

PARK BOARD WORK SESSION NOTES

Friday, February 10, 2023; 8:00 am

Depot Boardroom

In Attendance: Commissioner Joe Deutsch, Commissioner Vicki Dawson, Commissioner Jerry Rostad, Commissioner Aaron Hill, Commissioner Dawn Morgan, Dave Leker, Susan Faus, Dave Bietz, Broc Lietz, Carolyn Boutain, Luke Evenson, Brian Stavenger (Eide Bailly), Dr. David Flowers and Tara Nielsen

- Public Finance Review

Brian Stavenger presented. Brian noted the agenda for the presentation consists of Primary Audit Objectives, Financial Statements, Federal Awards Report, as a Commissioner -What should I look for? and Internal Controls and Fraud.

Next, Brian started with the financial statements and Federal Awards Report for the Primary Audit Objectives. The financial statements are commonly referred to as the audit report. The Federal Awards Report is internal controls and compliance and federal programs.

Brian noted for the financial statements, management is responsible for three items. (1) Management is to follow accounting principles generally accepted in the U.S. Government Accounting Standards Board (GASB) sets the standards for governments. (2) Do not contain material misstatements due to fraud or errors. (3) Are fairly presented. The auditor is responsible for expressing an opinion on our assessment of the 3 items.

Next, he talked about internal controls and compliance and federal programs. If there is an issue with internal controls the auditor would report it. Compliance is primarily state laws related to budgeting, allowable cash and investment types, maintaining adequate pledges, bidding related to capital assets and construction and long-term debt (bonds issued). A federal audit is required when federal expenditures are in excess of \$750,000 during the year. The auditor reviews internal controls over the federal activity and compliance when expending the federal funds.

Next, he reviewed the 12/31/21 audit report. An independent auditor's report contains the opinions on the financial statements. He noted that the opinion section talks about fraud – The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Brian noted that in this type of audit it is difficult to uncover fraud as it's not the auditor's intent to find fraud. A forensic investigation is more tailored towards finding those items.

Commissioner Hill asked what happens if the auditor detects fraud. Brian noted that it depends where it is found. For example, if it's an inventory issue, the auditor would discuss with Broc Lietz and Luke Evenson. If there is fraud at the management level, the auditor would go above management level and recommend a formal forensic investigation.

Commissioner Dawson reviewed with Brian how the audit conducted for the Fargo Park District by Eide Bailly at this time meets the minimum standards for an audit.

Brian noted it is most important to have a culture of internal controls, a culture of processes that provide oversight and monitor overall and it is important that the culture supports from the top a strong internal

control structure and its to protect each other in the organization.

During the presentation, Brian noted that you can get an opinion on internal controls, its optional. At this time, Eide Bailly is not giving an opinion on internal controls.

Commissioner Dawson noted that there are things that the Park District can do on their own for internal controls. Commissioner Hill asked if the Park District has done this option and Broc noted we haven't done an evaluation to that level. Luke noted that very few government entities have the internal control testing done.

Next, Brian talked about an operational audit. Commissioner Dawson asked if the Park District should be considering that for the Fargo Parks Sports Complex? To date, Brian noted that they haven't discussed how the Fargo Parks Sports Complex is going to be incorporated into the existing financial statements. He noted that there are a lot of options that can be done with using Eide Bailly and other options internally that could be used to track it appropriately.

Brian continued with review of the financial statements and Luke noted to the board that Page 19 of the financial statements is a tool they should look at as it shows the Park District's general fund. It is a required budget to actual for the General Fund.

Next, Broc talked about mill levy and valuation. He reviewed what the mill levy is and the background. The mill levy is what drives the budget.

Brian noted the last part of the audit report contains information on the component units – Valley Senior Services, Fargo Park District Foundation and Valley Senior Services Foundation. Brian gave an overview on the Federal Awards Report.

Next, Brian talked about what should a Commissioner look for? At monthly meetings the Commissioners should ask questions and take a look at the budget to actual on the general fund. Adequate debt service coverage is also an item to look for and the fund balance. The Park District has non-spendable (inventory and prepaid expenses), restricted (capital projects, debt service) and unassigned (reserves and "Rainy day" fund). Brian talked about analyzing unassigned fund balance in the General Fund. 25-30% is the informal goal for the fund balance. The fund balance at the end of 2021 was over 50%. It was for the planning of the Fargo Parks Sports Complex. He noted the board should consider adopting a formal board policy.

Next, Brian talked about internal controls and fraud. He talked about the difference between a financial statement audit and a forensic examination. There are different types of fraud and he reviewed red flags to look for. He also talked about three tiers for fraud controls and feels the fraud controls that exist at the Park District are very strong. The Park District needs to continue to look at them and there could be improvements made to the first tier that he reviewed. Brian feels overall the Park District has done a good job with controls to minimize the risk of fraud.

Commissioner Dawson asked what documents should the Commissioners be looking at throughout the year and how often should they be looking at them? At this time, the Commissioners receive a list of bills on a monthly basis in the board packet. Brian noted periodically as a Commissioner request to see a backup for the monthly bills. Broc noted at the Facilities Committee meetings we do quarterly reviews of budget to actual and review cash flow statements.

In conclusion, Brian noted the Commissioners are being provided a lot of the information and he said asking questions is important and getting timely answers and adequate responses. Brian noted the Commissioners should go through the tiers and pick one each month and ask a question.

Commissioner Dawson feels getting a budget to actual each month would be useful to be sent to the Commissioners.

- **Board Governance:**

Dr. David Flowers presented on elements of effective governance. He started the presentation with thanking the Commissioners for the work they do and serving the community. His presentation is for information.

For the presentation, he reviewed a comparison between a traditional policy management and policy of coherent governance. In review of this information, Dr. Flowers feels we lack policies. He feels we should look at the policies in the NDRPA board manual and adopt some of them as it is influenced by John Carver and the model that Dr. Flowers is outlining.

Next, he gave an overview of the full model. There are four types of policies, Governance Process, Board Executive/Relationship, Operational Expectations/Executive Limitations and Results/Desired Ends.

Next, Dr. Flowers talked about advantages of having adopted policies. It clarifies roles of board and executive, board creates clear expectations for operation of district, focused on area of importance to the board, establish clear, objective evaluation process for executive and foster accountability by executive and board to procedures established in policy regarding how the board and executive will do the work.

Next, Dr. Flowers reviewed Operational Expectations Policies. The policies establish the rules of the game – the 10 Commandments (what the executive must do, must not do. Monitor the policies with a regular review of the performance of the district and it is an element of the evaluation of the Executive Director. The Executive Director is to show by documentation. Possible areas of focus for development of operational expectations policies for the Park District – Personnel, Parks/Facilities, Programming, Fiscal Planning and Budget Management, Communication, Planning and Maintenance.

Commissioner Dawson talked about monitoring a policy each month, instead of evaluating it all at the end of the year. Dr. Flowers reviewed a sample of a cover sheet for monitoring the report for an executive limitation or operational expectation policy.

Next, Dr. Flowers reviewed Governance Culture Policies. These are the board's accountability to the community, staff and to itself. A good basis for the policies is in the NDRPA board manual. The policies need to be adopted for good governance. Commissioner Dawson talked about board could start with roles and responsibilities for board members on page 19 in the NDRPA board manual. Dr. Flowers noted the board would monitor itself on the Governance Culture policies. If there are some violations, it's the board president's role to counsel that board member.

Next, Dr. Flowers talked about an annual work plan. The board will follow an annual work plan that includes continuing monitoring and review of all policies, dialog sessions with community and staff groups and activities to improve board performance. Commissioner Dawson asked if monitoring of the

policies should be at the Committee meetings. Dr. Flowers said it is determined by the board.

Next, Dr. Flowers talked about Board/Executive Relationship Policies. These are Executive's role in relation to the board, staff accountability to the executive, executive accountability-for results and operational expectations and how the executive will be evaluated by the board.

Commissioner Dawson asked how do we get the model completed? Dr. Flowers reviewed the process.

There are also Desired Results Policies and those translate the strategic plan if the plan is such a plan that blends itself to translate itself into results.

In conclusion, Dr. Flowers recommends at a minimum, to take a look at the NDRPA board manual and adopt the relevant parts of the manual and hold ourselves accountable.

Commissioner Rostad thanked Dr. Flowers for his presentation.

Dave L noted this is a model that we can look at and asked the Commissioners to review it and if they have questions to contact Dr. Flowers. It's a possible option for the future.

The presentation was for informational purposes.

- **Other:**

Dave Leker noted the bid opening for the Island Park Pool project took place on February 9, 2023 at 2:00 pm. The staff found out that as they were going through the bids that in the instructions to the bidders as part of the specifications, typically through the North Dakota Century Code, you are asked to put the contractor's license and a performance bond in a secondary envelope outside the bid. Typically, the architects and engineers have that language, and we are still checking but when Zerr Berg copied and pasted the language for some reason it didn't get in the specifications. So as part of the instructions they didn't have you need to include a contractor's license, so going through the bid process, every couple bidder didn't have a contractor's license. So, the staff looked at the advertisement for the bid and it didn't have the language about the contractor's license. So, we are short 2/3 of the bids as they didn't meet the requirements. Staff contacted Jeff Gunkelman to get legal advice on how to move forward. Jeff is going to check into the matter and give a recommendation on how to move forward.

Dave Bietz noted the bid advertisement was sent to staff for approval.

Staff discussed adding the item to review the bids for the Island Park Pool to the agenda for the February Park Board meeting.

The meeting adjourned at 10:35 am.

Notes Submitted by Tara Nielsen, Executive Assistant