

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

AUDIT REPORT
For the Years Ended
December 31, 2016 and 2015

**LERVIK
&
JOHNSON**

Certified Public Accountants

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2016 and 2015

	<u>Page</u>
Independent Auditor's Report	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities.....	6
Balance Sheet-Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	10
Statement of Net Position-Proprietary Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Position- Proprietary Funds	14
Statement of Cash Flows- Proprietary Funds	16
Notes to the Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of District's Share of Net Pension Liability	39
Schedules of District's Contributions	40
Notes to Required Supplementary Information	41
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	42
Schedule of Findings and Responses	44

LERVIK & JOHNSON

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Metigoshe Recreation Service District
Bottineau, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Lake Metigoshe Recreation Service District as of and for the years ended December 31, 2016 and 2015, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Lake Metigoshe Recreation Service District as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 15 to the financial statements, the Lake Metigoshe Recreation Service District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which resulted in a restatement of the net position as of January 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of district's share of net pension liability for the last ten fiscal years on page 39, the schedules of district's contributions for the last ten fiscal years on page 40, and the related notes on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of the 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 the 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 Lake Metigoshe Recreation Service District's internal control over financial reporting and compliance.



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

September 22, 2017

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 4,925.81	\$ 698,573.42	\$ 703,499.23
Assessments Receivable	-	29,007.03	29,007.03
Total Current Assets	4,925.81	727,580.45	732,506.26
Noncurrent Assets:			
Investments in Cooperatives	-	32,921.84	32,921.84
Capital Assets (Net of Accumulated Depreciation)	-	3,607,017.70	3,607,017.70
Total Noncurrent Assets	-	3,639,939.54	3,639,939.54
Total Assets	4,925.81	4,367,519.99	4,372,445.80
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Relating to Pensions	-	37,385.00	37,385.00
LIABILITIES:			
Current Liabilities:			
Accounts Payable	51.70	8,856.66	8,908.36
Accrued Payroll Taxes	-	3,001.23	3,001.23
Accrued Interest Payable	-	2,458.33	2,458.33
Current Portion of Long-Term Debt	-	30,000.00	30,000.00
Total Current Liabilities	51.70	44,316.22	44,367.92
Noncurrent Liabilities:			
Compensated Absences	-	3,622.19	3,622.19
Long-Term Debt, Net of Current Portion	-	265,000.00	265,000.00
Net Pension Liabilities	-	105,412.00	105,412.00
Total Noncurrent Liabilities	-	374,034.19	374,034.19
Total Liabilities	51.70	418,350.41	418,402.11
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Relating to Pensions	-	10,021.00	10,021.00
NET POSITION:			
Net Investment in Capital Assets	-	3,312,017.70	3,312,017.70
Unrestricted	4,874.11	664,515.88	669,389.99
Total Net Position	\$ 4,874.11	\$ 3,976,533.58	\$ 3,981,407.69

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 11,186.17	\$ 710,706.81	\$ 721,892.98
Assessments Receivable	-	25,804.57	25,804.57
Total Current Assets	11,186.17	736,511.38	747,697.55
Noncurrent Assets:			
Investments in Cooperatives	-	31,706.50	31,706.50
Capital Assets (Net of Accumulated Depreciation)	-	3,617,663.79	3,617,663.79
Total Noncurrent Assets	-	3,649,370.29	3,649,370.29
Total Assets	11,186.17	4,385,881.67	4,397,067.84
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Relating to Pensions	-	24,324.82	24,324.82
LIABILITIES:			
Current Liabilities:			
Accounts Payable	139.64	3,593.90	3,733.54
Accrued Payroll Taxes	-	2,615.76	2,615.76
Accrued Interest Payable	-	2,708.33	2,708.33
Current Portion of Long-Term Debt	-	30,000.00	30,000.00
Total Current Liabilities	139.64	38,917.99	39,057.63
Noncurrent Liabilities:			
Compensated Absences	-	2,793.49	2,793.49
Long-Term Debt, Net of Current Portion	-	295,000.00	295,000.00
Net Pension Liabilities	-	77,090.00	77,090.00
Total Noncurrent Liabilities	-	374,883.49	374,883.49
Total Liabilities	139.64	413,801.48	413,941.12
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Relating to Pensions	-	17,804.00	17,804.00
NET POSITION:			
Net Investment in Capital Assets	-	3,292,663.79	3,292,663.79
Unrestricted	11,046.53	685,937.22	696,983.75
Total Net Position	\$ 11,046.53	\$ 3,978,601.01	\$ 3,989,647.54

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business Type Activities	Total
<u>PRIMARY GOVERNMENT:</u>						
<u>GOVERNMENTAL ACTIVITIES:</u>						
General Government	\$ 18,607.47	\$ -	\$ -	\$ (18,607.47)	\$ -	\$ (18,607.47)
<u>BUSINESS-TYPE ACTIVITIES:</u>						
Sewer	418,355.73	410,442.24	-	-	(7,913.49)	(7,913.49)
Garbage	187,260.00	184,451.77	-	-	(2,808.23)	(2,808.23)
Total Business-Type Activities	605,615.73	594,894.01	-	-	(10,721.72)	(10,721.72)
Total Primary Government	\$ 624,223.20	\$ 594,894.01	\$ -	\$ (18,607.47)	(10,721.72)	(29,329.19)
<u>General Revenues and Transfers:</u>						
Property Taxes Levied for General Purposes	12,293.12	-	-	12,293.12	-	12,293.12
Interest Income	111.64	5,038.17	-	5,149.81	-	5,149.81
Miscellaneous Revenues	30.29	3,616.12	-	3,646.41	-	3,646.41
Total General Revenues and Transfers	12,435.05	8,654.29	-	21,089.34	-	21,089.34
Change in Net Position	(6,172.42)	(2,067.43)	-	(8,239.85)	-	(8,239.85)
Net Position - January 1	11,046.53	3,978,601.01	-	3,989,647.54	-	3,989,647.54
Net Position - December 31	\$ 4,874.11	\$ 3,976,533.58	-	\$ 3,981,407.69	-	\$ 3,981,407.69

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business Type Activities	Total
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES:						
General Government	\$ 27,832.94	\$ -	\$ -	\$ (27,832.94)	\$ -	\$ (27,832.94)
	352,143.13	404,319.26	-	-	52,176.13	52,176.13
Sewer	182,380.00	182,899.91	-	-	(480.09)	(480.09)
Garbage						
Total Business-Type Activities	535,523.13	587,219.17	-	-	51,696.04	51,696.04
Total Primary Government	\$ 563,356.07	\$ 587,219.17	\$ -	\$ (27,832.94)	\$ 51,696.04	\$ 23,863.10
BUSINESS-TYPE ACTIVITIES:						
General Revenues and Transfers:						
Property Taxes Levied for General Purposes	12,296.01	-	-	-	-	12,296.01
Interest Income	197.32	5,899.56	-	-	-	6,096.88
Miscellaneous Revenues	108.95	2,799.13	-	-	-	2,908.08
Net Transfers In (Out)	(2,000.00)	2,000.00	-	-	-	-
Total General Revenues and Transfers	10,602.28	10,698.69	-	10,698.69	-	21,300.97
Change in Net Position	(17,230.66)	62,394.73	-	62,394.73	-	45,164.07
Net Position - January 1	28,277.19	3,984,929.88	-	3,984,929.88	-	4,013,207.07
Restatement (Note 15)	-	(68,723.60)	-	(68,723.60)	-	(68,723.60)
Net Position - January 1, as Restated	28,277.19	3,916,206.28	-	3,916,206.28	-	3,944,483.47
Net Position - December 31	\$ 11,046.53	\$ 3,978,601.01	-	\$ 3,978,601.01	-	\$ 3,989,647.54

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General Fund</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ 4,925.81
<u>LIABILITIES AND FUND BALANCES</u>	
Current Liabilities:	
Accounts Payable	\$ 51.70
<u>FUND BALANCES:</u>	
Unassigned	4,874.11
Total Liabilities and Fund Balances	\$ 4,925.81

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	<u>General Fund</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Investments	\$ <u>11,186.17</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
Current Liabilities:	
Accounts Payable	\$ 139.64
 <u>FUND BALANCES:</u>	
Unassigned	<u>11,046.53</u>
 Total Liabilities and Fund Balances	 <u>\$ 11,186.17</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

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

	<u>General Fund</u>
<u>Revenues:</u>	
Taxes	\$ 12,293.12
Interest	111.64
Other	3.00
Penalty	27.29
	<hr/>
Total Revenues	12,435.05
	<hr/>
<u>Expenditures:</u>	
Current:	
General Government	18,607.47
	<hr/>
Total Expenditures	18,607.47
	<hr/>
Net Change in Fund Balances	(6,172.42)
Fund Balance - January 1	11,046.53
	<hr/>
Fund Balance - December 31	\$ 4,874.11
	<hr/> <hr/>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund
<u>Revenues:</u>	
Taxes	\$ 12,296.01
Interest	197.32
Other	71.00
Penalty	37.95
Total Revenues	12,602.28
<u>Expenditures:</u>	
Current:	
General Government	27,832.94
Total Expenditures	27,832.94
Excess of Revenues Over (Under) Expenditures	(15,230.66)
<u>Other Financing Sources (Uses):</u>	
Transfers In	4,000.00
Transfers Out	(6,000.00)
Total Other Financing Sources (Uses)	(2,000.00)
Net Change in Fund Balances	(17,230.66)
Fund Balance - January 1	28,277.19
Fund Balance - December 31	\$ 11,046.53

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities-Enterprise Funds		
	Major Funds		
	Sewer	Garbage	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 669,057.69	\$ 29,515.73	\$ 698,573.42
Assessments Receivable	20,304.92	8,702.11	29,007.03
Total Current Assets	689,362.61	38,217.84	727,580.45
Noncurrent Assets:			
Investments in Cooperatives	32,921.84	-	32,921.84
Capital Assets (Net of Accumulated Depreciation)	3,607,017.70	-	3,607,017.70
Total Noncurrent Assets	3,639,939.54	-	3,639,939.54
Total Assets	4,329,302.15	38,217.84	4,367,519.99
DEFERRED OUTFLOWS OF REVENUES:			
Deferred Outflows Relating to Pensions	37,385.00	-	37,385.00
LIABILITIES:			
Current Liabilities:			
Accounts Payable	8,856.66	-	8,856.66
Accrued Payroll Taxes	3,001.23	-	3,001.23
Accrued Interest Payable	2,458.33	-	2,458.33
Current Portion of Long-Term Debt	30,000.00	-	30,000.00
Total Current Liabilities	44,316.22	-	44,316.22
Noncurrent Liabilities:			
Compensated Absences	3,622.19	-	3,622.19
Long-Term Debt, Net of Current Portion	265,000.00	-	265,000.00
Net Pension Liability	105,412.00	-	105,412.00
Total Noncurrent Liabilities	374,034.19	-	374,034.19
Total Liabilities	418,350.41	-	418,350.41
DEFERRED INFLOWS OF REVENUES:			
Deferred Inflows Relating to Pensions	10,021.00	-	10,021.00
NET POSITION:			
Net Investment in Capital Assets	3,312,017.70	-	3,312,017.70
Unrestricted	626,298.04	38,217.84	664,515.88
Total Net Position	\$ 3,938,315.74	\$ 38,217.84	\$ 3,976,533.58

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-Type Activities-Enterprise Funds		
	Major Funds		
	Sewer	Garbage	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 678,632.58	\$ 32,074.23	\$ 710,706.81
Assessments Receivable	18,063.20	7,741.37	25,804.57
Total Current Assets	696,695.78	39,815.60	736,511.38
Noncurrent Assets:			
Investments in Cooperatives	31,706.50	-	31,706.50
Capital Assets (Net of Accumulated Depreciation)	3,617,663.79	-	3,617,663.79
Total Noncurrent Assets	3,649,370.29	-	3,649,370.29
Total Assets	4,346,066.07	39,815.60	4,385,881.67
DEFERRED OUTFLOWS OF REVENUES:			
Deferred Outflows Relating to Pensions	24,324.82	-	24,324.82
LIABILITIES:			
Current Liabilities:			
Accounts Payable	3,593.90	-	3,593.90
Accrued Payroll Taxes	2,615.76	-	2,615.76
Accrued Interest Payable	2,708.33	-	2,708.33
Current Portion of Long-Term Debt	30,000.00	-	30,000.00
Total Current Liabilities	38,917.99	-	38,917.99
Noncurrent Liabilities:			
Compensated Absences	2,793.49	-	2,793.49
Long-Term Debt, Net of Current Portion	295,000.00	-	295,000.00
Net Pension Liability	77,090.00	-	77,090.00
Total Noncurrent Liabilities	374,883.49	-	374,883.49
Total Liabilities	413,801.48	-	413,801.48
DEFERRED INFLOWS OF REVENUES:			
Deferred Inflows Relating to Pensions	17,804.00	-	17,804.00
NET POSITION:			
Net Investment in Capital Assets	3,292,663.79	-	3,292,663.79
Unrestricted	646,121.62	39,815.60	685,937.22
Total Net Position	\$ 3,938,785.41	\$ 39,815.60	\$ 3,978,601.01

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities-Enterprise Funds		
	Major Funds		Total
	Sewer	Garbage	
<u>Operating Revenues:</u>			
Charges for Services	\$ 410,442.24	\$ 184,451.77	\$ 594,894.01
Other	2,607.94	1,008.18	3,616.12
Total Operating Revenues	413,050.18	185,459.95	598,510.13
<u>Operating Expenses:</u>			
Sewer	297,051.58	-	297,051.58
Garbage	-	187,260.00	187,260.00
Interest	7,875.00	-	7,875.00
Depreciation	113,429.15	-	113,429.15
Total Operating Expenses	418,355.73	187,260.00	605,615.73
Operating Income (Loss)	(5,305.55)	(1,800.05)	(7,105.60)
<u>Non-operating Revenues (Expenses):</u>			
Interest Income	4,835.88	202.29	5,038.17
Change in Net Position	(469.67)	(1,597.76)	(2,067.43)
Net Position - January 1	3,938,785.41	39,815.60	3,978,601.01
Net Position - December 31	\$ 3,938,315.74	\$ 38,217.84	\$ 3,976,533.58

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-Type Activities-Enterprise Funds		
	Major Funds		
	Sewer	Garbage	Total
<u>Operating Revenues:</u>			
Charges for Services	\$ 404,319.26	\$ 182,899.91	\$ 587,219.17
Other	2,778.88	20.25	2,799.13
Total Operating Revenues	407,098.14	182,920.16	590,018.30
<u>Operating Expenses:</u>			
Sewer	235,476.29	-	235,476.29
Garbage	-	183,380.00	183,380.00
Interest	8,625.00	-	8,625.00
Depreciation	108,041.84	-	108,041.84
Total Operating Expenses	352,143.13	183,380.00	535,523.13
Operating Income (Loss)	54,955.01	(459.84)	54,495.17
<u>Non-operating Revenues (Expenses):</u>			
Interest Income	5,512.77	386.79	5,899.56
Income Before Transfers	60,467.78	(73.05)	60,394.73
<u>Transfers:</u>			
Transfers In (Out)	4,000.00	(2,000.00)	2,000.00
Change in Net Position	64,467.78	(2,073.05)	62,394.73
Net Position - January 1	3,943,041.23	41,888.65	3,984,929.88
Restatement (Note 15)	(68,723.60)	-	(68,723.60)
Net Position - January 1, as Restated	3,874,317.63	41,888.65	3,916,206.28
Net Position - December 31	\$ 3,938,785.41	\$ 39,815.60	\$ 3,978,601.01

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities-Enterprise Funds		
	Major Funds		Total
	Sewer	Garbage	
Cash Flows From Operating Activities:			
Receipts from Users	\$ 409,593.12	\$ 184,499.21	\$ 594,092.33
Payments to Employees	(132,747.58)	-	(132,747.58)
Payments to Suppliers	(150,348.25)	(187,260.00)	(337,608.25)
Interest Paid	(8,125.00)	-	(8,125.00)
Net Cash Provided (Used) by Operating Activities	118,372.29	(2,760.79)	115,611.50
Cash Flows From Investing Activities:			
Purchase of Capital Assets	(102,783.06)	-	(102,783.06)
Interest Received	4,835.88	202.29	5,038.17
Net Cash Provided (Used) by Investing Activities	(97,947.18)	202.29	(97,744.89)
Cash Flows From Non-capital Financing Activities:	-	-	-
Cash Flows From Capital and Related Financing Activities:			
Redemptions (Purchases) of Investments	(10,000.00)	-	(10,000.00)
Payments on Long-Term Debt	(30,000.00)	-	(30,000.00)
Net Cash Provided (Used) by Financing Activities	(40,000.00)	-	(40,000.00)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,574.89)	(2,558.50)	(22,133.39)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	268,631.48	27,074.23	295,705.71
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 249,056.59	\$ 24,515.73	\$ 273,572.32

(Continued on next page.)

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Sewer	Garbage	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (5,305.55)	\$ (1,800.05)	\$ (7,105.60)
Charges and Credits to Operating Income (Loss) Not Affecting Cash:			
Depreciation	113,429.15	-	113,429.15
Increase in Investment in Cooperatives	(1,215.34)	-	(1,215.34)
Changes in Assets and Liabilities:			
Assessments Receivable	(2,241.72)	(960.74)	(3,202.46)
Accounts Payable	5,262.76	-	5,262.76
Accrued Payroll Taxes	385.47	-	385.47
Accrued Interest Payable	(250.00)	-	(250.00)
Compensated Absences	828.70	-	828.70
Net Pension Liability	28,322.00	-	28,322.00
Deferred Outflows	(13,060.18)	-	(13,060.18)
Deferred Inflows	(7,783.00)	-	(7,783.00)
 Net Cash from Operating Activities	 \$ 118,372.29	 \$ (2,760.79)	 \$ 115,611.50

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-Type Activities-Enterprise Funds		
	Major Funds		
	Sewer	Garbage	Total
Cash Flows From Operating Activities:			
Receipts from Users	\$ 404,125.78	\$ 182,143.59	\$ 586,269.37
Payments to Employees	(127,872.54)	-	(127,872.54)
Payments to Suppliers	(112,049.35)	(183,380.00)	(295,429.35)
Interest Paid	(8,875.00)	-	(8,875.00)
Net Cash Provided (Used) by Operating Activities	155,328.89	(1,236.41)	154,092.48
Cash Flows From Investing Activities:			
Purchase of Capital Assets	(113,857.07)		(113,857.07)
Interest Received	5,512.77	386.79	5,899.56
Net Cash Provided (Used) by Investing Activities	(108,344.30)	386.79	(107,957.51)
Cash Flows From Non-capital Financing Activities:			
Transfers In	4,000.00	-	4,000.00
Transfers Out	-	(2,000.00)	(2,000.00)
Net Cash Provided (Used) by Non-Capital Financing Activities	4,000.00	(2,000.00)	2,000.00
Cash Flows From Capital and Related Financing Activities:			
Payments on Long-Term Debt	(30,000.00)	-	(30,000.00)
Redemption (Purchases) of Investments	180,324.91	31,475.09	211,800.00
Net Cash Provided (Used) by Financing Activities	150,324.91	31,475.09	181,800.00
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,309.50	28,625.47	229,934.97
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	67,321.98	(1,551.24)	65,770.74
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 268,631.48	\$ 27,074.23	\$ 295,705.71

(Continued on next page.)

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Sewer	Garbage	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 54,955.01	\$ (459.84)	\$ 54,495.17
Charges and Credits to Operating Income (Loss) Not Affecting Cash:			
Depreciation	108,041.84	-	108,041.84
Increase in Investment in Cooperatives	(1,160.36)	-	(1,160.36)
Changes in Assets and Liabilities:			
Assessments Receivable	(1,812.00)	(776.57)	(2,588.57)
Accounts Payable	(6,737.77)	-	(6,737.77)
Accrued Payroll Taxes	100.66	-	100.66
Accrued Interest Payable	(250.00)	-	(250.00)
Compensated Absences	345.93	-	345.93
Net Pension Liability	14,957.00	-	14,957.00
Deferred Outflows	(18,786.42)	-	(18,786.42)
Deferred Inflows	5,675.00	-	5,675.00
	<u>\$ 155,328.89</u>	<u>\$ (1,236.41)</u>	<u>\$ 154,092.48</u>
Net Cash from Operating Activities	<u>\$ 155,328.89</u>	<u>\$ (1,236.41)</u>	<u>\$ 154,092.48</u>

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

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Metigoshe Recreation Service District (the District), which is governed by nine Directors elected at large, provides sewer and garbage services to property owners around Lake Metigoshe near Bottineau, North Dakota.

The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Financial Statement Presentation

The financial statements of the District have been prepared in accordance with generally accepted accountings principles (GAAP) as prescribed by the GASB. The GASB is the standard setting body for governmental accounting and financial reporting.

Government-wide financial statements: The Statement of Net Position and the Statement of Activities display information about the primary government, Lake Metigoshe Recreation Service District. These statements include the financial activities of the overall government, except for fiduciary activities, and distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues.

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, followed by general revenues.

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

The funds of the District's financial reporting entity are described below within their respective fund types. The District currently has no fiduciary funds.

Governmental Fund:

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

Proprietary Funds:

The District's proprietary funds consist of two enterprise funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District's two enterprise funds are as follows:

Sewer Fund. This fund accounts for the activities of the sewer and lagoon operations. This fund operates the sewage treatment plant, sewage pumping stations and collection systems in the District.

Garbage Fund. This fund accounts for the activities of the garbage collection system within the District.

C. Measurement Focus and Basis of Accounting

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

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

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

Basis of accounting refers to when the transactions are recorded, regardless of the measurement focus applied. The District uses the accrual and the modified accrual bases of accounting, as discussed below.

Government-wide Financial Statements

Both governmental and enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting in the government-wide financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange 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 imposed by the provider have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting in the governmental fund financial statements. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. All revenues are considered to be susceptible to accrual.

Under the modified accrual basis of accounting, expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, differences exist from accrual accounting related primarily to payments involving long-term assets and liabilities. These differences were discussed above in the explanation of the current financial resources measurement focus.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the Statement of Cash Flows consist of highly liquid investments with an original maturity of three months or less. Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the District to invest in:

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

F. Capital Assets

Capital assets include infrastructure, buildings and equipment. Capital assets are defined by the District as assets with an initial, individual cost of \$500.00 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Collection Plant (Infrastructure)	100 years
Sewer and Lagoon (Infrastructure)	40 years
Buildings	40 years
Equipment	7 years

G. Noncurrent Obligations

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

Long-Term Debt

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

Compensated Absences

After one year of service, each continuous full-time employee is granted vacation benefits from 5 days to 20 days per year based on years of service. In the event that vacation time is not used by the end of the year in which it is earned, it is generally forfeited by the employee. Additionally, after one year of service, each full-time employee is entitled to sick leave earned at a rate of one-half day per month until they reach five years of employment and one sick leave day per month after five years of employment. Unused sick leave accumulates to a maximum of 90 days. Upon termination, employees are paid for accumulated sick leave up to the date of separation based upon an average of the employee's pay rate over the past three years, multiplied by 25%. The liability for the portion of compensated absences related to sick leave is reported in the government-wide Statement of Net Position.

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 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.

H. 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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

I. Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

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

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

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

Assigned Fund Balance - represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority to assign amounts. As of December 31, 2016, the Board has not granted any official the right to assign amounts to a specific purpose.

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

J. New Accounting Pronouncements

As of January 1, 2015, the District adopted GASB No 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15 and the additional disclosures required by these standards are included in Note 11.

NOTE 2: CASH AND INVESTMENTS

At December 31, 2016 and 2015, the deposits of the District were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name. During the years ended December 31, 2016 and 2015, cash and investments include the following:

	December 31, 2016		December 31, 2015	
	Governmental Fund	Proprietary Funds	Governmental Fund	Proprietary Funds
Cash	\$ 4,925.81	\$ 273,572.32	\$ 1,186.17	\$ 295,705.71
Certificates of Deposit	-	425,001.10	10,000.00	415,001.10
	<u>\$ 4,925.81</u>	<u>\$ 698,573.42</u>	<u>\$ 11,186.17</u>	<u>\$ 710,706.81</u>

Custodial and Concentration of credit risk:

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover collateral securities that are in the possession of an outside party. As discussed in Note 1-E, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the years ended December 31, 2016 and 2015, the District's deposits were adequately protected by insurance or collateral.

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. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All of the District's certificates of deposit have final maturity dates in 2015 or 2016.

NOTE 3: ASSESSMENTS RECEIVABLE

Assessments receivable are property owner obligations and become due on February 15th of the year following the assessment date. Penalty and interest are added March 1st if payments are not made. Taxes are collected by Bottineau County and remitted to the District on a monthly basis.

NOTE 4: INVESTMENTS IN COOPERATIVES

Investments in cooperatives consist of the accumulated equity of patronage dividends received from cooperatives from which the District purchases telecommunication and electrical services, and fuel. The individual cooperative balances are as follows:

	<u>2016</u>	<u>2015</u>
Souris River Telecommunications	\$ 15,703.98	\$ 15,703.98
North Central Electric Cooperative	16,810.66	15,595.32
Farmers Union Oil	407.20	407.20
	<u>\$ 32,921.84</u>	<u>\$ 31,706.50</u>

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2016 and 2015:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Equipment	\$ 24,314.76	\$ -	\$ -	\$ 24,314.76
<i>Less Accumulated Depreciation for:</i>				
Equipment	24,314.76	-	-	24,314.76
Total Capital Assets Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -
	Balance 1/1/2016	Additions	Deletions	Balance 12/31/2016
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 50,607.00	\$ -	\$ -	50,607.00
<i>Capital Assets Being Depreciated:</i>				
Infrastructure	\$ 4,635,596.61	\$ 99,964.07	\$ -	\$ 4,735,560.68
Buildings	68,424.11	-	-	68,424.11
Equipment	836,974.16	2,818.99	-	839,793.15
Total Capital Assets Being Depreciated	5,540,994.88	102,783.06	-	5,643,777.94
<i>Less Accumulated Depreciation for:</i>				
Infrastructure	1,244,093.11	65,689.12	-	1,309,782.23
Buildings	50,462.79	1,710.60	-	52,173.39
Equipment	679,382.19	46,029.43	-	725,411.62
Total Accumulated Depreciation	1,973,938.09	113,429.15	-	2,087,367.24
Total Capital Assets Being Depreciated, Net	\$ 3,567,056.79	\$ (10,646.09)	\$ -	\$ 3,556,410.70

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Equipment	\$ 24,314.76	\$ -	\$ -	\$ 24,314.76
<i>Less Accumulated Depreciation for:</i>				
Equipment	24,314.76	-	-	24,314.76
Total Capital Assets Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -
	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 50,607.00	\$ -	\$ -	\$ 50,607.00
<i>Capital Assets Being Depreciated:</i>				
Infrastructure	\$ 4,551,499.54	\$ 84,097.07	\$ -	\$ 4,635,596.61
Buildings	68,424.11	-	-	68,424.11
Equipment	832,002.16	29,760.00	24,788.00	836,974.16
Total Capital Assets Being Depreciated	5,451,925.81	113,857.07	24,788.00	5,540,994.88
<i>Less Accumulated Depreciation for:</i>				
Infrastructure	1,180,689.23	63,403.88	-	1,244,093.11
Buildings	48,752.19	1,710.60	-	50,462.79
Equipment	661,242.83	42,927.36	24,788.00	679,382.19
Total Accumulated Depreciation	1,890,684.25	108,041.84	24,788.00	1,973,938.09
Total Capital Assets Being Depreciated, Net	\$ 3,561,241.56	\$ 5,815.23	\$ -	\$ 3,567,056.79

The capital assets of the governmental activities are fully depreciated. During the years ended December 31, 2016 and 2015, all depreciation expense was included within sewer activities.

NOTE 6: ACCOUNTS PAYABLE

Accounts payable represent expenses incurred, but not paid, prior to year-end.

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Like revenues and expenses, deferrals represent flows of resources into and out of a government during the fiscal year. However, unlike revenues and expenses, which are inflows and outflows of resources related to the period in which they occur, deferrals are related to future periods.

Deferred inflows and outflows on the District's statement of net position are related to the determination of the District's net pension liability and pension expense, as detailed in Note 11.

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable but not available.

NOTE 8: NONCURRENT LIABILITIES

During the years ended December 31, 2016 and 2015, the following changes occurred in the noncurrent liabilities of the District:

	Balance 01/01/2016	Additions	Deletions	Balance 12/31/2016
Bonds Payable	\$ 325,000.00	\$ -	\$ (30,000.00)	\$ 295,000.00
Compensated Absences	2,793.49	828.70	-	3,622.19
	<u>\$ 327,793.49</u>	<u>\$ 828.70</u>	<u>\$ (30,000.00)</u>	<u>\$ 298,622.19</u>

	Balance 01/01/2015	Additions	Deletions	Balance 12/31/2015
Bonds Payable	\$ 355,000.00	\$ -	\$ (30,000.00)	\$ 325,000.00
Compensated Absences	2,447.56	345.93	-	\$ 2,793.49
	<u>\$ 357,447.56</u>	<u>\$ 345.93</u>	<u>\$ (30,000.00)</u>	<u>\$ 327,793.49</u>

Compensated Absences:

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

Bonds Payable:

At December 31, 2016 and 2015, the following bonds payable were included within Long-Term Debt:

	2016	2015
2.5% Definitive Improvement Warrants Series 2002 bonds payable, due in variable installments, to September 2021	\$ 105,000.00	\$ 125,000.00
2.5% Definitive Improvement Warrants Series 2009 bonds payable, due in variable installments, to September 2029	190,000.00	200,000.00
	295,000.00	325,000.00
Current Portion of Long-Term Debt	(30,000.00)	(30,000.00)
Long-Term Debt, Net of Current Portion	<u>\$ 265,000.00</u>	<u>\$ 295,000.00</u>

The 2009 Series Bond requires an annual audit, to be furnished to the North Dakota Public Finance Authority (NDPFA) within 150 days of the close of the fiscal year being audited. The District has chosen to have a biennial audit and has not met the 150 day deadline. However, the District has discussed this matter with the NDPFA, and the NDPFA plans to take no action and will not treat the matter as a violation of the 2009 Series Bond's covenants.

Aggregate annual principal and interest payments required on long-term debt at December 31, 2016 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,000.00	7,375.00	\$ 37,375.00
2018	35,000.00	6,625.00	41,625.00
2019	35,000.00	5,750.00	40,750.00
2020	35,000.00	4,875.00	39,875.00
2021	40,000.00	4,000.00	44,000.00
2022-2026	75,000.00	11,250.00	86,250.00
2027-2029	45,000.00	2,250.00	47,250.00
Totals	<u>\$ 295,000.00</u>	<u>\$ 42,125.00</u>	<u>\$ 337,125.00</u>

NOTE 9: UNRESTRICTED NET POSITION

Unrestricted net position consists of undesignated net position and net position designated for specific purposes. Undesignated net position may be used for any purpose that the District deems proper. At December 31, 2016 and 2015, net position designated for specific purposes consist of \$413,277.96 and \$451,567.74, respectively, which are designated by the Board of Directors for capital asset replacements and improvements. The related assets are not restricted by any other agreement and may be used at any time by the Board of Directors.

NOTE 10: INTERFUND TRANSFERS

The detail of interfund transfers for the years ended December 31, 2016 and 2015 was as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>2015</u>
Sewer	General	<u>\$ 2,000.00</u>

The transfers covered necessary expenditures in excess of each fund's revenues.

NOTE 11: PENSION PLANS

The District has one employee pension plan, the North Dakota Public Employees Retirement System (NDPERS).

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the Board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 24 months of service - Greater of two percent of monthly salary or \$25
- * 25 to 36 months of service - Greater of three percent of monthly salary or \$25
- * Longer than 36 months of service - Greater of four percent of monthly salary or \$25

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

At December 31, 2016 and 2015, the District reported a total liability of \$105,412.00 and \$77,090.00, respectively, for its proportionate share of NDPERS' net pension liability. The net pension liability was measured as of July 1, 2016 and July 1, 2015, respectively, and the total pension liability used to calculate the net pension liability for the plan was determined by an actuarial valuation as of those dates.

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 NDPERS Main System employers. At July 1, 2016 the District's proportion related to NDPERS was 0.010816 percent, which was a decrease of 0.000521 percent from its proportion measured as of July 1, 2015. At July 1, 2015 the District's proportion related to NDPERS was 0.011337 percent, which was an increase of 0.001548 percent from its proportion measured as of July 1, 2014.

For the year ended December 31, 2016 and 2015, the District recognized total pension expense of \$15,037.00 and \$9,179.00, respectively, related to NDPERS. At December 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year Ending 12/31/16		Year Ending 12/31/15	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,584.00	\$ 976.00	\$ 2,236.00	\$ -
Changes of assumption	9,718.00	5,237.00	-	6,868.00
Net difference between projected and actual earnings on pension plan investments	14,706.00	-	8,908.00	10,535.00
Changes in proportion and differences between district contributions and proportionate share of contributions	7,283.00	3,808.00	9,514.00	401.00
District contributions subsequent to the measurement date	4,094.00	-	3,666.82	-
Total	<u>\$ 37,385.00</u>	<u>\$ 10,821.00</u>	<u>\$ 24,324.82</u>	<u>\$ 17,804.00</u>

\$4,094.00 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. \$3,666.82 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended December 31, 2016.

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

	NDPERS
Year Ended December 31:	
2017	\$ 4,613.00
2018	4,613.00
2019	7,821.00
2020	5,353.00
2021	870.00
Thereafter	-

Actuarial assumptions:

The total pension liability in the July 1, 2016 and 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	NDPERS
Inflation	3.50%
Salary Increases	4.50% per annum

Investment rate of return 8.00%, net of investment expenses

Cost-of-living adjustments None

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016 and 2015 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016 and 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016 and 2015.

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 8 percent for NDPERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	District's Proportionate Share of Net Pension Liability		
	1% Decrease (7.00%)	Current Discout Rate (8.00%)	1% Increase (9.00%)
12/31/2016	\$ 149,526.00	\$ 105,412.00	\$ 68,245.00
12/31/2015	\$ 118,213.00	\$ 77,090.00	\$ 43,443.00

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

NOTE 12: RISK MANAGEMENT

The 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 liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$325,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior two years and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13: COMMITMENTS

The District has entered into a contract agreement with an independent contractor for garbage collection. Under the terms of the contract, the District will be charged \$18.57 monthly for 2017 for each residence at which garbage is collected during the year. The contract commenced on January 1, 2015 and expires on December 31, 2017. Based on the number of assessed residences in 2016, minimum expenditures for the remainder of the contract are expected to be as follows:

Years Ending December 31,	
2017	<u>\$ 194,539.32</u>

NOTE 14: BUDGETS

The state does not require the District to prepare a budget. As such, it is not mandatory to include a budgetary comparison schedule in required supplementary information.

NOTE 15: PRIOR PERIOD ADJUSTMENTS

Restatement Due to Adoption of Accounting Standards:

As of January 1, 2015, the District adopted GASB No 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their financial statements, including additional note disclosure and required supplementary information. Beginning net position of the sewer fund (where payroll and payroll related charges are incurred) was restated to retroactively report the beginning net pension liability, deferred outflows of resources (including those related to contributions made after the measurement date), and deferred inflows of resources as follows:

Net Position at December 31, 2014, as previously reported	\$ 3,984,929.88
Net Pension Liability at December 31, 2014*	(62,133.00)
Deferred Outflows of Resources at December 31, 2014*	2,014.00
Deferred Inflows of Resources at December 31, 2014*	(12,129.00)
Deferred Outflows of Resources related to contributions made during the six months ending December 31, 2014	<u>3,524.40</u>
Net Position at January 1, 2015, as restated	<u>\$ 3,916,206.28</u>

*measurement date of June 30, 2014

NOTE 16: SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 22, 2017, the date which the financial statements were available to be issued.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

ND Public Employees Retirement System:	As of and for the Year Ended December 31,		
	2016	2015	2014
1. District's proportion of the net pension liability (asset)	0.010816%	0.011337%	0.009789%
2. District's proportionate share of the net pension liability (asset)	\$105,412.00	\$77,090.00	\$62,133.00
3. District's covered-employee payroll	\$109,003.00	\$100,997.00	\$82,459.00
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

* Complete data for these schedules is not available prior to 2014. The amounts presented for each year have a measurement date of June 30 (6 months prior to the District's year-end).

See accompanying notes to required supplementary information.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

SCHEDULES OF DISTRICT'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

ND Public Employees Retirement System:	As of and for the Year Ended December 31,		
	2016	2015	2014
Statutorily required contribution	\$7,891.00	\$7,672.00	\$5,871.00
Contributions in relation to the statutorily required contribution	(\$7,131.00)	(\$7,191.00)	(\$5,871.00)
Contribution deficiency (excess)	\$760.00	\$481.00	\$0.00
District's covered-employee payroll	\$109,003.00	\$100,997.00	\$82,459.00
Contributions as a percentage of covered-employee payroll	6.54%	7.12%	7.12%

* Complete data for these schedules is not available prior to 2014.

See accompanying notes to required supplementary information.

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2016 and 2015

NOTE 1: PENSION PLANS

NDPERS Changes of Assumptions. Amounts related to NDPERS reported in 2015 and later reflect actuarial assumption changes effective July 1, 2015 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.

L
ERVIK
&
J
OHNSON

Certified Public Accountants

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

Board of Directors
Lake Metigoshe Recreation Service District
Bottineau, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lake Metigoshe Recreation Service District as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Lake Metigoshe Recreation Service District's basic financial statements and have issued our report thereon dated September 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Metigoshe Recreation Service 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 Lake Metigoshe Recreation Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Metigoshe Recreation Service 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 over financial reporting 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 a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses, item 16-1, to be a material weakness.

Compliance and Other Matters

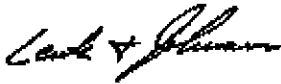
As part of obtaining reasonable assurance about whether Lake Metigoshe Recreation Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

Lake Metigoshe Recreation Service District's Response to Findings

Lake Metigoshe Recreation Service District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Lake Metigoshe Recreation Service District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

September 22, 2017

LAKE METIGOSHE RECREATION SERVICE DISTRICT
Bottineau, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Years Ended December 31, 2016 and 2015

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

16-1 Segregation of Duties

Condition:

Lake Metigoshe Recreation Service District has lack of segregation of duties in certain areas due to a limited staff.

Criteria:

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

Effect:

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

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

Management Response:

At the present time the Lake Metigoshe Recreation Service District has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.