

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

AUDIT REPORT  
For the Years Ended  
December 31, 2017 and 2016

**L**ERVIK  
&  
**J**OHNSON

*Certified Public Accountants*

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

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For the Years Ended December 31, 2017 and 2016

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CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

LIST OF OFFICIALS

December 31, 2017 and 2016

<u>Official</u>	<u>Position</u>
Mike Aasen	President
Matt Glasner	Vice President
Jamison Parisien	Director
Garrick Johnson	Director
Kaitlan Grant	Director
Brian Knudson	Manager
Penny Nostdahl	Secretary/Treasurer

**L**ERVIK  
&  
**J**OHNSON  

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**Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
City of Bottineau Park Board  
Bottineau, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the City of Bottineau Park Board (Park Board), Bottineau, North Dakota, as of and for the years ended December 31, 2017 and 2016, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determination that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities of the City of Bottineau Park Board as of December 31, 2017 and 2016, and the respective changes in financial position-modified cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018, on our consideration of the Park Board'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 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park Board's internal control over financial reporting and compliance.



LERVIK & JOHNSON  
Certified Public Accountants  
Bottineau, North Dakota

May 9, 2018

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
December 31, 2017

	Primary Government
	Governmental Activities
<u>ASSETS:</u>	
<u>Current Assets:</u>	
Cash	\$ 214,599.15
Certificates of Deposit	20,000.00
Total Current Assets	234,599.15
<u>Noncurrent Assets:</u>	
Capital Assets, Net of Accumulated Depreciation	1,229,306.87
Total Assets	1,463,906.02
<u>LIABILITIES:</u>	
<u>Noncurrent Liabilities:</u>	
Compensated Absences	15,096.26
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,229,306.87
Unrestricted	219,502.89
Total Net Position	\$ 1,448,809.76

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



CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
For the Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<u>PRIMARY GOVERNMENT:</u>					
<u>GOVERNMENTAL ACTIVITIES:</u>					
Salaries	\$ 151,143.19	\$ -	\$ -	\$ -	\$ (151,143.19)
Payroll Taxes	12,533.70	-	-	-	(12,533.70)
Employee Benefits	26,144.00	-	-	-	(26,144.00)
Secretary/Board Expense	3,000.00	-	-	-	(3,000.00)
Office Supplies	2,290.45	-	-	-	(2,290.45)
Fees/Dues/Seminars	5,147.43	-	-	-	(5,147.43)
Special Assessment Tax	1,989.49	-	-	-	(1,989.49)
Arena Expense	64,260.03	85,162.25	4,500.00	9,825.62	35,227.84
Parks Expense	63,746.77	23,868.00	3,791.00	50,000.00	13,912.23
Other	5,910.58	-	-	-	(5,910.58)
Total Governmental Activities	336,165.64	109,030.25	8,291.00	59,825.62	(159,018.77)
<u>General Revenues:</u>					
Property Tax Levy					149,871.76
State Aid Allocation via the City of Bottineau					39,449.08
Earnings on Investments					709.71
Miscellaneous Revenues					2,035.56
Total General Revenues					192,066.21
Change in Net Position					33,047.44
Net Position - January 1					1,415,762.32
Net Position - December 31					\$ 1,448,809.76

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2017

	<u>General Fund</u>
<u>ASSETS:</u>	
Cash	\$ 214,599.15
Certificates of Deposit	<u>20,000.00</u>
Total Assets	<u>\$ 234,599.15</u>
<u>FUND BALANCES:</u>	
Committed Fund Balance	\$ 194,016.27
Unassigned Fund Balance	<u>40,582.88</u>
Total Fund Balances	<u>\$ 234,599.15</u>

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds \$ 234,599.15

Total net position reported for governmental  
activities in the Statement of Net  
Position is different because:

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

Cost of Capital Assets	1,784,505.42	
Less Accumulated Depreciation	<u>(555,198.55)</u>	
Net Capital Assets		1,229,306.87

Noncurrent liabilities applicable to  
governmental activities are not due  
and payable in the current period and,  
accordingly, are not reported in the  
governmental funds.

Compensated Absences	<u>(15,096.26)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 1,448,809.76</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	General Fund
<u>Revenues:</u>	
Taxes	\$ 149,871.76
State Aid Allocation via the City of Bottineau	39,449.08
Arena User Fees	85,162.25
Parks User Fees	23,868.00
Grants and Contributions	68,116.62
Interest Income	709.71
Other Income	2,035.66
	369,213.08
 <u>Total Revenues</u>	 369,213.08
 <u>Expenditures:</u>	
<u>Current:</u>	
Salaries	148,908.93
Payroll Taxes	12,533.70
Employee Benefits	26,144.00
Secretary/Board Expense	3,000.00
Office Supplies	2,290.45
Fees/Dues/Seminars	5,147.43
Special Assessment Tax	1,989.49
Arena Expense	54,388.04
Parks Expense	34,350.79
Other	5,910.58
Capital Outlay	186,400.35
	481,063.76
 <u>Total Expenditures</u>	 481,063.76
 Net Change in Fund Balances	 (111,850.68)
 Fund Balance - January 1	 346,449.83
 Fund Balance - December 31	 \$ 234,599.15

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

Net Change in Fund Balances-Total Governmental Funds \$ (111,850.68)

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current Year Capital Outlay	186,400.35	
Current Year Depreciation Expense	<u>(39,267.97)</u>	
Net Amount		147,132.38

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

Net increase in Compensated Absences	<u>(2,234.26)</u>
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Change in Net Position of Governmental Activities	<u>\$ 33,047.44</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
December 31, 2016

	Primary Government
	Governmental Activities
<u>ASSETS:</u>	
<u>Current Assets:</u>	
Cash	\$ 326,449.83
Certificates of Deposit	20,000.00
Total Current Assets	346,449.83
<u>Noncurrent Assets:</u>	
Capital Assets, Net of Accumulated Depreciation	1,082,174.49
Total Assets	1,428,624.32
<u>LIABILITIES:</u>	
<u>Noncurrent Liabilities:</u>	
Compensated Absences	12,862.00
<u>NET POSITION:</u>	
Net Investment in Capital Assets	1,082,174.49
Unrestricted	333,587.83
Total Net Position	\$ 1,415,762.32

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
For the Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<u>PRIMARY GOVERNMENT:</u>					
<u>GOVERNMENTAL ACTIVITIES:</u>					
Salaries	\$ 132,798.95	\$ -	\$ -	\$ -	\$ (132,798.95)
Payroll Taxes	11,830.74	-	-	-	(11,830.74)
Employee Benefits	17,547.51	-	-	-	(17,547.51)
Secretary/Board Expense	3,000.00	-	-	-	(3,000.00)
Office Supplies	1,903.34	-	-	-	(1,903.34)
Fees/Dues/Seminars	558.00	-	-	-	(558.00)
Special Assessment Tax	2,115.17	-	-	-	(2,115.17)
Arena Expense	45,161.00	52,047.35	31.00	550.00	7,467.35
Parks Expense	65,725.02	14,912.00	2,250.00	562,693.16	514,130.14
Other	2,003.74	-	-	-	(2,003.74)
Total Governmental Activities	282,643.47	66,959.35	2,281.00	563,243.16	349,840.04
<u>General Revenues:</u>					
Property Tax Levy					143,928.51
State Aid Allocation via the City of Bottineau					44,027.61
Earnings on Investments					1,012.78
Miscellaneous Revenues					542.18
Total General Revenues					189,511.08
Change in Net Position					539,351.12
Net Position - January 1					876,411.20
Net Position - December 31					\$ 1,415,762.32

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
December 31, 2016

	<u>General Fund</u>
<u>ASSETS:</u>	
Cash	\$ 326,449.83
Certificates of Deposit	<u>20,000.00</u>
Total Assets	<u>\$ 346,449.83</u>
<u>FUND BALANCES:</u>	
Committed Fund Balance	\$ 257,606.27
Unassigned Fund Balance	<u>88,843.56</u>
Total Fund Balances	<u>\$ 346,449.83</u>

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



CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds \$ 346,449.83

Total net position reported for governmental  
activities in the Statement of Net  
Position is different because:

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

Cost of Capital Assets	1,598,105.07	
Less Accumulated Depreciation	<u>(515,930.58)</u>	
Net Capital Assets		1,082,174.49

Noncurrent liabilities applicable to  
governmental activities are not due  
and payable in the current period and,  
accordingly, are not reported in the  
governmental funds.

Compensated Absences	<u>(12,862.00)</u>
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Total Net Position of Governmental Activities \$ 1,415,762.32

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS-GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	General Fund
<u>Revenues:</u>	
Taxes	\$ 143,928.51
State Aid Allocation via the City of Bottineau	44,027.61
Arena User Fees	52,047.35
Parks User Fees	14,912.00
Grants and Contributions	565,524.16
Interest Income	1,012.78
Other Income	542.18
Total Revenues	821,994.59
<u>Expenditures:</u>	
Current:	
Salaries	131,207.02
Payroll Taxes	11,830.74
Employee Benefits	17,547.51
Secretary/Board Expense	3,000.00
Office Supplies	1,903.34
Fees/Dues/Seminars	558.00
Special Assessment Tax	2,115.17
Arena Expense	34,846.18
Parks Expense	43,460.44
Other	2,003.74
Capital Outlay	550,487.23
Total Expenditures	798,959.37
Net Change in Fund Balances	23,035.22
Fund Balance - January 1	323,414.61
Fund Balance - December 31	\$ 346,449.83

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

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACITIVITES-MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

Net Change in Fund Balances-Total Governmental Funds                      \$ 23,035.22

The change in net position reported for governmental  
activities in the Statement of Activities  
is different because:

Governmental funds report capital outlays as  
expenditures. However, in the Statement of  
Activities, the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense.

Current Year Capital Outlay	550,487.23	
Current Year Depreciation Expense	<u>(32,579.40)</u>	
Net Amounts		517,907.83

Some expenses reported in the Statement of  
Activities do not require the use of current  
financial resources and are not reported as  
expenditures in the governmental funds.

Net increase in Compensated Absences	<u>(1,591.93)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 539,351.12</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the City of Bottineau Park Board is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Bottineau Park Board (Park Board). The Park Board is a governmental entity, which maintains the parks and ice arena within the City of Bottineau as its primary duties.

The Park Board has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the Park Board are such that exclusion would cause the Park Board's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body or an organization being fiscally dependent and (1) the ability of the Park Board 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 Park Board.

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

B. Financial Statement Presentation

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the Park Board. These statements include the financial activities of the overall government, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The majority of governmental activities are financed through taxes and intergovernmental revenues (i.e., nonexchange transactions). The Park Board is also financed by fees charged to external parties, primarily for use of the ice arena and parks.

The Statement of Net Position presents the Park Board's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

From time to time, under the terms of grant agreements, the Park Board may fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Park Board's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

**Fund Financial Statements:** Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund provides a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories as prescribed by GASB Statement No. 34 and amended by GASB Statement No. 65. Nonmajor governmental funds are combined and reported in aggregate.

The Park Board has only one governmental fund (the general fund), and currently has no proprietary or fiduciary funds.

**Governmental Fund:**

*General Fund.* This is the Park Board's primary operating fund. It accounts for all financial resources of the Park Board.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements, and include the economic resources measurement focus and the current financial resources measurement focus.

*Economic resources measurement focus:* The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non-financial) are reported in the financial statements.

*Current financial resources measurement focus:* Under this measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available, spendable financial resources during any given period. Using the current financial resources measurement focus, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures, and proceeds of general long-term debt and acquisitions under capital leases to be reported as other financing sources.

Basis of accounting refers to *when* the transactions are recorded, regardless of the measurement focus applied. The only basis of accounting used by the Park Board is the modified cash basis of accounting as discussed below.

#### ***Government-wide Financial Statements***

Both governmental and enterprise funds (of which the Park Board has none) are reported using the economic resources measurement focus and the modified cash basis of accounting in the government-wide financial statements. The modified cash basis of accounting recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions, with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the Park Board utilized the basis of accounting recognized as generally accepted, all government-wide financial statements would be presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### ***Governmental Fund Financial Statements***

Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting in the governmental fund financial statements. Under this method, revenues are recognized and expenditures are recorded as described above with respect to the modified cash basis of accounting. If the Park Board utilized the basis of accounting recognized as generally accepted, fund financial statements for governmental funds would use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when measurable and available (i.e., when they are collectable within the current year or soon enough thereafter to pay liabilities of the current year).

*Proprietary funds* (of which the Park Board has none) are reported using the economic resources measurement focus and the modified cash basis of accounting, as described above. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Although the Park Board's program services include the ice arena and the parks, both of which charge user fees, the majority of the Park Board's revenues are from taxes and intergovernmental sources. The user fees would not be enough to sustain the operations of the ice arena or the parks (considering payroll expenses and administrative costs, which are listed separately from arena and park expenses in the basic financial statements). As such, the Park Board does not record the activities of the ice arena or parks as proprietary funds, resulting in a single governmental fund (the general fund) representing all Park Board activities.

#### D. Budgets

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for the general fund. The Park Board is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10<sup>th</sup> of the preceding fiscal year, the Park Board prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

#### E. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### F. Cash and Certificates of Deposit

Cash includes amounts in demand deposits and money market accounts. Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the Park Board to invest in:

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

At December 31, 2017 and 2016, the Park Board's cash included demand deposit accounts and certificates of deposits which are stated at cost.

#### G. Capital Assets

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

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

Buildings	20 or 50 years
Improvements	20 years
Equipment	7 or 15 years
Vehicles (included in Equipment)	5 years

#### H. Compensated Absences

After a three month probationary period, each continuous full-time employee is granted vacation and sick leave benefits based on years of service. Upon termination, employees are paid up to 400 hours for any vacation earned and accumulated prior to the date of separation. In addition, employees leaving after ten years of continuous service will receive payment for up to 72 hours of sick leave earned and accumulated. Payments for vacation and sick leave upon an employee's termination are paid at the employee's pay rate immediately prior to separation. Vested or accumulated leave for governmental funds is reported in the government-wide financial statements.

#### I. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums or discounts are capitalized and amortized over the term of the related obligation. Bond issuance costs are recorded as expenditures when paid.

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### J. Fund Equity

In the governmental fund financial statements, governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassignable.



***Nonspendable Fund Balance*** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principle of a permanent fund).

***Restricted Fund Balance*** - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, and other governments, etc.) or imposed by enabling legislation.

***Committed Fund Balance*** - represents amounts that can only be used for specific purposes imposed by a formal action of the Park Board's highest level of decision-making authority, the Park Board's directors. Committed resources cannot be used for any other purpose unless the Park Board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

***Assigned Fund Balance*** - represents amounts the Park Board intends to use for specific purposes as expressed by the Board or an official delegated the authority to assign amounts. As of December 31, 2017, the Park Board has not granted any official the right to assign amounts to a specific purpose.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Park Board's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances. The Park Board has not established a policy for its use of unrestricted fund balance amounts. As such, it considers committed amounts to be reduced first, followed by assigned amounts, and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2: DEPOSITS

At December 31, 2017 and 2016, the deposits of the Park Board were not covered by federal depository insurance. During the years ended December 31, 2017 and 2016, the Park Board held investments in four certificates of deposit at First National Bank and Trust Co. of Bottineau in the amounts of \$10,000.00, \$5,000.00, \$2,500.00 and \$2,500.00. All certificates of deposit are short-term (i.e., mature within twelve months).

*Custodial and Concentration of credit risk:*

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Park Board will not be able to recover collateral securities that are not in the possession of an outside party. As discussed in Note 1-F, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the year ended December 31, 2017 and 2016, the Park Board's deposits were not adequately protected by insurance or collateral.

*Interest rate risk:*

The Park Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the Park Board's certificates of deposit have final maturity dates within one year.

NOTE 3: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2017 and 2016:

	Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 60,500.00	\$ -	\$ -	\$ 60,500.00
Construction in Progress	550,487.23	186,400.35	736,887.58	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 610,987.23</b>	<b>\$ 186,400.35</b>	<b>\$ 736,887.58</b>	<b>\$ 60,500.00</b>
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 185,795.81	\$ -	\$ -	\$ 185,795.81
Buildings and Improvements	801,322.03	736,887.58	-	1,538,209.61
<b>Total Capital Assets Being Depreciated</b>	<b>987,117.84</b>	<b>736,887.58</b>	<b>-</b>	<b>1,724,005.42</b>
<i>Less Accumulated Depreciation for:</i>				
Machinery and Equipment	143,410.89	7,246.47	-	150,657.36
Buildings and Improvements	372,519.69	32,021.50	-	404,541.19
<b>Total Accumulated Depreciation</b>	<b>515,930.58</b>	<b>39,267.97</b>	<b>-</b>	<b>555,198.55</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 471,187.26</b>	<b>\$ 697,619.61</b>	<b>\$ -</b>	<b>\$ 1,168,806.87</b>
<hr/>				
	Balance 01/01/2016	Additions	Deletions	Balance 12/31/2016
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 60,500.00	\$ -	\$ -	\$ 60,500.00
Construction in Progress	-	550,487.23	-	550,487.23
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 60,500.00</b>	<b>\$ 550,487.23</b>	<b>\$ -</b>	<b>\$ 610,987.23</b>
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 185,795.81	\$ -	\$ -	\$ 185,795.81
Buildings and Improvements	801,322.03	-	-	801,322.03
<b>Total Capital Assets Being Depreciated</b>	<b>987,117.84</b>	<b>-</b>	<b>-</b>	<b>987,117.84</b>
<i>Less Accumulated Depreciation for:</i>				
Machinery and Equipment	135,713.37	7,697.52	-	143,410.89
Buildings and Improvements	347,637.81	24,881.88	-	372,519.69
<b>Total Accumulated Depreciation</b>	<b>483,351.18</b>	<b>32,579.40</b>	<b>-</b>	<b>515,930.58</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 503,766.66</b>	<b>\$ (32,579.40)</b>	<b>\$ -</b>	<b>\$ 471,187.26</b>

Depreciation expense of \$9,871.99 was charged to arena expense and \$29,395.98 charged to parks expense under governmental activities in the Statement of Activities during the year ended December 31, 2017. During the year ended December 31, 2016, depreciation expense of \$10,314.82 and \$22,264.58 was charged to arena expense and parks expense, respectively.

NOTE 4: COMPENSATED ABSENCES

During the years ended December 31, 2017 and 2016, compensated absences changed as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Compensated Absences	\$ 12,862.00	\$ 2,234.26	\$ -	\$ 15,096.26

  

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Compensated Absences	\$ 11,270.07	\$ 1,591.93	\$ -	\$ 12,862.00

The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 5: FUND BALANCE

Fund balances as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Fund Balances		
Committed:		
Employee Benefits	\$ 4,485.81	\$ 4,485.81
Equipment	21,438.59	21,438.59
Park Improvements	770.98	64,360.98
Ice Plant	5,200.00	5,200.00
Arena Improvements	71,725.00	71,725.00
Forestry Park	25,000.00	25,000.00
Maintenance Reserve	23,500.00	23,500.00
A. Boettcher Estate for Financial Activities	41,320.89	41,320.89
L. Neubauer for New or Remodel Arena	575.00	575.00
Unassigned:	40,582.88	88,843.56
	<u>\$ 234,599.15</u>	<u>\$ 346,449.83</u>

NOTE 6: PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 7: PENSION PLANS

Through August 31, 2017, all eligible employees of the Park Board participate in the City of Bottineau's 457 retirement plan. The plan is a defined contribution plan with the pension plan responsible for benefits. The Park Board is responsible only for current contributions to the plan.

Employees of the Park Board are eligible to participate in the plan if they meet the following three requirements: (1) are full-time employees, (2) have been employed by the Park Board for at least 90 days, and (3) contributes at least 4% of their salary to the plan. The benefits provided under the plan are funded solely by the contributions to the plan by the employee and employer and the earnings on those contributions. The contributions are based on the employee's salary with the employee contributing a minimum of 4% and the Park Board matching the employee's 4%. Employees may contribute more than 4%, provided total contributions do not exceed \$8,000.00.

As of September 1, 2017, the plan was switched to the City of Bottineau's North Dakota Public Employees Retirement System (NDPERS) plan. NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan. The Park Board reimburses the City of Bottineau for the employer contributions under the plan. Employees contribute 5.26% of wages and the Park Board contributes 10% for a total of 15.26%. The Park Board's contributions for the years ending December 31, 2017 and 2016 were \$8,434.21 and \$4,417.77, respectively.

NOTE 8: RISK MANAGEMENT

The Park Board 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 City of Bottineau pays an annual premium to NDIRF for its general liability, automobile, and public asset insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile insurance. The Park Board is covered under the City of Bottineau's policy.

The Park Board also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the City of Bottineau. The City of Bottineau pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City of Bottineau (and, therefore, the Park Board through the City of Bottineau) with blanket fidelity bond coverage in the amount of \$2,000,000.00 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Park Board has workers' compensation with North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance through the City of Bottineau.

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

**NOTE 9: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET**

Expenditures exceeded budget by \$183,774.76 during the year ended December 31, 2017. No remedial action is anticipated or required by the Park Board with respect to these excess expenditures.

**NOTE 10: BOTTINEAU WINTER PARK**

The Park Board owns approximately 60 acres of land and the ski-related equipment at the Bottineau Winter Park. No rent is charged for the use of the land and equipment, and the Bottineau Winter Park is separately owned and managed, with a completely separate Board of Directors. A management agreement exists between the Park Board and the Bottineau Winter Park which explains that the Bottineau Winter Park is completely responsible for its own operations, and pays for insurance related to the land and equipment. The Park Board does not give the Bottineau Winter Park financial or managerial support.

**NOTE 11: SUBSEQUENT EVENTS**

The Park Board has evaluated subsequent events through May 9, 2018, the date which the financial statements were available to be issued.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE-MODIFIED CASH BASIS  
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	\$ 152,559.00	\$ 149,871.76	\$ (2,687.24)
State Aid Allocation via the City of Bottineau	40,800.00	39,449.08	(1,350.92)
Arena User Fees	72,030.00	85,162.25	13,132.25
Parks User Fees	20,500.00	23,868.00	3,368.00
Grants and Contributions	9,800.00	68,116.62	58,316.62
Interest Income	600.00	709.71	109.71
Other Income	500.00	2,035.66	1,535.66
<b>Total Revenues</b>	<b>296,789.00</b>	<b>369,213.08</b>	<b>72,424.08</b>
<u>Expenditures:</u>			
Current:			
Salaries	139,985.30	148,908.93	(8,923.63)
Payroll Taxes	10,675.00	12,533.70	(1,858.70)
Employee Benefits	24,000.00	26,144.00	(2,144.00)
Secretary/Board Expense	3,000.00	3,000.00	-
Office Supplies	2,000.00	2,290.45	(290.45)
Fees/Dues/Seminars	5,700.00	5,147.43	552.57
Special Assessment Tax	2,010.00	1,989.49	20.51
Arena Expense	53,600.00	54,388.04	(788.04)
Parks Expense	20,950.00	34,350.79	(13,400.79)
Other	1,950.00	5,910.58	(3,960.58)
Capital Outlay	33,419.00	186,400.35	(152,981.35)
<b>Total Expenditures</b>	<b>297,289.30</b>	<b>481,063.76</b>	<b>(183,774.46)</b>
<b>Net Change in Fund Balances</b>	<b>(500.30)</b>	<b>(111,850.68)</b>	<b>(111,350.38)</b>
<b>Fund Balance - January 1</b>	<b>346,449.83</b>	<b>346,449.83</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 345,949.53</b>	<b>\$ 234,599.15</b>	<b>\$ (111,350.38)</b>

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

BUDGETARY COMPARISON SCHEDULE-MODIFIED CASH BASIS  
GENERAL FUND

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>			
Taxes	\$ 144,396.00	\$ 143,928.51	\$ (467.49)
State Aid Allocation via the City of Bottineau	60,000.00	44,027.61	(15,972.39)
Arena User Fees	66,256.00	52,047.35	(14,208.65)
Parks User Fees	14,000.00	14,912.00	912.00
Grants and Contributions	632,500.00	565,524.16	(66,975.84)
Interest Income	800.00	1,012.78	212.78
Other Income	500.00	542.18	42.18
<b>Total Revenues</b>	<b>918,452.00</b>	<b>821,994.59</b>	<b>(96,457.41)</b>
<u>Expenditures:</u>			
Current:			
Salaries	129,785.30	131,207.02	(1,421.72)
Payroll Taxes	10,000.00	11,830.74	(1,830.74)
Employee Benefits	26,940.00	17,547.51	9,392.49
Secretary/Board Expense	3,000.00	3,000.00	-
Office Supplies	2,000.00	1,903.34	96.66
Fees/Dues/Seminars	1,200.00	558.00	642.00
Special Assessment Tax	2,079.00	2,115.17	(36.17)
Arena Expense	46,800.00	34,846.18	11,953.82
Parks Expense	19,450.00	24,702.23	(5,252.23)
Other	1,750.00	2,003.74	(253.74)
Capital Outlay	700,000.00	569,245.44	130,754.56
<b>Total Expenditures</b>	<b>943,004.30</b>	<b>798,959.37</b>	<b>144,044.93</b>
<b>Net Change in Fund Balances</b>	<b>(24,552.30)</b>	<b>23,035.22</b>	<b>47,587.52</b>
<b>Fund Balance - January 1</b>	<b>323,414.61</b>	<b>323,414.61</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 298,862.31</b>	<b>\$ 346,449.83</b>	<b>\$ 47,587.52</b>

See accompanying notes to budgetary comparison schedule.

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2017 and 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for the general fund. The Park Board is required to present the adopted and final amended revenues and expenditures for this fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10<sup>th</sup> of the preceding fiscal year, the Park Board prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

NOTE 2: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budget by \$183,774.76 during the year ended December 31, 2017. No remedial action is anticipated or required by the Park Board with respect to these excess expenditures.



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**Certified Public Accountants**

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

Governing Board  
City of Bottineau Park Board  
Bottineau, North Dakota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of City of Bottineau Park Board as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise City of Bottineau Park Board's basic financial statements and have issued our report thereon dated May 9, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Bottineau Park Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bottineau Park Board's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the City of Bottineau Park Board's internal control described in the accompanying schedule of findings and responses, items 17-1 and 17-2, to be material weaknesses.

## Compliance and Other Matters

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

## City of Bottineau Park Board's Response to Findings

The City of Bottineau Park Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Bottineau Park Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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



LERVIK & JOHNSON  
Certified Public Accountants  
Bottineau, North Dakota

May 9, 2018

CITY OF BOTTINEAU PARK BOARD  
Bottineau, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES  
For the Years Ended December 31, 2017 and 2016

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

17-1 Segregation of Duties

Condition:

The City of Bottineau Park Board has one employee responsible for most accounting functions.

Criteria:

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the City of Bottineau Park Board.

Effect:

There is little segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the City of Bottineau Park Board's financial condition.

Recommendation:

Due to the size of the City of Bottineau Park Board, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response:

No response is considered necessary.

17-2 Preparation of Financial Statements

Condition:

The City of Bottineau Park Board does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to assist in drafting the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria:

A good system of internal accounting control contemplates a system designed to prepare financial statements in accordance with generally accepted accounting principles.

**Effect:**

Inadequate controls over financial reporting of the City of Bottineau Park Board result in the more than remote likelihood that the Park Board would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

**Recommendation:**

While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the board of directors should continually be aware of the financial reporting of the Park Board and changes in reporting requirements.

**Management's Response:**

Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Lervik and Johnson P.C., a public accounting firm, to assist in the preparation of the financial statements as part of their annual audit of the City of Bottineau Park Board.