

**BOWMAN PARK AND RECREATION  
BOWMAN, NORTH DAKOTA**

**AUDIT REPORT**

**EXAMINATION FOR THE FISCAL  
YEAR ENDED DECEMBER 31, 2017**

**JAMES J. WOSEPKA, PC  
CERTIFIED PUBLIC ACCOUNTANT  
BEACH, NORTH DAKOTA**

**BOWMAN PARK AND RECREATION  
BOWMAN, NORTH DAKOTA**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3 - 5
FINANCIAL STATEMENTS	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Government Funds to the Statement of Activities	10
Notes to the Financial Statements	11 - 22
REQUIRED SUPPLEMENTARY INFORMATION	23
Schedule of Revenues, Expenditures, and Change in Fund Balances - Budget to Actual - General Fund	24
Notes to Required Supplementary Information	25 - 26
SUPPLEMENTARY INFORMATION	27
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - Capital Project Funds	28
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	29 - 30



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Licensed in North Dakota and Montana

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bowman Park and Recreation  
Bowman, North Dakota 58623

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bowman Park and Recreation, Bowman, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Park and Recreation'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 accounting principles generally accepted in the United States of America; this includes 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.

#### 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 from 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bowman Park and Recreation, Bowman, North Dakota, as of December 31, 2017, and the respective 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information such as Management's Discussion and Analysis (omitted), the Budgetary Comparison information and the schedules relating to pensions on pages 23 – 26, 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bowman Park and Recreation's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements on pages 27 - 28, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information 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, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018 on our consideration of the Bowman Park and Recreation'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bowman Park and Recreation's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Beach, North Dakota  
May 30, 2018

**BOWMAN PARK & RECREATION  
STATEMENT OF NET POSITION  
December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 203,160
Taxes/assessments receivable	124,833
Accounts receivable	68
Due from other governments	76,841
<b>Total Assets</b>	<b>\$ 404,902</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 55,618</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 5,013
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	86,829
<b>Total Liabilities</b>	<b>\$ 91,842</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 7,634</b>
<b>NET POSITION</b>	
Unrestricted	\$ 361,044
<b>Total Net Position</b>	<b>\$ 361,044</b>

See accompanying notes to financial statements.

**BOWMAN PARK & RECREATION  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED DECEMBER 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services, Fines, Forfeitures, etc.</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Culture and recreation	\$ 354,437	\$ 132,659	\$ -	\$ (221,778)
Capital outlay	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 354,437</b>	<b>\$ 132,659</b>	<b>\$ -</b>	<b>(221,778)</b>
General revenues:				
Property taxes				359,291
State/Local shared revenue				148,178
Unrestricted investment earnings				251
Miscellaneous				1,411
		<b>Total general revenues</b>		<b>509,131</b>
			Change in net position	287,353
			Total net position - January 1, 2017	73,691
			Total net position - December 31, 2017	<b>\$ 361,044</b>

See accompanying notes to financial statements.

**BOWMAN PARK & RECREATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

Description	Major Fund		Total Governmental Funds
	General	Park & Rec	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 134,847	\$ 68,313	\$ 203,160
Tax/assessment receivable	110,311	14,522	124,833
Accounts receivable	68	-	68
Due from other governments	67,890	8,951	76,841
<b>Total Assets</b>	<b>313,116</b>	<b>91,786</b>	<b>404,902</b>
<b>LIABILITIES</b>			
Accounts payable	5,013	-	5,013
<b>Total Liabilities</b>	<b>5,013</b>	<b>-</b>	<b>5,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	110,311	14,522	124,833
<b>FUND BALANCES</b>			
Restricted	-	-	-
Assigned	-	77,264	77,264
Unassigned	197,792	-	197,792
<b>Total fund balances</b>	<b>197,792</b>	<b>77,264</b>	<b>275,056</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 313,116</b>	<b>\$ 91,786</b>	

Amounts reported for governmental activities in the statement of net position is different because:

Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	117,199
Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.	(31,211)
<b>Total Net Position - Governmental Funds</b>	<b>\$ 361,044</b>

See accompanying notes to financial statements.



**BOWMAN PARK & RECREATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED DECEMBER 31, 2017**

Description	Major Fund		Total Governmental Funds
	General	Park & Rec	
<b>REVENUES</b>			
Taxes/assessments	\$ 238,012	\$ -	\$ 238,012
Intergovernmental revenues	115,351	32,827	148,178
Charges for services	132,659	-	132,659
Miscellaneous	1,411	-	1,411
Investment and royalty earnings	251	-	251
<b>Total Revenues</b>	<b>487,684</b>	<b>32,827</b>	<b>520,511</b>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	406,146	9,399	415,545
Capital outlay	-	-	-
<b>Total Expenditures</b>	<b>406,146</b>	<b>9,399</b>	<b>415,545</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>81,538</b>	<b>23,428</b>	<b>104,966</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>81,538</b>	<b>23,428</b>	<b>104,966</b>
<b>Fund balances - January 1, 2017</b>	<b>116,254</b>	<b>53,836</b>	<b>170,090</b>
<b>Fund balances - December 31, 2017</b>	<b>\$ 197,792</b>	<b>\$ 77,264</b>	<b>\$ 275,056</b>

See accompanying notes to financial statements.

**BOWMAN PARK & RECREATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED DECEMBER 31, 2017**

<b>Net change in fund balances - total governmental funds (page 9)</b>	<u>\$ 104,966</u>
Amounts reported for governmental activities in the statement of activities (page 7) are different because:	
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. Ownership of assets purchased are transferred to the City of Bowman	<u>-</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	<u>121,279</u>
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	
Accrued compensated absences	<u>(136)</u>
Net change in pension liability	<u>61,244</u>
<b>Change in Net Position in Governmental Activities</b>	<u><u>\$ 287,353</u></u>

See accompanying notes to financial statements.

**BOWMAN PARK AND RECREATION  
BOWMAN, NORTH DAKOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. Summary of Significant Accounting Policies**

Bowman Park and Recreation operates under a commission form of government. The basic financial statements of Bowman Park and Recreation (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

**Reporting Entity**

The District is governed by an elected Board of Directors. The District's basic financial statements include the accounts of all District operations. The criteria for including organizations within the District's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the District as reporting entities.

**Basic Financial Statements**

In accordance with GASB Statement No. 34 (*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*), the basic financial statements include both government-wide and fund financial statements.

The Government-wide financial statements (Statement of Net Position and Statement of Activities) report on the District as a whole, excluding fiduciary activities. 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. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables, as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements.

1. **Summary of Significant Accounting Policies – cont.**  
**Basic Financial Statements – cont.**

The Government-wide Statement of Net Position reports all financial and capital resources of the District. It is displayed in a format of assets less liabilities equal net position with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position, not otherwise classified as restricted, is shown as unrestricted. Generally, the District would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the District are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

1. **Summary of Significant Accounting Policies – cont.**  
**Basic Financial Statements – cont.**

The District reports the following major governmental funds:

General Fund – This fund reports the primary fund of the District. This fund is used to account for all financial resources not reported in other funds.

Park and Recreation Fund – This fund is used for capital improvements.

**Measurement Focus and Basis of Accounting**

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits, and penalties and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the District's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

1. **Summary of Significant Accounting Policies – cont.**

**Capital Assets**

The District owns no capital assets. All assets belong to the City of Bowman.

**Taxes and Assessments**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Encumbrances**

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year, but are carried forward as reserved fund balance until liquidated.

**Net Position**

In the government-wide fund statements, net position is reported in three components – net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct, or improve those assets. Restricted net position is reported when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by enabling legislation. Unrestricted net position is net position that does not meet the definition of either of the first two categories of net position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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.

1. **Summary of Significant Accounting Policies – cont.**

**Deferred Outflows/Inflows of Resources – cont.**

In addition to liabilities, the statement of financial position will sometimes report a separate section for 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.

**Fund Balances – Governmental Funds**

As of December 31, 2017, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the District. The District’s board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District’s board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the District’s board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of December 31, 2017, fund balances are composed of the following:

	<u>General Fund</u>	<u>Park &amp; Rec</u>	<u>Total Governmental Funds</u>
Assigned:			
Capital Projects	\$ -	\$ 77,264	\$ 77,264
Unassigned Funds:	<u>197,792</u>	<u>-</u>	<u>197,792</u>
Total fund balances	<u>\$ 197,792</u>	<u>\$ 77,264</u>	<u>\$ 275,056</u>

1. **Summary of Significant Accounting Policies – cont.**  
**Fund Balances – Governmental Funds – cont.**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

2. **Cash and Cash Equivalents**

The District maintains a cash pool for all funds under the control of the District Clerk. Cash includes cash and cash items of checking and savings deposits. The composition of cash on December 31, 2017 was as follows:

<u>Cash</u>	
Cash in Banks	
Demand and Savings Deposits	\$ <u>203,160</u>

Deposits - At year-end, the carrying amount of the District's deposits was \$203,160 and the bank balance was \$205,897. These deposits include demand and savings deposits. Of the bank balance, all was covered by Federal Depository Insurance.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party.

North Dakota statutes require that the District obtain pledged securities for the uninsured portion of the deposits equal to 110% of such deposits. The amount of collateral held for District deposits at December 31, 2017 exceeded the amount required by state statutes.

State statutes authorize local governments 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 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) Certificates of Deposit, savings deposits, or other deposits fully insured or guaranteed by the Federal Deposit Insurance Corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the Commissioner of Financial Institutions, e) State and local securities, and f) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.



**3. Taxes Receivable**

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3, "Revenue Recognition-Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then 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. Since no material taxes are collected within the time period, taxes receivable are recorded as deferred inflow of resources.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the County and usually remitted monthly to the District.

**4. Due from County Treasurer**

The amount due from the County Treasurer consists of the cash on hand for taxes and special assessments collected but not remitted to the District at December 31.

**5. Unearned Revenues**

Unearned revenues consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

**6. Compensated Absences**

The District's policy on vacation days is that an employee earns vacation days during each 12 month period beginning with the anniversary date of employment. A maximum of 22 vacation days may be carried from one year to the next.

Sick leave is also accrued with a maximum of 60 days for full-time employees and 42 days for part-time employees to be carried forward.

Current year activity with compensated absences is as follows:

Prior Year			Current Year
Balance	Earned	Used	Balance
\$ <u>4,420</u>	\$ <u>309</u>	\$ <u>-</u>	\$ <u>4,729</u>

**7. Risk Management**

The District participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

8. **Pension Plan**  
**Notes to the Financial Statements for the Year Ended December 31, 2017**

**Summary of Significant Accounting Policies**

*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.

**General Information about the Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

***Pension Benefits***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 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. The plan permits early retirement at ages 55-64 with three or more years of service.

8. **Pension Plan – cont.**

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

***Death and Disability Benefits***

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

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

**8. Pension Plan – cont.**

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 12/31/2017, the Employer reported a liability of \$82,100 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2016, 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 pension 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 06/30/2016, the Employer’s proportion was .008424, which was a decrease of .000381 from its proportion measured as of 06/30/2015.

For the year ended 12/31/2017, the Employer recognized pension expense of \$15,500. At 12/31/2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,233	\$ 760
Changes of assumptions	7,569	4,079
Net difference between projected and actual earnings on pension plan investments	11,454	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,618	2,795
Employer contributions subsequent to the measurement date	14,744	-
Total	\$ 55,618	\$ 7,634

\$55,618 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2018.

8. **Pension Plan – cont.**

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:**

2017	\$ 7,382
2018	7,382
2019	9,881
2020	7,885
2021	710
Thereafter	-

**Actuarial assumptions.** The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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:

8. **Pension Plan – cont.**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of net pension liability	\$ 116,457	\$ 82,100	\$ 53,152

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

9. **Subsequent Events**

Subsequent events have been evaluated through the date of these financials.

**REQUIRED**

**SUPPLEMENTARY INFORMATION**

**BOWMAN PARK AND RECREATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
Year Ended December 31, 2017

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes/Special Assessments	\$ 174,510	\$ 171,860	\$ 238,012	\$ 66,152
Intergovernmental Revenue	93,150	93,150	115,351	22,201
Charges for Service	106,394	106,394	132,659	26,265
Miscellaneous Revenues	1,000	1,000	1,411	411
Investment and Royalty Earnings	240	240	251	11
Total Revenues	<u>375,294</u>	<u>372,644</u>	<u>487,684</u>	<u>115,040</u>
<b>Expenditures:</b>				
Current:				
Culture and Recreation	400,399	448,399	406,146	42,253
Capital Outlay	-	-	-	-
Total Expenditures	<u>400,399</u>	<u>448,399</u>	<u>406,146</u>	<u>42,253</u>
<b>Excess Of Revenues Over (Under) Expenditures</b>	<u>(25,105)</u>	<u>(75,755)</u>	<u>81,538</u>	<u>157,293</u>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ (25,105)</u>	<u>\$ (75,755)</u>	<u>81,538</u>	<u>\$ 157,293</u>
<b>Fund Balances - January 1, 2017</b>			<u>116,254</u>	
<b>Fund Balances - December 31, 2017</b>			<u>\$ 197,792</u>	



**BOWMAN PARK AND RECREATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**Budgets**

Section 40-40-10, NDCC requires that immediately after the completion of the final budget and the adoption of the annual tax levy and not later than October 10, the Park Board shall send to the County Auditor a certified copy of the levy and a certified copy of the final budget.

Budgets are prepared for the General Fund and the Special Revenue and Capital Projects Funds on a cash basis, which is not materially different from the modified accrual basis. Annual appropriations lapse at year end.

<u>Budget Amendments</u>	<u>Original</u>	<u>Change</u>	<u>Final</u>
Park & Rec Improvement	\$ 7,200	\$ 3,000	\$ 10,200
General Fund	\$ 400,399	\$ 48,000	\$ 448,399

**ND Public Employees Retirement System**

**Schedule of Employer's Share of Net Pension Liability  
Last 10 Fiscal Years\***

	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.004557%	0.008805%	0.008424%
Employer's proportionate share of the net pension liability (asset)	\$ 28,924	\$ 59,872	\$ 82,100
Employer's covered-employee payroll	\$ 38,385	\$ 78,439	\$ 84,893
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%	96.71%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%	93.62%

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

**Notes to Required Supplemental Information – cont.**  
**ND Public Employees Retirement System – cont.**

**Schedule of Employer Contributions  
Last 10 Fiscal Years\***

	2015	2016	2017
Statutorily required contribution	\$ 2,733	\$ 5,958	\$ 6,146
Contributions in relation to the statutorily required contribution	\$ (2,733)	\$ (5,585)	\$ 5,575
Contribution deficiency (excess)	\$ -	\$ 373	\$ 571
Employer's covered-employee payroll	\$ 38,385	\$ 78,439	\$ 84,893
Contributions as a percentage of covered-employee payroll	7.12%	7.60%	6.57%

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

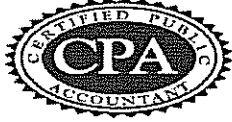
**Changes of assumptions.**

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**SUPPLEMENTARY INFORMATION**

**BOWMAN PARK AND RECREATION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Capital Project Funds**  
Year Ended December 31, 2017

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	24,305	24,305	32,827	8,522
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total Revenues	<u>24,305</u>	<u>24,305</u>	<u>32,827</u>	<u>8,522</u>
<b>Expenditures:</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	7,200	10,200	9,399	801
Miscellaneous	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>7,200</u>	<u>10,200</u>	<u>9,399</u>	<u>801</u>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<u>17,105</u>	<u>14,105</u>	<u>23,428</u>	<u>9,323</u>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) Of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ 17,105</u>	<u>\$ 14,105</u>	23,428	<u>\$ 9,323</u>
Fund Balances - January 1, 2017			<u>53,836</u>	
Fund Balances - December 31, 2017			<u>\$ 77,264</u>	



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## James J. Wosepka, PC – Certified Public Accountant

Licensed in North Dakota and Montana

### 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 Board of Directors  
Bowman Park and Recreation  
Bowman, North Dakota 58623

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bowman Park and Recreation, Bowman, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Bowman Park and Recreation's basic financial statements, and have issued our report thereon dated May 30, 2018.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

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

James J. Wosepka, PC

By  CMA

Beach, North Dakota  
May 30, 2018