

**GRAFTON PARK DISTRICT
GRAFTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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GRAFTON PARK DISTRICT
LIST OF OFFICIALS
AS OF DECEMBER 31, 2017

<u>Name</u>	<u>Position</u>
Brad Burianek	President
Scott Hills	Vice President
Ryer Stark	Board Member
Cory Burns	Board Member
Todd Storey	Board Member
William Dahl	Director
Matt Oppegard	Business Manager



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Grafton Park District
Grafton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Grafton Park District, Grafton, North Dakota, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the 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 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 and each major fund of Grafton Park District, Grafton, North Dakota, as of December 31, 2017, and the respective changes in financial position and cash flows, where applicable, 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 requires that budgetary comparison information, schedule of employers share of net pension liability and schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 not presented the required management's discussion and analysis as supplementary information to 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

The list of officials 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 11, 2018, on our consideration of Grafton Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Grafton Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grafton Park District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

May 11, 2018

BASIC FINANCIAL STATEMENTS

GRAFTON PARK DISTRICT
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash	\$ 339,188
Investments	75,000
Accounts receivable	4,181
Taxes receivable	16,079
Prepaid insurance	3,387
Capital assets - not being depreciated	
Land	270,765
Work in Progress	898,629
Capital assets:	
Buildings	1,995,996
Equipment and vehicles	441,903
Improvements	758,028
Less: accumulated depreciation	(981,910)
TOTAL ASSETS	3,821,246
DEFERRED OUTFLOWS OF RESOURCES	
Cost sharing defined benefit pension plan-NDPERS	135,469
LIABILITIES	
Accounts payable	208,825
Benefits payable	4,983
Accrued wages payable	64
Special assessments-current portion	2,399
Notes payable -current portion	8,899
Long-term liabilities:	
Compensated absences payable	8,809
Notes payable - non current portion	1,039,712
Net pension liability	255,629
TOTAL LIABILITIES	1,529,320
DEFERRED INFLOWS OF RESOURCES	
Cost sharing defined benefit pension plan-NDPERS	13,680
NET POSITION	
Net investment in capital assets	2,334,800
Restricted for building	166,709
Restricted for special assessments	1,058
Unrestricted	(88,852)
TOTAL NET POSITION	\$ 2,413,715

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines Forfeits and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General government	\$ 294,762	\$ -	\$ -	\$ -	\$ (294,762)
Culture and recreation	<u>490,988</u>	<u>312,917</u>	<u>-</u>	<u>4,181</u>	<u>(173,890)</u>
Total Governmental Activities	<u>\$ 785,750</u>	<u>\$ 312,917</u>	<u>\$ -</u>	<u>\$ 4,181</u>	<u>(468,652)</u>
General Revenues:					
Property taxes					336,844
Grants and contributions not restricted to specific programs					122,811
Miscellaneous revenue					<u>91</u>
Total general revenues					<u>459,746</u>
Change in net position					<u>(8,906)</u>
Net position-beginning					<u>2,422,621</u>
Net position-ending					<u>\$ 2,413,715</u>

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	General Fund	Special Assessments	Building	Total
ASSETS				
Cash	\$ 246,421	\$ 1,058	\$ 91,709	\$ 339,188
Investments	-	-	75,000	75,000
Accounts receivable	4,181	-	-	4,181
Taxes receivable	14,102	241	1,736	16,079
Prepaid insurance	3,387	-	-	3,387
TOTAL ASSETS	\$ 268,091	\$ 1,299	\$ 168,445	\$ 437,835
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 208,825	\$ -	\$ -	\$ 208,825
Benefits payable	4,983	-	-	4,983
Accrued wages payable	64	-	-	64
TOTAL LIABILITIES	213,872	-	-	213,872
 DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	14,102	241	1,736	16,079
FUND BALANCES				
Nonspendable	3,387			3,387
Restricted				
Restricted for building	-	-	166,709	166,709
Restricted for special assessments	-	1,058	-	1,058
Unrestricted				
Unassigned	36,730	-	-	36,730
TOTAL FUND BALANCES	40,117	1,058	166,709	207,884
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 268,091	\$ 1,299	\$ 168,445	\$ 437,835

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Total fund balances - governmental funds \$ 207,884

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

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

Land	\$	270,765	
Work in Progress		898,629	
Buildings		1,995,996	
Equipment		441,903	
Improvements		758,028	
Less: accumulated depreciation		<u>(981,910)</u>	
			3,383,411

Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. 121,789

Long-term liabilities, including bonds payable, loans payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. 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.

Special assessments		(2,399)	
Notes payable		(8,899)	
Compensated absences		(8,809)	
Choice Financial Arena Note		(990,000)	
City of Grafton		(24,856)	
Walsh County Development Authority		(24,856)	
Net pension liability		<u>(255,629)</u>	
			(1,315,448)

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 16,079

Total net position - governmental activities \$ 2,413,715

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Special Assessments	Building	Total
REVENUES				
Taxes	\$ 301,040	\$ 4,093	\$ 31,830	\$ 336,963
Intergovernmental	126,992	-	-	126,992
Charges for services	312,917	-	-	312,917
Miscellaneous	91	-	-	91
TOTAL REVENUES	<u>741,040</u>	<u>4,093</u>	<u>31,830</u>	<u>776,963</u>
EXPENDITURES				
Current:				
General government	264,862	-	-	264,862
Culture and recreation	392,376	-	-	392,376
Capital outlay	1,266,910	-	-	1,266,910
Debt service:				
Principal	8,696	3,731	-	12,427
Interest and fiscal charges	4,854	294	-	5,148
TOTAL EXPENDITURES	<u>1,937,698</u>	<u>4,025</u>	<u>-</u>	<u>1,941,723</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,196,658)	68	31,830	(1,164,760)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long term debt	1,039,712	-	-	1,039,712
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,039,712</u>	<u>-</u>	<u>-</u>	<u>1,039,712</u>
NET CHANGE IN THE FUND BALANCE	(156,946)	68	31,830	(125,048)
FUND BALANCE, BEGINNING OF YEAR	197,063	990	134,879	332,932
FUND BALANCE, END OF YEAR	<u>\$ 40,117</u>	<u>\$ 1,058</u>	<u>\$ 166,709</u>	<u>\$ 207,884</u>

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total net change in fund balances - governmental funds \$ (125,048)

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

Capital outlays are reported in governmental funds as expenditures. However in
the statement of activities, the cost of those assets is allocated over the estimated
useful lives as depreciation expense.

Capital outlay	\$ 1,266,910	
Depreciation expense	<u>(92,960)</u>	
		1,173,950

Repayment of long-term debt is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position.

Repayment of Debt - Loan Payable	8,696
Repayment of Debt - Special Assessments	3,731

Loan proceeds provide current financial resources to governmental funds,
however, issuing debt increases long term liabilities in the statement of net position (1,039,712)

Some items reported in the statement of activities do not require
the use of current financial resources and therefore are not reported
as expenditures in the governmental funds. These activities consist of:

Compensated Absences	(504)
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Some revenues reported on the statement of activities are not reported as revenues
in the governmental funds since they do not represent available resources to pay
current expenditures.

Net change in unavailable property taxes	(119)
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Changes in deferred outflows and inflows of resources related to net pension liability 77,697

Change in net pension liability	<u>(107,597)</u>
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Change in net position - governmental activities \$ (8,906)

See Notes to the Basic Financial Statements

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of the Grafton Park District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Grafton Park District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Grafton Park District.

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

Basis of Reporting

The financial statements of Grafton Park District, Grafton, North Dakota (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, sales and services, and other non-exchange transactions.

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 those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, interest and not-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The General Fund, Special Assessment Fund and Building Fund are major funds, with no non-major funds presented.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

General Fund

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Building Fund

This fund is used for upkeep on the pool and various buildings, land purchases and other District activities not accounted for in the other funds.

Special Assessment Fund

This fund is for the accounting for taxes levied and for the payment of the special assessments levied on District property.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Budgets and Budgetary Accounting

The governing body of each local government unit, annually on or before September 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the local government unit during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the local government unit for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the local government unit at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the director shall give notice that the preliminary budget is on file in the office of the director and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 1, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the director shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in authorized investments authorized by North Dakota statutes. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

In accordance with government accounting standards, the District considers cash equivalents to be temporary investments which are readily convertible to cash, such as certificates of deposit, commercial paper, and treasury bills with an original maturity of less than three months when purchased.

Revenues

The District's program revenues consist of charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Class	Years
Buildings	50
Other Improvements	25
Vehicles	5 - 10
Equipment	5 - 40

GRAFTON PARK DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 AS OF DECEMBER 31, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plans as well as amounts paid to the plans after the measurement date. See Note 8 for more details.

In addition to liabilities, the statement of net 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. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable property taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS pension plans. See Note 8 for details.

Compensated Absences

Each full-time, continuous employee is granted vacation benefits from 80 hours to 160 hours per year based on years of service. An employee must complete the first six months of continuous service prior to taking any vacation. The maximum number of vacation hours that can be carried over at year-end is the one year annual allowance for the staff member. If an employee, through no fault of his/her own, cannot take vacation prior to December 31st, the Park Board may approve a carryover in excess of the maximum allowed carryover. Upon termination of employment, employees are paid for the accumulated vacation leave. Additionally, each full-time employee is entitled to sick leave earned at the rate of one day per month (96 hours per year) with no maximum accumulation limit. Ten percent of sick leave is paid upon retirement only. Vested accumulated vacation leave is reported in the government-wide statement of net position and the change in compensated absences is reported by expense function in the statement of activities.

<u>Park Employees</u>	<u>Yearly Hours</u>
0 - 1 years	40
2 - 6 years	96
7 - 14 years	120
15 plus years	160

Unearned Revenue

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Uses" and "Expenditures", respectively, in the fund financial statements.

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.

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balances

The difference between assets and liabilities is "Net Position" on the government wide financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority which is the Board through a resolution.

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for a specified purpose. Restricted net assets in the statement of net position generally represent amounts that are restricted by various tax levies for a specific purpose, as well as those restricted by outside parties for use for a specific purpose.

Minimum Fund Balance Policy

The Board has not formally adopted a fund balance policy for the General Fund.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash. In accordance with North Dakota laws, the District maintains deposits at depositories authorized by the Board. The depositories are members of the Federal Reserve System. State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. As of December 31, 2017, the District's deposits were adequately protected by insurance or collateral in accordance with state law.

Interest Rate Risk

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

Credit Risk

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) Obligations of the State.

NOTE 3 - TAXES RECEIVABLE

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

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

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 4 - CAPITAL ASSETS

The following are summaries of changes in capital assets for the year ended December 31, 2017:

	<u>Balance</u> <u>01/01/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/17</u>
Governmental Activities				
Non - depreciable				
Land	\$ 270,765	\$ -	\$ -	\$ 270,765
Work in progress	-	898,629	-	898,629
	<u>270,765</u>	<u>898,629</u>	<u>-</u>	<u>1,169,394</u>
Depreciable				
Buildings	1,627,715	368,281	-	1,995,996
Equipment and vehicles	441,903	-	-	441,903
Improvements	758,028	-	-	758,028
	<u>2,827,646</u>	<u>368,281</u>	<u>-</u>	<u>3,195,927</u>
Less Accumulated Depreciation				
Buildings	308,677	44,214	-	352,891
Equipment and vehicles	260,244	22,946	-	283,190
Improvements	320,029	25,800	-	345,829
Total	<u>888,950</u>	<u>92,960</u>	<u>-</u>	<u>981,910</u>
Net Depreciable	<u>1,938,696</u>	<u>275,321</u>	<u>-</u>	<u>2,214,017</u>
Net Capital Assets for Governmental Activities	<u>\$ 2,209,461</u>	<u>\$ 1,173,950</u>	<u>\$ -</u>	<u>\$ 3,383,411</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	<u>12/31/2017</u>
Culture and Recreation	\$ 92,960

The District's work in progress consists of a renovation project of the Centennial Center and as of December 31, 2017 there was an estimated \$53,000 remaining on the project to be completed.

GRAFTON PARK DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 AS OF DECEMBER 31, 2017

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

NOTE 6 - BENEFITS PAYABLE

Benefits payable consists of a liability account reflecting amounts withheld from employee paychecks for state income taxes.

NOTE 7 - DEBT

Long-Term Debt

Changes in Long-Term Liabilities – During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance</u> <u>01-01-17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12-31-17</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Special Assessments	\$ 6,130	\$ -	\$ 3,731	\$ 2,399	\$ 2,399
Compensated Absences	8,305	504	-	8,809	-
Notes Payable-Choice Financial	17,595	-	8,696	8,899	8,899
Choice Financial Arena Note	-	990,000	-	990,000	-
City of Grafton	-	24,856	-	24,856	-
Walsh County Development Authority	-	24,856	-	24,856	-
Net Pension Liability	148,032	180,385	72,788	255,629	-
	<u>\$ 180,062</u>	<u>\$ 1,220,601</u>	<u>\$ 85,215</u>	<u>\$ 1,315,448</u>	<u>\$ 11,298</u>

- * The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost. Compensated absences will be liquidated from the general fund.
- * The special assessments are payable to the City of Grafton and interest rates range from 4.75% to 6.1%.

The amount of future payments on the special assessments is as follows:

City of Grafton-Special Assessments			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,399	\$ 114	\$ 2,513
	<u>\$ 2,399</u>	<u>\$ 114</u>	<u>\$ 2,513</u>

Grafton Park District entered into a Note Payable with Choice Financial for \$26,520 at an interest rate of 1.8% per annum with annual payments beginning on February 15, 2016 with a final payment due February 15, 2018. The amount of future payments on the note payable is as follows:

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Notes Payable - Choice Financial

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,899	\$ 160	\$ 9,059
	<u>\$ 8,899</u>	<u>\$ 160</u>	<u>\$ 9,059</u>

Grafton Park District entered into a Note Payable with Choice Financial for \$990,000 at a variable interest rate of 4.23% per annum with annual payments beginning May 5, 2018 with a final payment due May 5, 2043. The amount of future payments on the note payable is as follows:

Hockey Arena - Choice Financial

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 16,402	\$ 16,402
2019	24,502	41,877	66,379
2020	25,539	40,840	66,379
2021	26,619	39,760	66,379
2022	27,745	38,634	66,379
2023 - 2027	157,355	174,542	331,897
2028 - 2032	193,573	138,324	331,897
2033 - 2037	238,127	93,770	331,897
2038 - 2042	292,935	38,962	331,897
2043	3,605	153	3,758
	<u>\$ 990,000</u>	<u>\$ 623,265</u>	<u>\$ 1,613,265</u>

Grafton Park District entered into noninterest bearing loans with the City of Grafton and Walsh County Job Development Authority (JDA) for \$24,856 each. Each loan is payable on December 14, 2032 or when the interest buydown amortization on the Bank of North Dakota FlexPACE loan is complete. The amount of future payments on each Loan is as follows:

City of Grafton Note

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	-	-	-
2028 - 2032	24,856	-	24,856
	<u>\$ 24,856</u>	<u>\$ -</u>	<u>\$ 24,856</u>

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

	Walsh County JDA		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	-	-	-
2028 - 2032	24,856	-	24,856
	<u>\$ 24,856</u>	<u>\$ -</u>	<u>\$ 24,856</u>

NOTE 8 - PENSION PLAN

North Dakota Public Employees' Retirement System (NDPERS)

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 issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.

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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service 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 annual 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.

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'

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

accumulated contributions plus interest.

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by 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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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 25 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

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$255,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.015904 percent which was an increase of 0.001762 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the District recognized pension expense of \$41,513. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,519	\$ 1,245
Changes in actuarial assumptions	104,825	5,766
Net difference between projected and actual investment earnings	3,438	-
Changes in proportion	19,987	6,669
Contributions paid to NDPERS subsequent to the measurement date	5,700	-
Total	<u>\$ 135,469</u>	<u>\$ 13,680</u>

\$5,700 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ (25,104)
2019	(29,821)
2020	(26,292)
2021	(23,790)
2022	(11,082)
Thereafter	-

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
Age*	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, 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 SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (no setback for females) multiplied by 125%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalent	1.00%	0.00%

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.44 percent) or 1 percentage point higher (7.44 percent) than the current rate:

	1% Decrease in Discount Rate 5.44%	Discount Rate 6.44%	1% Increase in Discount Rate 7.44%
District's proportionate share of the NDPERS net pension liability:	\$ 347,025	\$ 255,629	\$ 179,592

Pension Plan Fiduciary Net Position

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

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

NOTE 10 - SCHEDULE OF TRANSFERS

There were no transfers during the current year.

NOTE 11 - NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several new statements, some of which have not been implemented by the District.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GRAFTON PARK DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt was acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

REQUIRED SUPPLEMENTARY INFORMATION

GRAFTON PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 328,276	\$ 328,276	\$ 301,040	\$ (27,236)
Intergovernmental	56,335	56,335	126,992	70,657
Charges for services	281,358	281,358	312,917	31,559
Miscellaneous	-	-	91	91
TOTAL REVENUES	<u>665,969</u>	<u>665,969</u>	<u>741,040</u>	<u>75,071</u>
EXPENDITURES				
General government	258,196	258,196	264,862	(6,666)
Culture and recreation	351,390	351,390	392,376	(40,986)
Capital outlay	56,383	56,383	1,266,910	(1,210,527)
Debt service-principal	-	-	8,696	(8,696)
Debt service-interest	-	-	4,854	(4,854)
TOTAL EXPENDITURES	<u>665,969</u>	<u>665,969</u>	<u>1,937,698</u>	<u>(1,271,729)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,196,658)	(1,196,658)
OTHER SOURCES (USES)				
Proceeds from long-term debt	-	-	1,039,712	1,039,712
NET CHANGE IN FUND BALANCE	-	-	(156,946)	(156,946)
FUND BALANCE - JANUARY 1	<u>197,063</u>	<u>197,063</u>	<u>197,063</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 197,063</u>	<u>\$ 197,063</u>	<u>\$ 40,117</u>	<u>\$ (156,946)</u>

See Notes to the Budgetary Comparison Schedules

GRAFTON PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Assessment			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 4,420	\$ 4,420	\$ 4,093	\$ (327)
EXPENDITURES				
Debt service:				-
Principal	4,200	4,200	3,731	469
Interest and fiscal charges	-	-	294	(294)
TOTAL EXPENDITURES	4,200	4,200	4,025	175
NET CHANGE IN FUND BALANCE	220	220	68	(152)
FUND BALANCE - JANUARY 1	990	990	990	-
FUND BALANCE - DECEMBER 31	\$ 1,210	\$ 1,210	\$ 1,058	\$ (152)

See Notes to the Budgetary Comparison Schedules

GRAFTON PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUILDING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Building Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 34,480	\$ 34,480	\$ 31,830	\$ (2,650)
Other revenue	-	-	-	-
	<u>34,480</u>	<u>34,480</u>	<u>31,830</u>	<u>(2,650)</u>
TOTAL REVENUES	<u>34,480</u>	<u>34,480</u>	<u>31,830</u>	<u>(2,650)</u>
EXPENDITURES				
General government				
Capital outlay	34,480	34,480	-	34,480
	<u>34,480</u>	<u>34,480</u>	<u>-</u>	<u>34,480</u>
TOTAL EXPENDITURES	<u>34,480</u>	<u>34,480</u>	<u>-</u>	<u>34,480</u>
NET CHANGE IN FUND BALANCE	-	-	31,830	31,830
FUND BALANCE - JANUARY 1	<u>134,879</u>	<u>134,879</u>	<u>134,879</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 134,879</u>	<u>\$ 134,879</u>	<u>\$ 166,709</u>	<u>\$ 31,830</u>

See Notes to the Budgetary Comparison Schedules

GRAFTON PARK DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BUDGETING POLICIES

The governing body of each local government unit, annually on or before September 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the local government unit during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the local government unit for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the local government unit at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared, the director shall give notice that the preliminary budget is on file in the office of the director and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 1, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the director shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Government	\$ 258,196	\$ 264,862	\$ 6,666
Culture and recreation	351,390	392,376	40,986
Capital outlay	56,383	1,266,910	1,210,527
Debt service-principal	-	8,696	8,696
Interest and fiscal charges	-	4,854	4,854

The District's revenues exceeded budgeted amounts, long term debt proceeds and prior year carryover of fund balance were used to fund the excess expenditures.

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYERS SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 11,613	\$ 11,613	-	\$ 164,590	7.06%
2016	11,082	11,082	-	153,067	7.24%
2015	8,162	8,162	-	107,458	7.60%

The amounts presented each year were determined as of the measurement date of the collective net pension liability, which is June 30.

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

GRAFTON PARK DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 YEARS

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.015904%	\$ 255,629	\$ 162,360	157.45%	61.98%
2016	0.014142%	148,032	153,067	96.71%	70.46%
2015	0.012062%	82,020	119,134	68.85%	77.70%

The District implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

GRAFTON PARK DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1 - CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 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.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Commissioners
Grafton Park District
Grafton, 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 and each major fund of Grafton Park District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Grafton Park District's basic financial statements and have issued our report thereon dated May 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grafton Park 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 Grafton Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grafton Park 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 and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described as 2017-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or 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 the deficiency described as 2017-002 in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

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

Grafton Park District's Response to Findings

Grafton Park District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Grafton Park 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 on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

May 11, 2018

GRAFTON PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

2017-001 - Material Weakness

Statement of condition:

The District has limited office staff who are responsible for the accounting and administrative functions. The degree of internal control is severely limited.

Effect of condition:

Considering the size of the District, it is not feasible to maintain proper separation of duties.

Recommendation:

The District should attempt to maintain proper separation of duties whenever possible.

Response:

We concur with the auditor's recommendation. The District will consider the costs and benefits of this recommendation.

2017-002 – Significant Deficiency

Statement of condition:

The District does not have an internal control designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Effect of condition:

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Management and those charged with governance should consider the design of its internal control system and changes required to permit the preparation of the financial statements and accompanying notes.

Response:

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.