payable	<u>859,007</u>	<u>-</u>	<u>91,863</u>	<u>767,144</u>	<u>92,700</u>
Total	<u>\$ 1,539,102</u>	<u>\$ 149,007</u>	<u>\$ 307,397</u>	<u>\$ 1,380,712</u>	<u>\$ 446,553</u>

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 4 LONG-TERM DEBT– CONTINUED

Outstanding debt at December 31, 2023 consists of the following:

Bonds Payable

\$950,000 Infrastructure Bond of 2021 due in annual installments of \$101,000 to \$110,000 through July 1, 2031; interest at 1.90%	\$ 767,144
Total Bonds Payable	<u>\$ 767,144</u>

Notes Payable

\$201,340 Cardio Fitness Equipment Note Payable of 2019, due in annual installments of \$42,899 through April of 2024; interest at 2.68%	\$ 41,780
\$233,945 Golf Cart Note Payable of 2020, due in monthly installments of \$4,976 from April through September starting in 2021 and a final \$135,000 payment in October 2024; interest at 2.7%	160,258
\$520,000 Grounds Equipment Note Payable of 2022 due in annual installments of \$107,955 through April 15, 2026; interest at 1.83%	312,193
\$149,007 Equipment Note Payable of 2022, due in annual installments of \$49,669 through January 2025	<u>99,337</u>
Total Notes Payable	<u>\$ 613,568</u>

The annual requirements to amortize the debt are as follows:

<u>Year ending December 31</u>	<u>Notes Payable</u>		<u>Bond Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 353,853	\$ 11,528	\$ 92,700	\$ 14,819
2025	153,727	3,897	93,626	12,992
2026	105,988	1,967	94,520	11,189
2027	-	-	95,423	9,368
2028	-	-	96,314	7,550
2029-2031	-	-	294,561	11,384
Total	<u>\$ 613,568</u>	<u>\$ 17,392</u>	<u>\$ 767,144</u>	<u>\$ 67,302</u>

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 5 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto and \$2,702,793 for inland marine.

Dickinson Parks and Recreation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for the losses in excess of \$2 million per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Dickinson Parks and Recreation District has workers compensation with the North Dakota Workforce Safety and Insurance. The District participates in the NDPHIT insurance plan. The District pays 80% of the cost for the health insurance policy for all full-time employees and withholding the remaining 20% from employees' payroll. The District pays \$46.90 per month toward dental and or vision insurance for all full-time employees who want to participate in one or both plans. The District also pays for 50% of a \$50,000 life insurance policy for full time employees.

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

NOTE 6 PENSION PLAN

The District participates in the City of Dickinson's employee pension plans. The first of which is a cost sharing multiple-employer defined benefit pension plan. The second of which is a multiple employer defined contribution plan. Dickinson Parks and Recreation District, reimburses the City of Dickinson for actual costs contributed to the pension plans described below. The City of Dickinson implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The net pension liability, deferred outflows of resources, and deferred inflows of resources for Dickinson Parks and Recreation District have not been segregated.

Plan Description

The plans provide for retirement benefits to plan members and beneficiaries. City ordinance provides that all employees will become participants upon employment.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 6 PENSION PLAN – CONTINUED

Multiple-employer defined benefit pension plan: Until 2006, eligible employees participated in the defined benefit plan. Benefits become fully vested after 7 years of service. Employees who retire at or after age 62 with 15 years of credited service or after 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.3 percent of the final average compensation multiplied by the number of full and remaining fractional years of service completed by the participant or by a monthly benefit equal to one-twelfth of 3.3 percent of the total basic compensation for each full year and completed month of service. The amount used is the greater of the two calculations.

Employees contribute five percent of eligible compensation to the plan. The District is required to contribute the remaining amounts necessary to fund the plans on a sound actuarial basis as determined by the City of Dickinson. The District makes an annual contribution as determined by the City of Dickinson actuarial calculations.

Multiple employer defined contribution plan: Since 2006, eligible employees have participated in the defined contribution plan. Benefits become fully vested after 3 years of service. Employees and the District each contribute five percent of recognized compensation to the plan. All contributions are credited to the employee's account and are invested at the employee's direction.

Contributions: The District's required and actual contributions to the City of Dickinson defined benefit plan for the years ended December 31, 2023, 2022, and 2021 were \$189,349, \$279,054, and \$292,254 respectively. Employer contributions to the defined contribution plan are five percent of the covered salary. The District's required and actual contributions to the City of Dickinson defined contribution plan for the years ended December 31, 2023, 2022, and 2021 were \$64,896, \$52,021, and \$51,153 respectively. The City of Dickinson issues a publicly available financial report that includes the financial statements and the required supplementary information for the defined benefit plan. That report may be obtained by writing to City of Dickinson, 38 1st St. W, Dickinson, ND 58601.

NOTE 7 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Dickinson Parks and Recreation District and political subdivisions within Stark County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Stark County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2023.

The District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2023

NOTE 7 TAX ABATEMENTS– CONTINUED

Commercial or Residential Remodeling Exemption

1. Residential properties must be at least 25 years old and improvements must increase the market value of the existing building at least 20%. If the remodel qualifies, an exemption may be granted for up to two years.
2. Commercial property improvements must increase the market value of the existing building at least 20%. If the remodel qualifies, an exemption may be granted for up to two years.

Charitable Organization

Under N.D.C.C. §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to N.D.C.C. §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit may be exempt.

The total reduction in property tax revenue due to tax abatements is as follows:

Program	Reduction in Property Tax Revenue
Charitable Organization	\$ 4,002
Other Programs	16
Total reduction in Property Tax Revenue	<u>\$ 4,018</u>

No party received a benefit of the reduction in taxes that exceeded 20% of the total exemptions listed above.

SUPPLEMENTARY REPORT

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

Park Board
Dickinson Parks and Recreation District
Dickinson, 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, each major fund, and the aggregate remaining fund information of Dickinson Parks and Recreation District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiency 2023-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2023-002 described in the accompanying schedule of findings to be a significant deficiency.

Report on Compliance and Other Matters

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

Dickinson Parks and Recreation District's Response to Findings

Dickinson Parks and Recreation District's responses to the findings identified in our audit are described in the accompanying schedule of findings. Dickinson Parks and Recreation District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
February 12, 2025

DICKINSON PARKS AND RECREATION DISTRICT

Schedule of Findings

For the Year Ended December 31, 2023

Finding 2023-001: Preparation of Financial Statements- Material Weakness

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Condition – The financial statements and related notes are prepared by the District’s auditors.

Cause – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the District’s financial statements.

Recommendation – The board should review the financial statements for accuracy and accept responsibility for the preparation and fair presentation of the modified cash basis financial statements even if the auditor assisted in drafting the financial statements and notes.

Management’s Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District. The Board now reviews the financial statements and makes a motion to approve at each meeting.

Finding 2023-002: Segregation of Duties- Significant Deficiency

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has access to a transaction from inception to completion.

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff.

Cause – There are a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could adversely affect the District’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – The most effective controls lie in the board’s knowledge of matters relating to the District’s operations. Board members should periodically review documentation supporting individual transactions. Additional staff could be added to eliminate one having access to record and reconcile a transaction.

Management’s Response – Additional steps have been added to the process of entering/paying invoices. The District is aware of the limitations and will add controls where feasible.