

**DICKINSON PARKS AND RECREATION
DISTRICT**

AUDIT REPORT

DECEMBER 31, 2014

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

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

List of Officials
December 31, 2014

Carol Herauf	Board President
Scott Kovash	Vice President
Howard Sharpe	Commissioner
Scott Karsky	Commissioner
Tim Daniel	Commissioner
James Kramer	Director
Sara Turner	Finance Supervisor

INDEPENDENT AUDITOR'S REPORT

Park Board
Dickinson Parks and Recreation District
Dickinson, North Dakota

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 Dickinson Parks and Recreation District, Dickinson, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

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 determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

INDEPENDENT AUDITOR'S REPORT

Opinions

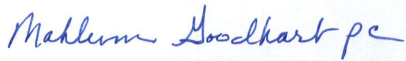
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dickinson Parks and Recreation District, Dickinson, North Dakota as of December 31, 2014, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of Dickinson Parks and Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Dickinson Parks and Recreation District's internal control over financial reporting and compliance.



Mahlum Goodhart, PC
Mandan, North Dakota
June 30, 2017

DICKINSON PARKS AND RECREATION DISTRICT

Statement of Net Position - Modified Cash Basis

December 31, 2014

	Governmental Activities
	<u>2014</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,329,440
Net Capital Assets	<u>7,151,921</u>
 TOTAL ASSETS	 9,481,361
LIABILITIES	
Current Liabilities	
Due to Other Governments	429
Employee Benefits and Taxes Payable	<u>8,005</u>
Total Current Liabilities	8,434
Long-Term Liabilities	
Due Within One Year:	
Bonds Payable	50,000
Notes Payable	241,498
Due After One Year:	
Bonds Payable	315,000
Notes Payable	<u>1,249,542</u>
Total Long-Term Liabilities	<u>1,856,040</u>
 TOTAL LIABILITIES	 <u>1,864,474</u>
NET POSITION	
Net Investment in Capital Assets	5,295,881
Restricted	287,729
Unassigned	<u>2,033,277</u>
 TOTAL NET POSITION	 <u>\$ 7,616,887</u>

The accompanying notes are an integral part of this statement.

DICKINSON PARKS AND RECREATION DISTRICT

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Culture and Recreation	\$ 5,702,736	\$ 3,401,681	\$ 44,919	\$ -	\$ (2,256,136)
Debt Service:					
Interest	<u>42,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,644)</u>
Total Governmental Activities	<u>\$ 5,745,380</u>	<u>\$ 3,401,681</u>	<u>\$ 44,919</u>	<u>\$ -</u>	<u>(2,298,780)</u>
General Revenues:					
Taxes:					
Property Taxes; Levied for General Purposes					1,422,530
Other Unrestricted Aid					404,034
Lease and Rental					321,660
Apparel and Equipment Sales					272,338
Miscellaneous Revenue					25,050
Oil and Gas Royalties					38,511
Interest Income					2,133
Gain on Disposal of Asset					10,182
Impact Fees					<u>357,626</u>
Total General Revenues					<u>2,854,064</u>
Change in Net Position					555,284
Net Position - Beginning of Year					7,199,837
Prior Period Adjustment					<u>(138,234)</u>
Net Position - Beginning of Year as Restated					<u>7,061,603</u>
Net Position - End of Year					<u>\$ 7,616,887</u>

The accompanying notes are an integral part of this statement.

DICKINSON PARKS AND RECREATION DISTRICT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2014

	Major Funds			Other	Total
	General	Park Land Development	Capital Improvements	Governmental Funds	Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,321,830	\$ 719,881	\$ 254,742	\$ 32,987	\$ 2,329,440
TOTAL ASSETS	<u>\$ 1,321,830</u>	<u>\$ 719,881</u>	<u>\$ 254,742</u>	<u>\$ 32,987</u>	<u>\$ 2,329,440</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Due to Other Governments	\$ 429	\$ -	\$ -	\$ -	\$ 429
Employee Benefits and Taxes Payable	<u>8,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,005</u>
Total Liabilities	<u>8,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,434</u>
Fund Balances:					
Restricted for:					
Capital Betterments	-	-	254,742	-	254,742
Social Security	-	-	-	71	71
Special Assessments	-	-	-	3,377	3,377
Retirement	-	-	-	29,539	29,539
Committed for:					
General Government	421,664	-	-	-	421,664
Park Land Development	-	719,881	-	-	719,881
Assigned for:					
Patterson Lake	103,319	-	-	-	103,319
Future Projects	221,832	-	-	-	221,832
Emergencies	113,153	-	-	-	113,153
Golf	28,734	-	-	-	28,734
West River Community Center	4,757	-	-	-	4,757
Unassigned	<u>419,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,937</u>
Total Fund Balances	<u>1,313,396</u>	<u>719,881</u>	<u>254,742</u>	<u>32,987</u>	<u>2,321,006</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,321,830</u>	<u>\$ 719,881</u>	<u>\$ 254,742</u>	<u>\$ 32,987</u>	<u>\$ 2,329,440</u>

The accompanying notes are an integral part of this statement.

DICKINSON PARKS AND RECREATION DISTRICT
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis - Governmental Funds
December 31, 2014

Total <i>Fund Balances</i> for Governmental Funds	\$ 2,321,006
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Total *net position* reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 13,266,969	
Less Accumulated Depreciation	<u>(6,115,048)</u>	
Net Capital Assets		7,151,921

Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position. Balances at December 31, 2014 are:

Revenue Bonds Payable	(365,000)	
Notes Payable	<u>(1,491,040)</u>	
Total Long-Term Liabilities		<u>(1,856,040)</u>

Total Net Position of Governmental Activities	\$ <u>7,616,887</u>
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The accompanying notes are an integral part of this statement.

DICKINSON PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2014

	Major Funds			Other	Total
	General	Park Land Development	Capital Improvements	Governmental Funds	Governmental Funds
REVENUES:					
Taxes	\$ 870,805	\$ -	\$ 188,306	\$ 363,419	\$ 1,422,530
Impact Fees	-	357,626	-	-	357,626
Intergovernmental	404,034	-	-	-	404,034
Charges for Services	3,401,681	-	-	-	3,401,681
Oil and Gas Royalties	38,511	-	-	-	38,511
Interest	2,133	-	-	-	2,133
Apparel and Equipment Sales	272,338	-	-	-	272,338
Contributions	23,625	-	21,294	-	44,919
Lease and Rental	321,660	-	-	-	321,660
Miscellaneous	25,050	-	-	-	25,050
Total Revenues	<u>5,359,837</u>	<u>357,626</u>	<u>209,600</u>	<u>363,419</u>	<u>6,290,482</u>
EXPENDITURES:					
Current:					
Culture and Recreation	1,836,267	-	231,845	579,374	2,647,486
Parks	56,501	36,908	-	-	93,409
Recreation Programs	304,334	-	-	-	304,334
Lake Patterson	186,803	-	-	-	186,803
Community Center	2,319,779	-	-	-	2,319,779
Golf	827,077	-	-	-	827,077
Capital Outlay	847,739	-	-	-	847,739
Debt Service:					
Principal	214,308	-	-	45,000	259,308
Interest	37,697	-	-	4,947	42,644
Total Expenditures	<u>6,630,505</u>	<u>36,908</u>	<u>231,845</u>	<u>629,321</u>	<u>7,528,579</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,270,668)	320,718	(22,245)	(265,902)	(1,238,097)
Other Financing Sources (Uses)					
Transfers	(2,500)	-	-	2,500	-
Insurance Proceeds	847,739	-	-	-	847,739
Bond Proceeds	-	-	-	230,000	230,000
Proceeds from Sale of Assets	43,994	-	-	-	43,994
Total Other Financing Sources (Uses)	<u>889,233</u>	<u>-</u>	<u>-</u>	<u>232,500</u>	<u>1,121,733</u>
NET CHANGE IN FUND BALANCES	(381,435)	320,718	(22,245)	(33,402)	(116,364)
FUND BALANCES - January 1, 2014	<u>1,694,831</u>	<u>399,163</u>	<u>276,987</u>	<u>66,389</u>	<u>2,437,370</u>
FUND BALANCES - December 31, 2014	<u>\$ 1,313,396</u>	<u>\$ 719,881</u>	<u>\$ 254,742</u>	<u>\$ 32,987</u>	<u>\$ 2,321,006</u>

The accompanying notes are an integral part of this statement.

DICKINSON PARKS AND RECREATION DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (116,364)

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

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

Capital Assets Purchased	\$ 2,182,100	
Current Year Depreciation Expense	<u>(658,209)</u>	
		1,523,891

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

Gain on Disposal of Assets	10,182	
Proceeds from Assets Sold	<u>(43,994)</u>	
		(33,812)

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

Issuance of Debt	(1,077,739)	
Repayment of Debt	<u>259,308</u>	
		<u>(818,431)</u>

Change in Net Position of Governmental Activities \$ 555,284

The accompanying notes are an integral part of this statement.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Basis of Presentation

Government-wide Financial Statements:

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are clearly identifiable with a specific function. Program revenues consist of fees and charges paid by the recipients of goods or services offered by the programs and operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. General revenues, including taxes, are those revenues that are not classified as program revenue.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

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

The District reports the following major governmental funds for the year ended December 31, 2014:

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

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

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

Measurement Focus/Basis of Accounting

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

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

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

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

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Equity Classifications

Government-wide Statements

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

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

Restricted and Unrestricted Resources

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

Fund Balance Classification

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Formal action of the highest level of decision making authority is needed to rescind fund balance constraints for specific purposes.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Park Board and Director.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Program Revenues

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

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Capital Assets

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

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

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

Long- Term Obligations

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

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government- wide financial statements, interfund transactions have been eliminated.

NOTE 2 DEPOSITS

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

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any park, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2014, the District's carrying amount of deposits was \$2,329,440. The bank balances as of December 31, 2014 were \$2,912,663. Of the bank balances, \$252,028 is covered by the Federal Depository Insurance; the remainder is covered by securities held by the pledging financial institutions' agent not in the District's name.

Interest Rate Risk

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

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 2 DEPOSITS – CONTINUED

Credit Risk

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

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

Concentration of Credit Risk:

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

NOTE 3 INTERFUND TRANSFER

Interfund activity at December 31, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 2,500
Other governmental	2,500	-
Total Transfers	<u>\$ 2,500</u>	<u>\$ 2,500</u>

The purpose of the interfund transfers is to move income on recreation programs to the debt service fund to assist in the payment of bonds.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Capital assets not depreciated				
Land	\$ 262,500	\$ -	\$ -	\$ 262,500
Total capital assets not being depreciated	<u>262,500</u>	<u>-</u>	<u>-</u>	<u>262,500</u>
Capital assets, being depreciated				
Buildings	4,763,044	40,746	18,404	4,785,386
Equipment and Vehicles	1,976,698	943,692	153,883	2,766,507
Land improvements	295,765	-	-	295,765
Infrastructure	3,959,149	1,169,098	-	5,128,247
Parks	<u>-</u>	<u>28,564</u>	<u>-</u>	<u>28,564</u>
Total Capital Assets, being depreciated	10,994,656	2,182,100	172,287	13,004,469
Total accumulated depreciation	<u>5,595,317</u>	<u>658,209</u>	<u>138,478</u>	<u>6,115,048</u>
Total capital assets being depreciated, net	<u>5,399,339</u>	<u>1,523,891</u>	<u>33,809</u>	<u>6,889,421</u>
Governmental activities- capital assets, net	<u>\$ 5,661,839</u>	<u>\$ 1,523,891</u>	<u>\$ 33,809</u>	<u>\$ 7,151,921</u>

Depreciation expense in 2014 was \$658,209.

NOTE 5 LONG-TERM DEBT

Changes in Long-Term Liabilities – During the year ended December 31, 2014, the following changes occurred in long-term debt:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Municipal Debt	\$ 857,609	\$ 847,739	\$ 214,308	\$ 1,491,040	\$ 241,498
Bonds Payable	<u>180,000</u>	<u>230,000</u>	<u>45,000</u>	<u>365,000</u>	<u>50,000</u>
Total	<u>\$ 1,037,609</u>	<u>\$ 1,077,739</u>	<u>\$ 259,308</u>	<u>\$ 1,856,040</u>	<u>\$ 291,498</u>

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 5 LONG-TERM DEBT – CONTINUED

Outstanding debt at December 31, 2014 consists of the following:

Bonds Payable

\$295,000 Refunding Improvement Bonds of 2010 due in annual installments of \$20,000 to \$45,000 through May 1, 2019; interest at 1.2% to 2.6%	\$ 135,000
\$230,000 Refunding Improvement Bond of 2014 due in annual installments of \$10,000 to \$25,000 through May 1, 2026; interest at 3%	<u>230,000</u>
Total Bonds Payable	<u>\$ 365,000</u>

Municipal Debt

\$963,732 Energy Loan of 2008, due in monthly installments of \$7,250 through January 2024; interest at 4.25%.	\$ 667,725
\$200,000 Skate Park Loan of 2010, due in annual installments of \$29,195 through April 1, 2018; interest at 4.051%	106,602
\$510,119 Park and Golf Equipment Loan, due in annual installments of \$106,710 through April 1, 2018; interest at 2.305%	403,409
\$140,000 Fitness Equipment Loan, due in annual installments of \$36,935 through April 1, 2018; interest at 2.125%.	140,000
\$197,620 Golf Cart Loan of 2014, due in monthly installments of \$4,808 from April through September each year and a final \$100,000 payment in October 2017; interest at 3.32%	<u>173,304</u>
Total Municipal Debt	<u>\$ 1,491,040</u>

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 5 LONG-TERM DEBT – CONTINUED

The annual requirements to amortize the refunding improvement bonds are as follows:

<u>Year ending December 31</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 50,000	\$ 9,913
2016	35,000	8,585
2017	45,000	7,475
2018	45,000	6,225
2019	45,000	4,975
2020-2026	<u>145,000</u>	<u>15,675</u>
Total	<u>\$ 365,000</u>	<u>\$ 52,848</u>

<u>Year ending December 31</u>	<u>Municipal Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 241,498	\$ 48,688
2016	248,901	41,274
2017	357,085	33,075
2018	238,506	22,785
2019	72,935	15,495
2020-2024	<u>332,115</u>	<u>29,644</u>
Total	<u>\$ 1,491,040</u>	<u>\$ 190,961</u>

NOTE 6 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto and \$965,360 for inland marine.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 6 RISK MANAGEMENT – CONTINUED

Dickinson Parks and Recreation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado funds are reinsured by a third-party insurance carrier for the losses in excess of \$2 million per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$838,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Dickinson Parks and Recreation District has workers compensation with the North Dakota Workforce Safety and Insurance. The District participates in the NDPERS insurance plan. The District pays 80% of the cost for the health insurance policy for all full-time employees and withholding the remaining 20% from employees' payroll. The District pays \$30 per month toward dental and or vision insurance for all full-time employees who want to participate in one or both plans.

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

NOTE 7 PENSION PLAN

City of Dickinson Pension Plan

The District participates in two of the City of Dickinson's employee pension plans. The first of which is a cost sharing multiple-employer defined benefit pension plan. The second of which is a multiple employer defined contribution plan. The following is a brief description of the plan.

Plan Description

The plans provide for retirement benefits to plan members and beneficiaries. City ordinance provides that all employees will become participants upon employment. Benefits become fully vested after 7 years of service. Employees who retire at or after age 62 with 15 years of credited service or after 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.3 percent of the final average compensation multiplied by the number of full and remaining fractional years of service completed by the participant or by a monthly benefit equal to one-twelfth of 3.3 percent of the total basic compensation for each full year and completed month of service. The amount used is the greater of the two calculations.

Dickinson Parks and Recreation District
Notes to the Financial Statements
December 31, 2014

NOTE 7 PENSION PLAN – CONTINUED

Funding Policy

Participating employees in both plans contribute to the plan at a rate of 5% of salary. The employers contribute at a rate determined by local statute to provide an amount not to exceed limits set by the NDCC. The contribution rates are established by local ordinance, and the employer contribution rate set by the City Commission. The District's required and actual contributions to the City of Dickinson defined benefit plan for the fiscal years ended December 31, 2014, 2013, and 2012 were \$156,566, \$168,646 and \$159,379, respectively. Employer contributions to the defined contribution plan are 5% of the covered salary. The Districts required and actual contributions to the City of Dickinson Defined contribution plan for the fiscal years ended December 31, 2014, 2013, and 2012 were \$20,182, \$21,060, and \$18,839, respectively. The City of Dickinson issues a publicly available financial report that includes the financial statements and the required supplementary information for the plan. That report may be obtained by writing to City of Dickinson, 99 2nd St. E, Dickinson, ND 58601.

NOTE 8 COMMITMENTS

Dickinson Parks and Recreation District has entered a pledge agreement committing \$1,000,000 to the city for the completion of the West River Expansion Projects. Payments will be in annual installments of \$100,000 for 10 years. In 2014, Dickinson Parks and Recreation District has made 2 annual payments of \$100,000 leaving a remaining balance of \$800,000.

NOTE 9 PRIOR PERIOD ADJUSTMENT

The District has adjusted net position as of January 1, 2014. The adjustment resulted because of an asset capitalized in 2013 but no cash was disbursed for the capital asset. Under the modified cash basis, the asset should be capitalized when cash is disbursed. The prior period adjustment decreases the beginning capital assets and total net position on the government-wide statement of net position. The adjustment is reported on the government-wide statement of activities as a decrease of \$138,234 to the beginning of year net position.

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

Park Board
Dickinson Parks and Recreation District
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dickinson Parks and Recreation District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2014-002 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2014-001 described in the accompanying schedule of findings to be a significant deficiency.

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*

Compliance and Other Matters

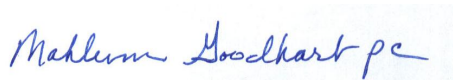
As part of obtaining reasonable assurance about whether Dickinson Parks and Recreation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could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

Dickinson Parks and Recreation District's Response to Findings

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

Purpose of this Report

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



Mahlum Goodhart, PC
Mandan, North Dakota
June 30, 2017

DICKINSON PARKS AND RECREATION DISTRICT
Schedule of Findings
For the Year Ended December 31, 2014

Finding 2014-001: Segregation of Duties

Condition – The District has a lack of segregation of duties in certain areas.

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

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

Effect – Inadequate segregation of duties could affect the Park District's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in an entity of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. All accounting functions should be reviewed to determine if additional segregation is possible. We also recommend cross-training staff so that more than one employee could perform each function if necessary.

Management's Response – We are aware of this issue and accept the risks. As a small organization with limited staff, we have internal controls to mitigate this as much as possible.

Finding 2014-002: Preparation of Financial Statements

Condition – A good system of internal control contemplates an adequate system for the preparation of the financial statements, including the notes to the financial statements.

Criteria – The Park District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including the notes to the financial statements. As auditors, we were requested to draft the financial statements and the accompanying notes to the financial statements.

Cause – The preparation of financial statements and related notes is very technical and requires a significant amount of time.

Effect – Inadequate controls over financial reporting of the Park District results in more than a remote likelihood that the Park District 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 – This is not unusual in an entity of your size. It is the responsibility of management and those charged with governance to make the decision as to whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response – We are aware of this issue and accept the risks. We produce financial statements for the board each month that gives the detail needed. The full financial statements prepared by our auditors are only needed on an annual basis.

DICKINSON PARKS AND RECREATION DISTRICT
Schedule of Findings
For the Year Ended December 31, 2014

Finding 2014-003: Journal Entries

Condition – Journal entries were required to report loan proceeds and capital outlay correctly.

Criteria – The fund financials should reflect all income received and expenses paid.

Cause – Dickinson Parks and Recreation District did not include debt which the bank advanced directly to a vendor for capital assets.

Effect – Loan proceeds and capital outlay were understated on the Fund Financial statements.

Recommendation – Record in the accounting records any assets acquired by direct advances by a lender.

Management's Response – We are aware of the issue and accept the risks. We are currently working on restructuring accounts to reflect all debt in the future.