

**WATFORD CITY PARK DISTRICT
WATFORD CITY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

	Page
PARK DISTRICT OFFICIALS (UNAUDITED)	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	10
Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance with the Government-Wide Statement of Activities	11
Statement of Net Position - Proprietary Fund	12
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	13
Statement of Cash Flows - Proprietary Fund	14
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	35
Schedule of Employer's Proportionate Share of Net Pension Liability	36
Schedule of Employer's Proportionate Share of Net OPEB Liability	37
Schedule of Employer Contributions - Pension	38
Schedule of Employer Contributions - OPEB	39
Notes to the Required Supplementary Information	40
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Parks & Recreation Facilities Fund	42
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	43
Schedule of Findings and Responses	45

WATFORD CITY PARK DISTRICT
PARK DISTRICT OFFICIALS (UNAUDITED)
DECEMBER 31, 2023

Justin Johnsrud	President
Mark Sparby	Vice President
Katie Walters	Secretary
Marco Pelton	Member
Robert McDonnell	Member
Robin Arndt	Park Superintendent
Joshua Nollmeyer	Recreation Coordinator
Sara Fitzpatrick	Office Manager

INDEPENDENT AUDITOR'S REPORT

To the Park District Board
Watford City Park District
Watford City, North Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Watford City Park District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Watford City Park District's basic financial statements as listed in the table of contents.

<u>Summary of Opinions</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Park & Recreation Facilities Fund	Unmodified
Rough Rider Center Fund	Qualified

Qualified Opinion on the Business-Type Activities and Rough Rider Center Fund

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Business-Type Activities and Rough Rider Center Fund of the District, as of December 31, 2023, the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, General, and Parks & Recreation Facilities Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, and parks and recreation facilities fund of the Watford City Park District as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 Watford City Park District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinion on the Business-Type Activities and Rough Rider Center Fund

As more fully discussed in Note 1 to the financial statements, management has informed us that they have elected not to adopt GASBS No. 87, *Leases*, which requires lessees to recognize lease assets and lease liabilities for all long-term leases on the District's statement of net position and would have been effective for the year ended December 31, 2023. The District will continue to account for and disclose all leases under the previous guidance. The effects of this departure from accounting principles generally accepted in the United States of America on the statement of net position, statement of activities and cash flows have not been determined.

Emphasis of Matters

As described in Note 9 to the financial statements, prior period adjustments have been made to adjust the beginning net position and fund balances. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watford City Park 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Watford City Park District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watford City Park District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund, schedule of employer's proportionate share of net pension and net OPEB liabilities, schedules of 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Watford City Park District's basic financial statements. The budgetary comparison schedule for the park and recreation facilities fund is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information

is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventory, the budgetary comparison schedule for the park and recreation facilities fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025, on our consideration of the Watford City Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watford City Park 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 Watford City Park District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 10, 2025

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,325,497	\$ 1,410,923	\$ 2,736,420
Investments	1,000,000	-	1,000,000
Accounts receivable	42,036	172,916	214,952
State aid receivable	15,111	-	15,111
Inventory	-	53,734	53,734
Taxes receivable	41,385	34,146	75,531
Total current assets	<u>2,424,029</u>	<u>1,671,719</u>	<u>4,095,748</u>
Non-current assets:			
Capital assets:			
Land	1,024,167	-	1,024,167
Construction in progress	84,488	-	84,488
Depreciable assets	<u>13,394,309</u>	<u>18,338</u>	<u>13,412,647</u>
Total non-current assets	<u>14,502,964</u>	<u>18,338</u>	<u>14,521,302</u>
Total assets	<u>16,926,993</u>	<u>1,690,057</u>	<u>18,617,050</u>
DEFERRED OUTFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	424,382	1,504,630	1,929,012
Cost sharing defined benefit plan - OPEB	<u>8,298</u>	<u>29,419</u>	<u>37,717</u>
Total deferred outflow of resources	<u>432,680</u>	<u>1,534,049</u>	<u>1,966,729</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,285	348,625	352,910
Accrued liabilities	<u>24,634</u>	<u>64,867</u>	<u>89,501</u>
Total current liabilities	<u>28,919</u>	<u>413,492</u>	<u>442,411</u>
Non-current liabilities:			
Accrued compensated absences	35,619	45,993	81,612
Net pension liability	507,866	1,800,618	2,308,484
Net OPEB liability	<u>16,606</u>	<u>58,874</u>	<u>75,480</u>
Total non-current liabilities	<u>560,091</u>	<u>1,905,485</u>	<u>2,465,576</u>
Total liabilities	<u>589,010</u>	<u>2,318,977</u>	<u>2,907,987</u>
DEFERRED INFLOW OF RESOURCES			
Cost sharing defined benefit plan - pension	388,284	1,376,645	1,764,929
Cost sharing defined benefit plan - OPEB	<u>2,975</u>	<u>10,550</u>	<u>13,525</u>
Total deferred inflow of resources	<u>391,259</u>	<u>1,387,195</u>	<u>1,778,454</u>
NET POSITION			
Net investment in capital assets	14,502,964	18,338	14,521,302
Restricted for:			
Park and Recreation Facilities	1,044,146	-	1,044,146
Unrestricted	<u>832,294</u>	<u>(500,404)</u>	<u>331,890</u>
Total net position	<u>\$ 16,379,404</u>	<u>\$ (482,066)</u>	<u>\$ 15,897,338</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Park operations	\$ 1,473,881	\$ 117,126	\$ 23,544	\$ 800,500	\$ (532,711)	\$ -	\$ (532,711)
Total Governmental Activities:	1,473,881	117,126	23,544	800,500	(532,711)	-	(532,711)
Business-type Activities:							
Rough Rider Center	3,995,757	1,783,232	264,160	-	-	(1,948,365)	(1,948,365)
Total	<u>\$ 5,469,638</u>	<u>\$ 1,900,358</u>	<u>\$ 287,704</u>	<u>\$ 800,500</u>	<u>(532,711)</u>	<u>(1,948,365)</u>	<u>(2,481,076)</u>
General Revenues:							
Taxes					1,357,578	385,736	1,743,314
Intergovernmental					228,414	1,012,376	1,240,790
Interest					36,556	22,050	58,606
Gain on disposal of equipment					14,000	-	14,000
Miscellaneous					29,138	4,964	34,102
Transfers					(48,008)	48,008	-
Total general revenues and transfers					<u>1,617,678</u>	<u>1,473,134</u>	<u>3,090,812</u>
Change in net position					1,084,967	(475,231)	609,736
Net position - beginning of year, originally stated					15,638,039	(87,055)	15,550,984
Prior period adjustments - See note 9					(343,602)	80,220	(263,382)
Net position - beginning of year, restated					<u>15,294,437</u>	<u>(6,835)</u>	<u>15,287,602</u>
Net position - end of year					<u>\$ 16,379,404</u>	<u>\$ (482,066)</u>	<u>\$ 15,897,338</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 281,351	\$ 1,044,146	\$ 1,325,497
Investments	1,000,000	-	1,000,000
Accounts receivable	42,036	-	42,036
State aid receivable	15,111	-	15,111
Taxes receivable	36,304	5,081	41,385
Total assets	<u>\$ 1,374,802</u>	<u>\$ 1,049,227</u>	<u>\$ 2,424,029</u>
LIABILITIES			
Accounts payable	\$ 4,285	\$ -	\$ 4,285
Accrued liabilities	24,634	-	24,634
Total liabilities	<u>28,919</u>	<u>-</u>	<u>28,919</u>
DEFERRED INFLOWS OF RESOURCES			
Delinquent property taxes	<u>36,304</u>	<u>5,081</u>	<u>41,385</u>
FUND BALANCES			
Restricted	-	1,044,146	1,044,146
Unrestricted	1,309,579	-	1,309,579
Total fund balances	<u>1,309,579</u>	<u>1,044,146</u>	<u>2,353,725</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,374,802</u>	<u>\$ 1,049,227</u>	<u>\$ 2,424,029</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total Governmental Funds Balance	\$ 2,353,725
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Amounts reported for governmental activities in the statement of net position are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Delinquent property taxes	41,385
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Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund	14,502,964
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Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans for pension and OPEB in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds	41,421
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Long-term liabilities not due and payable in the current period and therefore are not included in the fund:

Accrued compensated absences	(35,619)	
Net pension liability	(507,866)	
Net OPEB liability	(16,606)	
Total		(560,091)

Net position of governmental activities	\$ 16,379,404
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SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Park & Recreation Facilities Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,179,881	\$ 162,946	\$ 1,342,827
Intergovernmental	228,414	-	228,414
Charges for services	117,126	-	117,126
Interest	35,497	1,059	36,556
Grants and contributions	26,361	815,123	841,484
Miscellaneous	6,940	4,757	11,697
Total revenues	<u>1,594,219</u>	<u>983,885</u>	<u>2,578,104</u>
EXPENDITURES			
Current:			
Park operations	945,765	110,019	1,055,784
Capital outlay	117,508	34,297	151,805
Total expenditures	<u>1,063,273</u>	<u>144,316</u>	<u>1,207,589</u>
Excess of revenues over (under) expenditures	<u>530,946</u>	<u>839,569</u>	<u>1,370,515</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of equipment	14,000	-	14,000
Transfers in	1,132,417	440,000	1,572,417
Transfers out	(518,000)	(1,102,425)	(1,620,425)
Total other financing sources (uses)	<u>628,417</u>	<u>(662,425)</u>	<u>(34,008)</u>
Excess of revenues and other sources (uses) over (under) expenditures	<u>1,159,363</u>	<u>177,144</u>	<u>1,336,507</u>
Fund balance - beginning of year, as previously stated	<u>146,163</u>	<u>867,002</u>	<u>1,013,165</u>
Prior period adjustment - see note 9	<u>4,053</u>	<u>-</u>	<u>4,053</u>
Fund balance - beginning of year, restated	<u>150,216</u>	<u>867,002</u>	<u>1,017,218</u>
Fund balance - end of year	<u>\$ 1,309,579</u>	<u>\$ 1,044,146</u>	<u>\$ 2,353,725</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balance - Total Governmental Funds \$ 1,336,507

Amounts reported for governmental activities in the statement of activities are different because:

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

Current year capital outlay	151,805
Current year depreciation expense	(580,617)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Net change in deferred property taxes	14,751
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Changes in net deferred outflows and inflows relating to net pension and OPEB liabilities	(406,376)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Net change in accrued compensated absences	2,693	
Net change in net pension liability	550,008	
Net change in net OPEB liability	16,196	
Total	568,897	
Change in net position	\$ 1,084,967	

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
DECEMBER 31, 2023

	<u>Rough Rider Center Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,410,923
Accounts receivable	172,916
Inventory	53,734
Taxes receivable	34,146
Total current assets	<u>1,671,719</u>
Capital assets:	
Vehicles	25,000
Equipment	5,888
Less: Accumulated depreciation	<u>(12,550)</u>
Total capital assets	<u>18,338</u>
Total assets	<u>1,690,057</u>
DEFERRED OUTFLOW OF RESOURCES	
Cost sharing defined benefit plan - pension	1,504,630
Cost sharing defined benefit plan - OPEB	29,419
Total deferred outflow of resources	<u>1,534,049</u>
LIABILITIES	
Current liabilities:	
Accounts payable	348,625
Accrued liabilities	64,867
Total current liabilities	<u>413,492</u>
Noncurrent liabilities:	
Compensated absences	45,993
Net pension liability	1,800,618
Net OPEB liability	58,874
Total noncurrent liabilities	<u>1,905,485</u>
Total liabilities	<u>2,318,977</u>
DEFERRED INFLOW OF RESOURCES	
Cost sharing defined benefit plan - pension	1,376,645
Cost sharing defined benefit plan - OPEB	10,550
Total deferred inflow of resources	<u>1,387,195</u>
NET POSITION	
Net investment in capital assets	18,338
Unrestricted	<u>(500,404)</u>
Total net position	<u>\$ (482,066)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Rough Rider Center Fund</u>
OPERATING REVENUES	
Charges for services	<u>\$ 1,783,232</u>
OPERATING EXPENSES	
Salaries and employee benefits	2,521,650
General maintenance and supplies	549,386
Utilities	578,342
Depreciation	5,883
Other operating expenses	<u>340,496</u>
Total operating expenses	<u>3,995,757</u>
Operating income (loss)	<u>(2,212,525)</u>
NONOPERATING REVENUES (EXPENSES)	
Taxes	385,736
Intergovernmental revenues	1,012,376
Contributions	264,160
Interest	22,050
Miscellaneous	<u>4,964</u>
Total nonoperating revenues (expenses)	<u>1,689,286</u>
Income (loss) before contributions and transfers	(523,239)
Transfers in	161,638
Transfers out	<u>(113,630)</u>
Total transfers	<u>48,008</u>
Change in net position	(475,231)
Net position - beginning of year	(87,055)
Prior period adjustment - see note 9	<u>80,220</u>
Net position - beginning of year, restated	<u>(6,835)</u>
Net position - end of year	<u><u>\$ (482,066)</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Rough Rider Center Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 1,791,878
Payments to suppliers	(1,483,470)
Payments to employees	<u>(2,063,032)</u>
Net cash provided (used) by operating activities	<u>(1,754,624)</u>
Cash flows from investing activities:	
Interest receipts	<u>22,050</u>
Cash flows from noncapital and related financing activities:	
Taxes	351,590
Intergovernmental revenues	1,012,376
Contributions	264,160
Miscellaneous	4,964
Transfers in (out)	<u>217,597</u>
Net cash provided (used) by noncapital and related financing activities	<u>1,850,687</u>
Cash flows from capital and related financing activities:	
Purchase of property and equipment	<u>(5,888)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,888)</u>
Net change in cash and cash equivalents	112,225
Cash and cash equivalents - January 1	<u>1,298,698</u>
Cash and cash equivalents - December 31	<u><u>\$ 1,410,923</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,212,525)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	5,883
Changes in assets and liabilities	
Accounts receivable	8,646
Inventory	(11,917)
Accounts payable	(3,329)
Accrued liabilities	(11,053)
Compensated absences	4,977
Net pension/OPEB liabilities	(257,703)
Deferred Inflows / Outflows of net pension/OPEB liabilities	<u>722,397</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,754,624)</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Watford City Park District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The 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

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental and proprietary fund financial statements is on major funds.

Governmental Fund Types

Governmental Funds

General Fund - The general fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District does not have any special revenue funds.

Capital Project Funds - Capital project funds are used to account for the financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of district facilities and other capital assets.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District does not have any debt service funds.

The District reports the following major governmental funds:

General Fund - As described above.

Park and Recreation Facilities Fund - The park and recreation facilities fund is used to account for the financial resources used for the District's expenditures for major capital acquisitions and improvements.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The District reports the following major enterprise fund:

Rough Rider Center Fund – The Rough Rider Center fund is used to account for the District's activities related to administering, maintaining, and operating the city-owned Rough Rider Center.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are accounted for 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 Park District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with a maturity date within three months of the date acquired by the District.

Accounts Receivable

Accounts receivable balance as of December 31, 2023 consist of amounts owed to the District for prior year retribution for fraudulent activity from a prior accountant.

Taxes Receivable

Taxes receivable consists of both: current taxes collected by the county treasurer, but not remitted as of December 31, 2023 and delinquent uncollected taxes at December 31, 2023 and are recorded as deferred inflows of resources in the governmental funds and recognized as revenue in the government-wide financial statements.

Due From (To) Other Funds

Due from (to) other funds arise when one fund advances cash to another fund or pays the expenses of another fund.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets acquired December 31, 2014 or earlier are recorded based upon their insured values as of January 1, 2015. Additions made on or after January 1, 2015 are recorded at cost. Improvements that significantly extend the useful life of an asset are also capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The District's capitalization policy is \$5,000 and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and infrastructure	30 years
Equipment	5 years
Vehicles	5 years
Software	3 years

Leases

The District has elected not to adopt GASBS No. 87 and will continue to report and disclose leases under the previous guidance. As such, no lease right of use assets or lease liabilities will be recorded for long-term leases that are determined to be operating leases. The District will instead provide a summary of the lease obligations and the required five-year minimum lease payments.

Inventory

Inventory consists primarily of food and drink for concession stands, the coffee shop, and catering of events. Inventories are stated at the lower of cost or net realizable value.

Compensated Absences

All regular full-time, part-time, and introductory employees are covered by a compensated absences policy consisting of paid time off (PTO). Employees earn PTO at a rate of 11.333 to 20 hours per month dependent upon the employee's years of service. The maximum PTO that could be accumulated during a year is 300 hours, depending on years of service. Unused PTO is carried over at a maximum of 1 years' worth of accumulated PTO hours. Unused PTO in excess 240 hours is converted to extended sick leave (ESL) which has no cap. Upon termination of employment, employees receive 100 percent of their unused PTO at their rate of pay on the date of termination. Unused ESL is not paid out upon termination.

Fund Balance Classifications

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

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

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

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Restricted net position consists of restricted assets reduced by liabilities. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of a related asset. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the restricted or net investment in capital assets components of net position.

Net Position Flow Assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category named *cost sharing defined benefit-pension* and *cost sharing defined benefit-OPEB*, which represents actuarial differences within NDPERS pension and NDPERS OPEB plans as well as amounts paid to the plans after the measurement date. See notes 5 and 6 for further details.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, delinquent property taxes (unavailable revenue), is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues, from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items that qualify for reporting in this category named *cost sharing defined benefit – pension* and *cost sharing defined benefit – OPEB*, which represents actuarial differences within NDPERS pension and NDPERS OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See notes 5 and 6 for further details.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

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.

Pensions

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.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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 expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deduction 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 benefit terms. Investments are reported at fair value.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All Park District tax levies are in compliance with state laws.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds.

The District maintains interest bearing cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to \$250,000 at each institution. The amount on deposit in excess of FDIC insurance as of December 31, 2023 was covered by pledged securities in the District's name.

Statutes authorize the Park District to invest in a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. As of December 31, 2023, the Park District had no investments.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,024,167	\$ -	\$ -	\$ 1,024,167
Construction in progress	-	84,488	-	84,488
Total capital assets not being depreciated	<u>1,024,167</u>	<u>84,488</u>	<u>-</u>	<u>1,108,655</u>
Capital assets, being depreciated:				
Buildings and improvements	15,000,705	67,317	-	15,068,022
Machinery and equipment	686,597	-	(13,750)	672,847
Vehicles	99,434	-	(10,000)	89,434
Software	18,111	-	-	18,111
Total capital assets being depreciated	<u>15,804,847</u>	<u>67,317</u>	<u>(23,750)</u>	<u>15,848,414</u>
Less accumulated depreciation for:				
Buildings and improvements	1,294,597	500,874	-	1,795,471
Machinery and equipment	510,426	67,747	(13,750)	564,423
Vehicles	74,104	11,996	(10,000)	76,100
Software	18,111	-	-	18,111
Total accumulated depreciation	<u>1,897,238</u>	<u>580,617</u>	<u>(23,750)</u>	<u>2,454,105</u>
Total capital assets being depreciated, net	<u>13,907,609</u>	<u>(513,300)</u>	<u>-</u>	<u>13,394,309</u>
Governmental capital assets, net	<u>\$ 14,931,776</u>	<u>\$ (428,812)</u>	<u>\$ -</u>	<u>\$ 14,502,964</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Business Activities:				
Capital assets, being depreciated:				
Vehicles	\$ 25,000	\$ -	\$ -	\$ 25,000
Machinery and equipment	-	5,888	-	5,888
Total capital assets being depreciated	<u>25,000</u>	<u>5,888</u>	<u>-</u>	<u>30,888</u>
Less accumulated depreciation for:				
Vehicles	6,667	5,000	-	11,667
Machinery and equipment	-	883	-	883
Total accumulated depreciation	<u>6,667</u>	<u>5,883</u>	<u>-</u>	<u>12,550</u>
Total capital assets being depreciated, net	<u>18,333</u>	<u>5</u>	<u>-</u>	<u>18,338</u>
Business capital assets, net	<u>\$ 18,333</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 18,338</u>

Depreciation expense of \$580,617 was charged to park operations for the year ended December 31, 2023. Depreciation expense of \$5,883 was charged to the Rough Rider Center for the year ended December 31, 2023.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

NOTE 4 LEASES

In May of 2023, the Park District entered into a 5 year lease for the use of copiers. Payments are made on a semi-annual basis in the amount of \$4,950. Future payments on this lease are as follows:

For the year ending December 31,	
2024	\$ 9,900
2025	9,900
2026	9,900
2027	9,900
Total	<u>\$39,600</u>

NOTE 5 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 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 contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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 of disabled is set by 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 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.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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, 2023, the Employer reported a liability of \$2,308,484 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net position liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the District's proportion was 0.11972 percent, which was an increase of 0.01169 percent from its proportion measured at June 30, 2022.

For the year ended December 31, 2023, the Employer recognized pension expense of \$411,160. At December 31, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 75,149	\$ (12,731)
Changes of assumptions	1,272,925	(1,752,198)
Net difference between projected and actual earnings on pension plan investments	60,570	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	457,778	-
Employer contributions subsequent to the measurement date	62,590	-
Total	<u>\$ 1,929,012</u>	<u>\$ (1,764,929)</u>

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

\$62,590 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 ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2024	\$	212,216
2025		(129,284)
2026		126,313
2027		(107,752)

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuations were 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	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.86%, and the resulting Single Discount Rate is 6.50%.

Sensitivity of the Employer's proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following present the Employer's proportionate share of the net pension liability calculated using the discount rate percent of 6.50 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 (5.50 percent) or 1 percentage point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	<u>\$ 3,182,845</u>	<u>\$ 2,308,484</u>	<u>\$ 1,583,134</u>

Pension Plan Fiduciary Net Position

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

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

NOTE 6 OTHER POST EMPLOYMENT BENEFITS

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.

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

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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, 2023, the Employer reported a liability of \$75,480 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the District's proportion was 0.075499 percent, which was a decrease of 0.004879 percent from its proportion measured at June 30, 2022.

For the year ended December 31, 2023, the Employer recognized OPEB expense of \$18,295. At December 31, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,420	\$ (864)
Changes of assumptions	16,098	(6,251)
Net difference between projected and actual earnings on OPEB plan investments	5,452	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,068	(6,410)
Employer contributions subsequent to the measurement date	<u>4,679</u>	<u>-</u>
Total	<u>\$ 37,717</u>	<u>\$ (13,525)</u>

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

The \$4,679 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in the OPEB expense as follows:

Year ended December 31:

2024	\$	9,501
2025		6,505
2026		5,836
2027		(2,329)

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	\$ 99,199	\$ 75,480	\$ 55,511

NOTE 7 RISK MANAGEMENT

The Watford City Park 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 Watford City Park District pays an annual premium to NDIRF for its general liability coverage, and auto coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The Watford City Park 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. The State Bonding Fund provided the District with blanket fidelity bond coverage in the amount of \$2,000,000 for the year ended December 31, 2023. The State Bonding Fund does not currently charge any premium for this coverage.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

The Watford City Park District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 8 INTERFUND TRANSFERS

Interfund transfers at December 31, 2023 were as follows:

	General Fund	Park & Recreation Facilities Fund	Rough Rider Center Fund	Total
Transfer In	\$ 1,132,417	\$ 440,000	\$ 161,638	\$ 1,734,055
Transfer Out	(518,000)	(1,102,425)	(113,630)	(1,734,055)
	<u>\$ 614,417</u>	<u>\$ (662,425)</u>	<u>\$ 48,008</u>	<u>\$ -</u>

The purpose of the transfers out of the general fund was to provide funds to the park & recreation facilities fund for capital projects and to provide the Rough Rider Center fund with a portion of property tax revenue to help fund operations. The transfers to the general fund were to replenish the fund for incurring expenses for the other funds.

NOTE 9 PRIOR PERIOD ADJUSTMENTS

The District recorded prior period adjustments to the December 31, 2022 financial statements for the following:

- Receivables for the RRC fund were corrected to include a 21st century grant receipt that was not accrued on the 2022 financial statements. This increased receivables and net position by \$31,515 for the year ended December 31, 2022.
- Construction in progress amounts were not placed in service on the correct dates. This resulted in an increase in accumulated depreciation and a decrease in net position of \$347,655.
- Receivables for the RRC and general fund were corrected to include December payroll reimbursements from the City on the 2022 financial statements. This increased receivables and net position for the RRC fund by \$48,705 and receivables and fund balance for the general fund by \$4,053 for the year ended December 31, 2022.

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

WATFORD CITY PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 10, 2025, which is the date these financial statements were available to be issued.

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 1,800,055	\$ 1,179,881	\$ (620,174)
Intergovernmental	219,070	228,414	9,344
Charges for services	91,900	117,126	25,226
Interest	2,000	35,497	33,497
Grants and contributions	4,000	26,361	22,361
Miscellaneous	1,000	6,940	5,940
Total revenues	<u>2,118,025</u>	<u>1,594,219</u>	<u>(523,806)</u>
EXPENDITURES			
Current:			
Park operations	1,882,310	945,765	936,545
Capital outlay	<u>-</u>	<u>117,508</u>	<u>(117,508)</u>
Total expenditures	<u>1,882,310</u>	<u>1,063,273</u>	<u>819,037</u>
Excess of revenues over (under) expenditures	<u>235,715</u>	<u>530,946</u>	<u>295,231</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of equipment	-	14,000	14,000
Transfers in	-	1,132,417	1,132,417
Transfers out	<u>(250,000)</u>	<u>(518,000)</u>	<u>(268,000)</u>
Total other financing sources (uses)	<u>(250,000)</u>	<u>628,417</u>	<u>878,417</u>
Excess of revenues and other sources (uses) over (under) expenditures	<u>\$ (14,285)</u>	1,159,363	<u>\$ 1,173,648</u>
Fund balance - January 1, as previously stated		146,163	
Prior period adjustment - see note 9		<u>4,053</u>	
Fund balance - January 1, restated		<u>150,216</u>	
Fund balance - December 31		<u>\$ 1,309,579</u>	

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's 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
2023	0.11972%	\$ 2,308,484	\$ 1,376,825	167.67%	65.31%
2022	0.10803%	3,111,394	1,254,077	248.10%	54.47%
2021	0.09397%	979,450	1,068,581	91.66%	78.26%
2020	0.08454%	2,659,772	932,625	285.19%	48.91%
2019	0.05971%	699,856	621,093	112.68%	71.66%
2018	0.05973%	1,008,397	613,851	164.27%	62.80%
2017	0.04851%	779,699	495,203	157.45%	61.98%
2016	0.03128%	304,854	315,224	96.71%	70.46%
2015	0.01410%	95,898	125,639	76.33%	77.15%

* Complete data for this schedule is not available prior to 2015.

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.075499%	\$ 75,480	\$ 758,899	9.95%	62.74%
2022	0.080377%	96,477	829,821	11.63%	56.28%
2021	0.091385%	50,826	996,334	5.10%	76.63%
2020	0.080130%	67,405	913,453	7.38%	63.38%
2019	0.055661%	44,706	621,093	7.20%	63.13%
2018	0.056100%	44,183	613,851	7.20%	61.89%

* Complete data for this schedule is not available prior to 2018.

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 120,385	\$ (120,385)	\$ -	\$ 1,573,061	7.65%
2022	103,434	(103,434)	-	1,376,825	7.51%
2021	86,363	(86,363)	-	1,212,958	7.12%
2020	76,083	(76,083)	-	1,068,581	7.12%
2019	45,086	(45,086)	-	633,596	7.12%
2018	44,974	(44,974)	-	631,579	7.12%
2017	44,906	(44,906)	-	630,707	7.12%
2016	30,962	(30,962)	-	434,857	7.12%
2015	14,452	(14,452)	-	202,977	7.12%

* Complete data for this schedule is not available prior to 2015

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 9,585	\$ (9,585)	\$ -	\$ 840,813	1.14%
2022	10,480	(10,480)	-	919,320	1.14%
2021	11,761	(11,761)	-	1,031,667	1.14%
2020	11,783	(11,783)	-	1,033,596	1.14%
2019	7,223	(7,223)	-	633,596	1.14%
2018	7,200	(7,200)	-	631,579	1.14%

* Complete data for this schedule is not available prior to 2018.

SEE NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

WATFORD CITY PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before August 10th of each year, a budget is prepared for the subsequent year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. All annual appropriations lapse at fiscal year end. On or about October 7th, the proposed budget is presented to the District's commissioners for review. The Park District holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the commissioners. The final budget must be filed with the county auditor by October 10th.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th.

Except as provided by the North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The District prepares its budget and reports its governmental funds on the same basis of accounting.

NOTE 2 CHANGE IN ASSUMPTIONS

NDPERS Pension Plan

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NDPERS OPEB

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NOTE 3 CHANGES IN BENEFIT TERMS

NDPERS Pension Plan

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on an actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

WATFORD CITY PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2023

NDPERS 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, 2022.

WATFORD CITY PARK DISTRICT
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – PARKS & RECREATION FACILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget Amounts Original and Final	Actual	Budget to Actual Differences
REVENUES			
Taxes	\$ 170,243	\$ 162,946	\$ (7,297)
Interest	-	1,059	1,059
Grants and contributions	551,750	815,123	263,373
Miscellaneous	-	4,757	4,757
Total revenues	<u>721,993</u>	<u>983,885</u>	<u>261,892</u>
EXPENDITURES			
Current:			
Park operations	170,243	110,019	60,224
Capital outlay	<u>857,920</u>	<u>34,297</u>	<u>823,623</u>
Total expenditures	<u>1,028,163</u>	<u>144,316</u>	<u>883,847</u>
Excess of revenues over (under) expenditures	<u>(306,170)</u>	<u>839,569</u>	<u>1,145,739</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	250,000	440,000	190,000
Transfers out	<u>-</u>	<u>(1,102,425)</u>	<u>(1,102,425)</u>
Total other financing sources (uses)	<u>250,000</u>	<u>(662,425)</u>	<u>(912,425)</u>
Excess of revenues and other sources (uses) over (under) expenditures	<u>\$ (56,170)</u>	<u>177,144</u>	<u>\$ 233,314</u>
Fund balance - January 1		<u>867,002</u>	
Fund balance - December 31		<u>\$ 1,044,146</u>	

**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**

To the Park District Board
Watford City Park District
Watford City, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Watford City Park 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 January 10, 2025. We expressed a qualified opinion on the business-type activities and rough rider center fund due to the District not implementing GASB 87, *Leases*.

Report on Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and

responses as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Watford City Park District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Watford City Park District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Watford City Park District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 10, 2025

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023

2023-001: Preparation of the Financial Statements – Material Weakness

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Responses

Due to the small size of the Watford City Park District, it is not cost effective for the Watford City Park District to properly address this material weakness.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2023

2023-002: Proposition of Journal Entries – Material Weakness

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

During our audit, material adjusting entries to the financial statements were proposed in order to bring certain financial accounts in compliance with GAAP.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Action

The accounting staff will work to ensure that all accounts are properly stated for future audits.

WATFORD CITY PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
DECEMBER 31, 2023

2023-003: Segregation of Duties – Material Weakness

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

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

Effect

The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

- A list of bills is prepared and receive board approval every month before checks are printed and bills are paid. If a board member has any questions or concerns on a certain bill, they are addressed at Park Board meeting before they are approved to be paid.
- All checks written require two signatures.
- As of August 2019, there is separation of duties between the person responsible for printing the checks versus the one authorizing payments.
- Monthly income statements and fund balances are presented to the Park Board monthly. They are reviewed and approved at each board meeting.
- Two people are required to count cash and sign off on daily deposits.
- Another person was added to the financial department as of August 2023, which separated duties further.