CITY OF MINOT PARK DISTRICT
MINOT, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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anderson ZURMUEHLEN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
City of Minot Park District
Minot, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Minot Park District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of employer's proportionate share of net pension liability, schedule of employer contributions and notes to the required supplementary information on pages 31 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The tax levies and uncollected taxes on page 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The tax levies and uncollected taxes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the tax levies and uncollected taxes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Anderson ZurMuehlen + Co., P.C.

Great Falls, Montana
September 28, 2018

CITY OF MINOT PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 8,198,349
Due from county	43,429
Taxes receivable	281,387
Other receivables	22,939
Total current assets	8,546,104
CAPITAL ASSETS	
Construction in progress	170,902
Nondepreciable capital assets	8,243,065
Depreciable capital assets, net	42,685,793
Total capital assets	51,099,760
RESTRICTED ASSETS	
Foundation cash and cash equivalents	20,117
Foundation investments	809,811
Total restricted assets	829,928
Total assets	60,475,792
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	225,924
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	236,984
Accrued payroll taxes and other withholding	26,176
Accrued payroll	100,725
Accrued compensated absences	29,549
Accrued interest payable	51,645
Current portion of long-term debt	1,609,754
Total current liabilities	2,054,833
NON-CURRENT LIABILITIES	
Net pension liability	5,015,257
Unamortized premium / discount	203,520
Long-term debt	15,369,938
Total non-current liabilities	20,588,715
Total liabilities	22,643,548
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	131,324
NET POSITION	
Net investment in capital assets	33,916,548
Restricted for:	
Park District Foundation	829,871
Debt Service	1,046,339
Unrestricted	2,134,086
Total net position	$ 37,926,844

See Notes to the Financial Statements

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Park operations	$ 8,317,847	$ 1,836,070	$ 257,652	$ 953,053	$ (5,271,072)
Interest on long-term debt	402,051	-	-	-	(402,051)
Total governmental activities	$ 8,719,898	$ 1,836,070	$ 257,652	$ 953,053	(5,673,123)
General Revenues:					
Taxes:					
Property taxes					7,388,808
State revenue not restricted for a specific purpose					501,035
Investment earnings (loss)					132,649
Miscellaneous					24,523
Total general revenues					8,047,015
Change in net position					2,373,892
Net position - beginning of year					35,552,952
Net position - end of year					$ 37,926,844

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
BALANCE SHEET
DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 7,157,928	$ 639,476	$ 400,945	$ 8,198,349
Due from county	35,679	7,750	-	43,429
Taxes receivable	231,574	49,813	-	281,387
Other receivables	22,939	-	-	22,939
Total current assets	7,448,120	697,039	400,945	8,546,104
RESTRICTED ASSETS				
Foundation cash and cash equivalents	-	-	20,117	20,117
Foundation investments	-	-	809,811	809,811
Total restricted assets	-	-	829,928	829,928
Total assets	$ 7,448,120	$ 697,039	$ 1,230,873	$ 9,376,032
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 236,927	$ -	$ 57	$ 236,984
Accrued payroll taxes and other withholding	26,176	-	-	26,176
Accrued payroll	100,725	-	-	100,725
Total current liabilities	363,828	-	57	363,885
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - taxes	231,574	49,813	-	281,387
FUND BALANCES				
Restricted	-	647,226	1,230,816	1,878,042
Unassigned	6,852,718	-	-	6,852,718
Total fund balances	6,852,718	647,226	1,230,816	8,730,760
Total liabilities, deferred inflows of resources and fund balances	$ 7,448,120	$ 697,039	$ 1,230,873	$ 9,376,032

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Total Governmental Funds Balance		$ 8,730,760
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		51,099,760
Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		281,387
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		225,924
Bond premiums and discounts are reported as other financing sources and uses in the governmental fund financial statements, but are deferred and amortized in the government wide financial statements		(203,520)
Long-term liabilities are not due and payable in the current period and therefore are not included in the funds.		
Accrued compensated absences	$ (29,549)	
Accrued interest payable	(51,645)	
Long-term debt	(16,979,692)	
Net pension liability	(5,015,257)	
Total		(22,076,143)
Deferred inflows in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		(131,324)
Net Position of Governmental Activities		$ 37,926,844

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service Fund	Total Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local property taxes	$ 6,007,701	$ 1,330,586	$ 19,612	$ 7,357,899
State revenue	501,035	-	-	501,035
Service revenue	1,791,530	-	-	1,791,530
Grants and contributions	612,177	-	598,528	1,210,705
Investment income	56,582	-	76,067	132,649
Other income	69,063	-	-	69,063
Total revenues	9,038,088	1,330,586	694,207	11,062,881
EXPENDITURES				
Park operations	6,462,496	-	31,409	6,493,905
Capital outlay	725,816	-	310,496	1,036,312
Debt Service:				
Principal payments	539,577	1,085,000	118,598	1,743,175
Interest	246,912	177,198	5,149	429,259
Total expenditures	7,974,801	1,262,198	465,652	9,702,651
Excess revenue over (under) expenditures	1,063,287	68,388	228,555	1,360,230
OTHER FINANCING SOURCES (USES)				
Operating transfers in	349,320	267,223	-	616,543
Operating transfers out	-	-	(616,543)	(616,543)
Total other financing sources (uses)	349,320	267,223	(616,543)	-
Net change in fund balances	1,412,607	335,611	(387,988)	1,360,230
Fund balances - beginning of year	5,440,111	311,615	1,618,804	7,370,530
Fund balances - end of year	$ 6,852,718	$ 647,226	$ 1,230,816	$ 8,730,760

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balance - governmental funds		$ 1,360,230
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital asset additions	1,036,312	
Current year depreciation	(1,538,168)	
Total		(501,856)
Governmental funds report the entire net sales proceeds from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of assets. In the current year, disposed capital assets had no proceeds, and the difference represents the loss on disposal of capital assets.		(20,781)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This consists of delinquent property taxes.		30,909
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of premium/discount on bond issues	22,873	
Net increase in accrued compensated absences	(10,787)	
Net decrease in accrued interest payable	4,335	
Net decrease in net pension liability	304,307	
Total		320,728
Changes in deferred inflows and outflows relating to net pension liability		(558,513)
Repayment on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position.		1,743,175
Change in net position of governmental activities		$ 2,373,892

See Notes to the Financial Statements

NOTE 1 GOVERNING BOARD AND REPORTING ENTITY

The affairs of the City of Minot Park District are administered by an elected board made up of a president and four commissioners. Appointed officials are a clerk, attorney, and director of parks. The officials of the Minot Park District as of December 31, 2017, are as follows:

	Office	Monthly Compensation
Cliff Hovda	President	$ 250
Nancy Beck	Vice President	250
Charles Emery	Commissioner	250
Connie Feist	Commissioner	250
Steve Wharton	Commissioner	250
Ron Merritt	Director of Parks	9,871
Pete Hankla	Attorney	-
Elly DesLauriers	Clerk	200

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the City of Minot Park District is presented to assist in understanding the Park District's financial statements.

The financial statements of the City of Minot Park District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

Component units are legally separate organizations for which the Park District is financially accountable. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the District to provide specific financial benefits to, or impose specific financial burdens on the District. Component units may also include organizations that are fiscally dependent on the District.

Based on the above criteria, the Minot Park District Foundation is included in the Park District’s reporting entity as a blended component unit. It is considered a blended component unit as the governance of both the Park District and the Foundation are the same. These financial statements include the financial information of the District and its component unit, the Minot Park District Foundation.

Basis of Presentation

The Park District’s basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the reporting entity, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Taxes and other items not properly included as program revenues are presented as general revenues of the Park District.

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. The following are the major governmental funds of the Park District:

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

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term special assessments debt of governmental funds.

The following are non-major governmental funds of the Park District:

The Park District Foundation is a special revenue fund and is a blended component unit. This fund accounts for contributions received and payments made for projects to improve the parks.

The building fund is a special revenue fund that accounts for financial resources used in the upkeep of the Park District buildings.

The District has two non-major capital projects funds, one accounts for the bond proceeds and construction costs related to the Park Facilities Gross Revenue Bonds, Series 2016, and the other accounts for the bond proceeds and construction costs related to the Park District Facilities and Improvement District No. 2015-01.

The District has a non-major debt service fund, which accounts for the reserves accumulated in accordance with the Park Facilities Gross Revenue Bonds, Series 2016.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and 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. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with a maturity date within three months of the date acquired by the government.

Investments

North Dakota state statute authorizes government entities to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation, d) Obligations of the state, and e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two annually recognized rating agencies and matures in two hundred seventy days or less. All investments shown on these financial statements are held by the Minot Park District Foundation, a non-profit blended component unit, and as such are not subject to the North Dakota state statutes noted above. Investments are carried at fair value.

Due from County

The amount due from county consists of cash on hand at the county for taxes collected but not yet remitted to the District at December 31.

Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31 and are recorded as deferred inflows of resources in the governmental funds and recognized as revenue in the government-wide financial statements.

Other Receivables

Other receivables consist primarily of amounts due from entities for MAYSA arena rent. It is management's policy that they will routinely review these receivables to determine collectability. Any amounts deemed uncollectible will be written off in the period in which they are determined as such. There is no allowance for doubtful accounts receivable as of December 31, 2017, as management considers all receivables to be collectible.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Park District's fiscal year. The Park District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition value at the date received. Improvements that significantly extend the useful life of the asset are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Park District's land, construction in progress costs, and collectibles are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and Improvements	20-60 years
Equipment	10-15 years
Vehicles	10 years
Tractors, Trailers & Mowers	10 years
Zoo	30-60 years

Compensated Absences

The Park District reports compensated absences in accordance with the provisions of GASB No. 16 *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Park District will compensate the employees for the benefits through paid time off or some other means.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the Park District's government wide financial statements. The Park District's governmental fund financials report only those obligations that will be paid from current financial resources.

Bond Premiums/Discount

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Premiums and discounts on bonds will be amortized on a straight line basis over the life of the loan associated with the premium or discount. The amortization expense will be included with interest expense in the governmental activities column of the government-wide financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minot City Employee Pension Plan (CEPP) and additions to/deductions from CEPP's fiduciary net position have been determined on the same basis as they are reported by CEPP. 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.

Fund Balance Classifications

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

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

Restricted – This classification reflects the constraints imposed on resources either (a) imposed externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Park Board – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Park Board and Executive Director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position

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

<u>Net Position Flow Assumption</u>
Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted- net position is applied.

Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has one types of item that qualifies for reporting in this category. Deferred outflows – pension is reported as a deferred outflow of resources in the Statement of Net Position, which represents actuarial differences within the CEPP pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. Deferred inflows – taxes is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows – pension is reported as a deferred inflow of resources in the Statement of Net Position, which represents actuarial differences within the CEPP pension plan.

Revenue Recognition - Property Taxes

Taxes receivable consists of current and delinquent uncollected taxes at December 31, 2017.

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

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All Park District tax levies are in compliance with state laws.

Use of Estimates

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

NOTE 3 CUSTODIAL CREDIT RISK

Custodial credit risk is the risk associated with the failure of a depository institution. In the event of a depository financial institution’s failure, the District would not be able to recover the deposits or collateralized securities that are in the possession of the outside parties. The District does not have a formal policy regarding deposits. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance on bonds.

The District maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC or NCUA up to $250,000 at each institution. At December 31, 2017, the District had approximately $7.6 million in excess of the FDIC and NCUA limits on deposit. The amount in excess was covered by pledged securities held in the District’s name and a letter of credit at December 31, 2017.

NOTE 4 INVESTMENTS

The Minot Park District Foundation maintains an investment pool at a financial institution. The investment pool invests in money market and mutual funds. At December 31, 2017, the Foundation’s investments consisted of $20,117 of money market funds and $809,811 of mutual funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. None of the investments held by the Foundation are debt securities that would be subject to a change in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk. None of the investments held by the Foundation are rated.

Fair Value Measurements

In accordance with GASB Statement No. 72, investments are grouped at fair value in three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quote prices for similar assets in active markets, quote prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumption are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumption reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balances of investments measured at fair value on a recurring basis as of December 31, 2017.

	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Fixed Income Securities	$ 340,260	$ 340,260	$ -	$ -
Miscellaneous Securities	81,637	81,637	-	-
Equity Mutual Fund	387,914	387,914	-	-
Total assets at fair value	$ 809,811	$ 809,811	$ -	$ -

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Deletions	Transfers	Balance 12/31/17
Construction in Progress	$ 86,882	$ 99,302	$ -	$ (15,282)	$ 170,902
Capital Assets Not Being Depreciated:					
Land and Special Assessments	$ 7,652,197	$ -	$ -	$ -	$ 7,652,197
Collectibles	590,868	-	-	-	590,868
Total Capital Assets Not Being Depreciated	$ 8,243,065	$ -	$ -	$ -	$ 8,243,065
Capital Assets Being Depreciated					
Buildings	$ 6,832,585	$ -	$ -	$ -	$ 6,832,585
Golf Course	2,354,826	7,706	-	-	2,362,532
Maysa	21,326,549	352,922	-	-	21,679,471
Equipment	1,294,428	201,904	(93,553)	-	1,402,779
Vehicles	880,175	49,142	-	-	929,317
Zoo	6,380,408	-	(14,785)	-	6,365,623
Other Park Assets	12,969,199	325,336	-	15,282	13,309,817
Total Capital Assets Being Depreciated	$ 52,038,170	$ 937,010	$ (108,338)	$ 15,282	$ 52,882,124
Less Accumulated Depreciation:					
Buildings	$ 1,129,573	$ 116,492	$ -	$ -	$ 1,246,065
Golf Course	998,106	80,375	-	-	1,078,481
Maysa	2,078,580	669,196	-	-	2,747,776
Equipment	774,130	81,096	(72,772)	-	782,454
Vehicles	467,288	63,053	-	-	530,341
Zoo	945,089	125,564	(14,785)	-	1,055,868
Other Park Assets	2,352,954	402,392	-	-	2,755,346
Total Accumulated Depreciation	$ 8,745,720	$ 1,538,168	$ (87,557)	$ -	$ 10,196,331
Total Capital Assets Being Depreciated, Net	$ 43,292,450	$ (601,158)	$ (20,781)	$ 15,282	$ 42,685,793
Governmental Capital Assets, Net	$ 51,622,397	$ (501,856)	$ (20,781)	$ -	$ 51,099,760

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

Park Operations	$ 1,538,168

The following is a summary of equipment held under capital lease at December 31, 2017. Accumulated amortization is included in with depreciation on the government wide financial statements.

Golf Course	$ 23,804
Less: accumulated amortization	(12,696)
	$ 11,108

NOTE 6 LONG-TERM LIABILITIES

General Obligation Bonds

General obligation bonds are issued to provide funds for acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the District. G.O. bonds are paid through the debt service fund by a mill levy sufficient to meet the current year's principal and interest payments.

The District has a general obligation bond outstanding for flood restoration projects related to the flood of 2011. Information on this bond at December 31, 2017 is as follows:

General Obligation Bond, issued November 1, 2012, principal due annually beginning May 1, 2013 through May 1, 2027. Interest due May 1 and November 1 of each year, interest at 2.00%. Payments are made by the General fund.	$ 2,480,000

Special Assessment Bonds

Special assessment bonds are issued for debt obligations on various parcels of land and other projects. They are direct obligations and pledge the full faith and credit of the District. These bonds are paid through the debt service fund by a mill levy sufficient to meet the current year's principal and interest payments. Special assessments as of December 31, 2017 are as follows:

Refunding Improvement Bond, issued October 30, 2014, principal due annually beginning May 1, 2015 through May 1, 2029. Interest due May 1 and November 1 of each year, interest at 3.00%.	$ 1,640,000
Refunding Improvement Bond, issued August 17, 2015, principal due annually beginning May 1, 2016 through May 1, 2025. Interest due May 1 and November 1 of each year, interest varies from 2.00% to 2.25%.	1,230,000

General Obligation Special Assessment Prepayment Bond, issued August 19, 2015, principal due annually beginning May 1, 2016 through May 1, 2023. Interest due May 1 and November 1 of each year, interest at 2.00%.	$ 2,020,000
Refunding Improvement Bond, issued March 8, 2016, principal due annually beginning May 1, 2017 through May 1, 2026. Interest due May 1 and November 1 of each year, interest varies from 1.20% to 1.50%.	1,865,000
General Obligation Special Assessment Prepayment Bond, issued February 11, 2016, principal due annually beginning May 1, 2017 through May 1, 2024. Interest due May 1 and November 1 of each year, interest at 2.00%.	1,355,000
Total Special Assessment Debt	$ 8,110,000

Revenue Bonds

The District has a gross revenue bond outstanding for the purchase of land, costs of the MAYSA arena expansion, and to pay off a notes payable with a financial institution. Information on this bond at December 31, 2017 is as follows:

Gross Facilities Revenue Bond, issued March 29, 2016, principal due annually beginning December 1, 2016 through December 1, 2035. Interest due June 1 and December 1 of each year, interest varies from 2.00% to 3.375%. Payments are made by the General fund.	$ 6,380,000

Capital Leases

The District has a capital lease on equipment. Capital leases as of December 31, 2017 are as follows.

Capital lease for Workman HDX Auto, issued April 27, 2015, principal and interest due annually beginning May 1, 2015 through May 1, 2019, interest at 3.79%. Payments are made by the General fund.	$ 9,692

Future Maturities

The anticipated annual requirements to pay existing debt as of December 31, 2017 is as follows:

	G.O. Bonds		Special Assessment Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 225,000	$ 47,350	$ 1,065,000	$ 156,107	$ 315,000	$ 187,475
2019	230,000	42,800	1,040,000	135,482	325,000	181,175
2020	235,000	38,150	1,045,000	115,007	330,000	170,675
2021	240,000	33,400	1,035,000	94,577	335,000	168,075
2022	245,000	28,550	1,030,000	74,292	350,000	158,025
2023-2027	1,305,000	66,450	2,580,000	152,017	1,810,000	627,675
2028-2032	-	-	315,000	9,525	1,735,000	364,575
2033-2037	-	-	-	-	1,180,000	80,019
Total	$ 2,480,000	$ 256,700	$ 8,110,000	$ 737,007	$ 6,380,000	$ 1,937,694

	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2018	$ 4,754	$ 550	$ 1,609,754	$ 391,482
2019	4,938	374	1,599,938	359,831
2020	-	-	1,610,000	323,832
2021	-	-	1,610,000	296,052
2022	-	-	1,625,000	260,867
2023-2027	-	-	5,695,000	846,142
2028-2032	-	-	2,050,000	374,100
2033-2037	-	-	1,180,000	80,019
Total	$ 9,692	$ 924	$ 16,979,692	$ 2,932,325

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
Net pension liability *	$ 5,319,564	$ -	$ (304,307)	$ 5,015,257	$ -
Long-term debt:					
Notes payable	118,598	-	(118,598)	-	-
General obligation bond	2,705,000	-	(225,000)	2,480,000	225,000
Special assessment bonds	9,195,000	-	(1,085,000)	8,110,000	1,065,000
Gross revenue bond	6,690,000	-	(310,000)	6,380,000	315,000
Capital lease	14,269	-	(4,577)	9,692	4,754
Total long-term debt	18,722,867	-	(1,743,175)	16,979,692	1,609,754
Unamortized premium / discount	226,393	-	(22,873)	203,520	-
Total long-term liabilities	$ 24,268,824	$ -	$ (2,070,355)	$ 22,198,469	$ 1,609,754

* See Note 8 for more information regarding the net pension liability.

The Park District also has a line of credit outstanding of $1,500,000. There were no draws taken on the line of credit during 2017 and the line of credit had a $0 balance as of December 31, 2017. The line of credit matures February 1, 2025 and carries an interest rate of 4.50%.

NOTE 7 INTERFUND TRANSFERS

Interfund transfers at December 31, 2017 were as follows:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Transfer In	$ 349,320	$ 267,223	$ -	$ 616,543
Transfer Out	-	-	(616,543)	(616,543)
	$ 349,320	$ 267,223	$ (616,543)	$ -

Tax revenues and interest were transferred from the Building Fund to the General Fund to clear out the fund, as there is no longer a restriction revenue stream into the fund. The Park District no longer levies this tax. The Capital Projects funds transferred money to the Debt Service Fund following the completion of the associated projects to help pay off the cost of the bonds.

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

The Minot Park District participates along with the City of Minot in a defined benefit pension plan covering substantially all full-time employees hired before January 1, 2014. The City of Minot Finance Department, PO Box 5006, Minot, North Dakota 58702 has a separate actuarial report for the plan. Separate financial statements are not issued. The Minot Park District also participates with the City of Minot in a defined contribution plan for all full-time employees hired after December 31, 2013.

DEFINED BENEFIT PLAN

Plan Description. The City Employee Pension Plan (CEPP) is a cost sharing, multiple employer public employee retirement system. The pension plan document provides all employees of the City of Minot (excluding non-civil service employees) or the Minot Park District, with a hire date before January 1, 2014, shall become a member of the pension plan at the time they begin employment. There are no provisions or policies with respect to automatic and ad hoc postretirement benefit increases. Effective January 1, 2014 the Plan has been closed to new participants.

Plan Administration. North Dakota Century Code 40-46 grants the authority to establish and amend the benefit terms to the City of Minot City Council. Management of the CEPP is vested in the CEPP Board, which consists of 10 members; the Mayor, City Auditor, Human Resource Director, Police Chief, 2 members from the Police Department elected by the police plan members, 2 at large members elected by all plan members except police department members, and 2 City Council members appointed by the Mayor. Elected members serve 2-year terms.

Benefits Provided. For the CEPP, the benefit provisions, amendments, and all requirements are amended in the pension plan document. Park District employees hired before July 6, 2010, who retire at or after the age of 60 with 60 months of service and Park District employees hired on or after July 6, 2010, who retire at or after the age of 60 with 120 months of service are eligible for a monthly pension benefit. The average monthly earnings are considered the average of the highest 36 months earnings prior to July 6, 2010 and 48 months after July 6, 2010, within the last 120 months (need not be consecutive).

After December 31, 2003, members satisfying the Rule of 85 are also eligible for a monthly pension benefit. After July 6, 2010, members satisfying the Rule of 90 and who have attained age 55 are eligible for a monthly pension benefit. Also, the average monthly earnings is calculated using the highest 78 bi-weekly earnings within the last 120 months. The Rule of 85/90 is satisfied when the member's age plus the member's total period of service equals 85/90 years and the employee is at least 55 years old.

Prior to July 6, 2010, benefits vest after 5 years of service. After July 5, 2010, benefits vest after 10 years. Vested employees may retire upon Rule of 85/90 or 60 years of age after 5/10 years of employment. If death is not in the course of employment and the participant has less than 5/10 years of service, then a refund of contributions is made. In all other cases, the plan pays survivor benefits allocated on a percentage dependent upon if there is a surviving spouse and/or children or other beneficiaries. For participants who die in the course of employment or are deferred vested or active participants with more than 5/10 years of service, the benefit amount is equal to the normal retirement benefit.

Supplemental Benefits Provided. Employees who retire under the City of Minot Employee's Pension Plan before January 1, 2004 and annually provide proof of health insurance coverage receive a monthly healthcare supplement equal to the City's portion of the group-blended premium for an active employee with single coverage. Employees who retire under the City of Minot Pension Plan after December 31, 2004 and employees hired before July 6, 2010 receive a monthly healthcare supplement equal to $7.50 per year of service. Employees hired after July 5, 2010 do not receive any retiree healthcare supplement. These supplements are accounted for in the pension plan valuation because they are not restricted to the payment of health insurance.

Contributions Required and Contributions Made. The actuary does not determine the pension contribution rates; rather it is done by employer recommendations within the limits established by state statute. The employees contributed 14.74% and the employer 31.40% of covered payroll. The employer contributions to the plans are to be made through an annual tax levy or other budgeted sources. Based on an actuarial valuation, contributions are providing for a closed amortization period of 30 years (26 years remaining as of January 1, 2018) respectively on the unfunded liability at January 1, 2018.

Summary of Significant Accounting Policies and Plan Asset Matters.

Basis of Accounting. The City Employee Pension Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Investment Policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the CEPP Board by a majority vote of its members. It is the policy of the CEPP Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of December 31, 2017:

Asset Class	Target Allocation
US fixed income	28%
International fixed income	7%
Domestic equity	42%
International equity	15%
Alternative investments	8%
	100%

The target allocation and investment policy were last amended in April 2013.

Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

The long-term expected rate of return of 7.50% on plan investments was determined using official rates of return under the Global Investment Performance Standards 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. The best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US fixed income	28%	3%
International fixed income	7%	4%
Domestic equity	42%	8%
International equity	15%	9%
Alternative investments	8%	6%
	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Rate of Return. For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.9 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions. The actuarial methods and assumptions are presented by plan below. The information is based upon the actuary reports generated by the studies conducted by the Gallagher Group. Securities are valued at fair market value. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the pattern of sharing costs between the employee and the plan members to that point.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

The cost of administering the pension plan is part of the calculation to determine the employer and employee contributions.

Below is listed the various actuarial methods and significant assumptions used to determine the actuarially determined contributions.

Assumption	
Valuation date	January 1, 2018
Measurement date	January 1, 2018
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount
Remaining amortization period	30 year closed period (26 years remain as of 1/1/18)
Asset valuation method-smoothing	5 years gains and losses
Investment rate of return	7.50%
Project salary increases	0-4 years of service 7% 5-12 years of service 4.5% 13+ years of service 4%
Cost of living adjustments	1% after age 65
Marriage rate	85%
Spouse age differential	Males 3 years older than female spouses
Mortality rate	RP-2000 mortality table with projected future improvements to the valuation date

Pension Costs. At December 31, 2017 the Park District reported a liability of $5,015,257 for its proportionate share of the CEPP's net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on its present value of future payroll relative to the total present value of payroll for all participating employers. At December 31, 2017, the Park District's proportionate share was 8.1745% which was an increase of 0.0277% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, the Park District recognized pension expense of $596,545 for its proportionate share of the CEPP's pension expense.

At December 31, 2017, the Park District reported the following amounts and sources for deferred outflows of resources and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 167,966	$ (6,075)
Net difference between projected and actual earnings on pension plan investments	-	(115,676)
Changes in proportion and differences between employer contributions and proportionate share of contributions	57,958	(9,573)
Total	$ 225,924	$ (131,324)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense for the Park District's proportionate share as follows:

Year ended December 31:	
2018	$ 134,561
2019	92,220
2020	(55,780)
2021	(76,401)

The following presents the Park District's proportionate share of the net pension liability using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent):

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share share of the net pension liability	$ 6,279,657	$ 5,015,257	$ 3,954,265

Pension Plan Fiduciary Net Position

Detailed information about the CEPP's pension plan fiduciary net position is available in the City of Minot's separately issued financial report. The financial report is available on the City of Minot's website.

DEFINED CONTRIBUTION PLAN

The City administers the City of Minot North Dakota 401(a) Retirement Plan and the City of Minot North Dakota 457 Plan, a defined contribution plan and a 457(e)(1)(A) deferred compensation plan, respectively, for all full-time employees hired after December 31, 2013 in which the Park District participates in. The 401(a) plan requires eligible employees to contribute 7.5 percent of their earnings to the Plan. The employee contributions meet the requirements of pick-up contributions under Internal Revenue Code 414(h)(2). The 457(b) plan is provided for those employees who elect to defer a portion of their compensation.

For each enrolled employee, the employer shall contribute an amount which will equal 400 percent of the amount of the employee’s contribution to the 457(e)(1)(A) plan, not to exceed 8 percent of the employee’s eligible compensation. Benefit terms, including contribution requirements are established and may be amended by the City Council. For the year ended December 31, 2017, Park District employee contributions totaled $80,286 and the Park District recognized expense of $60,645.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Park District contributions and earnings on Park District contributions based on the following schedule:

Years of Creditable Service	Vested Portion
Less than 1 year	0%
Less than 2 years	20%
Less than 3 years	40%
Less than 4 years	60%
Less than 5 years	80%
5 years of more	100%

Non-vested contributions are forfeited following a five year period of severance. Such forfeitures are used to make restorations for rehired participants and to reduce employer contributions or to correct errors, omissions and exclusions. For the year ended December 31, 2017, forfeitures reduced the Park District’s plan expense by $0.

NOTE 9 RISK MANAGEMENT

The City of Minot Park 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.

The District participates in the North Dakota Insurance Reserve Fund (NDIRF), which provides liability coverage to the District.

The current policy has various deductibles. The NDIRF was established during 1986 to assist state agencies and political subdivisions within the State of North Dakota in obtaining liability insurance at reasonable rates. Each participating entity is entitled to one vote per $1,000 of annual fund contribution, provided that each entity receives at least one vote and all fractions are rounded to the nearest whole vote. The NDIRF is governed by a 9-member board of directors that is elected by the participants in such a manner to ensure a cross-section from the various types of participating entities. To establish the fund, each entity was required to purchase a surplus note. The note matured during 1991. The District receives conferment of benefits towards its insurance premiums as payment on the surplus note.

Also, when accumulated reserves exceed the actuarial estimated reserves, the excess may be distributed to the entities.

The District continues to carry commercial insurance for all other risks of loss, including workers compensation, auto insurance, employee health, and accident insurance.

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

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

NOTE 11 COMMITMENTS

The District has co-signed a note with Minot Area Youth Skating Association Inc. for MAYSA construction costs. This note is in the name Minot Area Youth Skating Association Inc. The note is for a maximum of $2,200,000 with an interest rate of 4.50%. The balance on the loan as of December 31, 2017 was $1,950.020. Minot Area Youth Skating Association's intention is the loan will be paid off fully with pledges from a capital campaign. The District does not anticipate having to make payments on this note.

The District is involved from time to time in various litigation matters arising in the normal course of business. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse impact on the financial statements of the District.

NOTE 12 CONTINGENCIES

The Park District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of December 31, 2017.

CITY OF MINOT PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual Amounts, Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES			
Local property taxes	$ 5,876,275	$ 6,039,106	$ 162,831
State revenue	533,086	501,035	(32,051)
Service revenue	1,731,500	1,835,584	104,084
Grants and contributions	98,000	612,177	514,177
Investment income	15,000	56,582	41,582
Other income	12,500	69,063	56,563
Total revenues	8,266,361	9,113,547	847,186
EXPENDITURES			
Park operations	7,325,981	6,459,252	866,729
Capital outlay	930,720	725,816	204,904
Debt service	674,851	786,489	(111,638)
Total expenditures	8,931,552	7,971,557	959,995
Excess revenue over (under) expenditures	(665,191)	1,141,990	1,807,181
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	349,320	349,320
Net change in fund balances	(665,191)	1,491,310	2,156,501
Fund balances - beginning of year	5,640,442	5,640,442	-
Fund balances - end of year	$ 4,975,251	$ 7,131,752	$ 2,156,501

See Note to the Required Supplementary Information

CITY OF MINOT PARK DISTRICT
SCHEDULE OF EMPLOYER' S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	8.17%	8.15%	8.17%	7.95%
Employer's proportionate share of the net pension liability (asset)	$ 5,015,257	$ 5,319,564	$ 5,280,772	$ 4,570,055
Employer's covered-employee payroll	$ 1,156,782	$ 1,211,261	$ 1,724,240	$ 2,133,363
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	434%	439%	306%	214%
Plan fiduciary net position as a percentage of the total pension liability	54.11%	49.47%	48.63%	52.51%

* Complete data for this schedule is not available prior to 2014.

See Note to the Required Supplementary Information

CITY OF MINOT PARK DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2017	2016	2015	2014
Actuarially determined contribution	$ 424,170	$ 414,209	$ 385,974	$ 379,416
Contributions in relation to the actuarially determined contribution	$ (240,961)	$ (264,662)	$ (257,153)	$ (242,420)
Contribution deficiency (excess)	$ 183,209	$ 149,547	$ 128,821	$ 136,996
Employer's covered-employee payroll	$ 1,156,782	$ 1,211,261	$ 1,724,240	$ 2,133,363
Contributions as a percentage of covered-employee payroll	20.83%	21.85%	14.91%	11.36%

* Complete data for this schedule is not available prior to 2014.

See Note to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

On or before September 30 of each year, a budget is prepared for the subsequent year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. All annual appropriations lapse at fiscal year end.

Before October 1, the proposed budget is presented to the Park District's commissioners for review. The Park District holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the commissioners. The final budget is adopted by October 1, and a copy is submitted to the county auditor by October 10.

Expenditures may not legally exceed budgeted appropriations at the fund level.

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

To provide a meaningful comparison of the District's actual results compared to the budgeted results, the Budgetary Comparison Schedule – General Fund is prepared on the District's budgetary basis. Under the District's budgetary basis of accounting, revenues and expenses are budgeted on the cash basis of accounting.

The General Fund and special revenue funds adopt budgets before the start of each calendar year. No budgetary information is shown for non-major funds.

Budgeted Inflows and Outflows

Listed below is a reconciliation between the revenues and expenditures as presented in the District's Statement of Revenues, Expenditures, and Changes in Fund Balance and the budgetary inflows and outflows presented in the Budgetary Comparison Schedule for the General Fund.

Sources / Inflows of Resources	
Actual revenues (budgetary basis) presented on the Budgetary Comparison Schedule.	$ 9,113,547
Differences - budget to GAAP:	
Net effect of December 31, 2016 and 2017 revenue recorded when measurable and available on the revenue statement but not recorded as revenue on the budget statement until collected.	(75,459)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	$ 9,038,088

Uses / Outflows of Resources

Actual expenditures (budgetary basis) presented on the Budgetary Comparison Schedule	$ 7,971,557
Differences - budget to GAAP:	
Net effect of December 31, 2016 and 2017 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid.	3,244
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 7,974,801

SUPPLEMENTARY INFORMATION

CITY OF MINOT PARK DISTRICT
TAX LEVIES AND UNCOLLECTED TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Year of Levy	Amount of Levy	Uncollected	Percent Uncollected
General Fund	2014	$ 4,829,672	$ 1,109	0.02%
	2015	5,340,800	45,590	0.85%
	2016	5,876,275	181,878	3.10%
			$ 228,577	
Debt Service Fund	2014	$ 437,141	$ 101	0.02%
	2015	1,019,690	8,703	0.85%
	2016	1,325,307	41,009	3.09%
			$ 49,813	
Building Fund	2014	$ 46,459	$ 11	0.02%
	2015	349,804	2,986	0.85%
	2016	-	-	0.00%
			$ 2,997	
			$ 281,387	

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

To the Board of Directors,
City of Minot Park District
Minot, 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, each major fund, and the aggregate remaining fund information of the City of Minot Park District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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.

Anderson ZurMuehlen & Co., P.C.

Great Falls, Montana
September 28, 2018