BISMARCK PARKS AND RECREATION DISTRICT
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Park Commissioners
Bismarck Parks and Recreation District
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Bismarck Parks and Recreation District, as of and for the year ended December 31, 2018, 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 and each major fund, of the Bismarck Parks and Recreation District, as of December 31, 2018, 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 management's discussion and analysis, budgetary comparison information, schedule of employer's proportionate share of net pension liability, schedule of employer contributions, schedule of employer's share of net OPEB liability and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2019 on our consideration of the Bismarck Parks and Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Bismarck Parks and Recreation 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 Bismarck Parks and Recreation District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 5, 2019

This section of the Bismarck Parks and Recreation District's (the District) annual financial report presents a discussion and analysis of the District's financial performance for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers are encouraged to review the District's basic financial statements, which follow this section, to enhance their understanding of the District's financial performance.

- ***The vision statement of the Bismarck Parks and Recreation District is "To be the leader and premier provider of public parks, programs, facilities and leisure services."***
- ***The mission statement of the Bismarck Parks and Recreation District is "To work with the community to provide residents and visitors the highest quality park, program, facility, and event experience."***

Financial Highlights

1. The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at December 31, 2018 by $42,595,233. Of this amount, $2,627,609 is unrestricted in governmental activities and may be used to meet the District's ongoing obligations. Another $2,787,233 is restricted by constraints imposed on resources either externally or imposed by law and $37,180,391 is invested in capital assets.

2. The District's total net position increased by $4,300,429 during the year ended December 31, 2018.

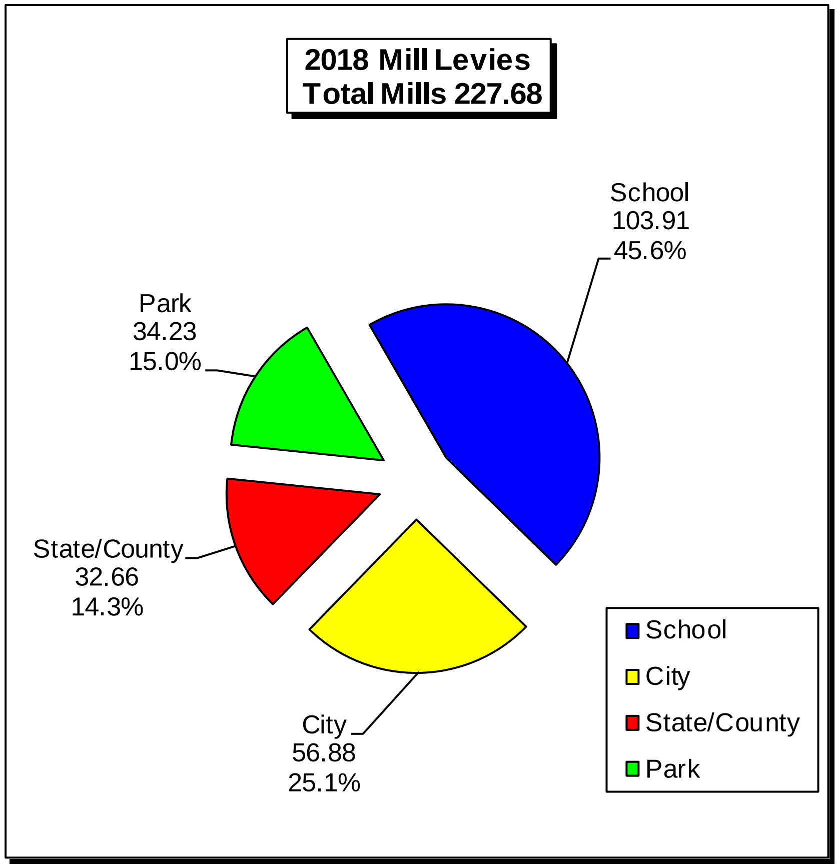
3. At December 31, 2018, the District's governmental funds reported combined ending fund balances of $6,986,799, an increase of $954,426 in comparison with the 2017 year. This increase is not attributable to any specific transaction but rather a combination of a net increase in the collection of revenue plus a net decrease in expenditures.

4. The District had $15,994,452 in general fund revenue and $376,505 in other financing sources. General fund expenditures were $15,151,223 and $328,000 in other financing uses. Local taxes contributed to 50% of the general fund revenue. Revenues and other sources exceeded expenditures and other uses by $891,734.

5. At December 31, 2018, the general fund unassigned fund balance was $3,168,603 or 20.5% of total general fund expenditures and transfers out.

6. The District's long-term financing debt decreased by $863,525 (3 percent) during the 2018 year. Special Assessment bond proceeds in the amount of $1,690,000 were obtained to finance improvements to the Sleepy Hollow Park parking lot, Santa Fe Trail, Clem Kelley and Sertoma Trails, and Horizon Park phase II that included tennis courts and a sport court.

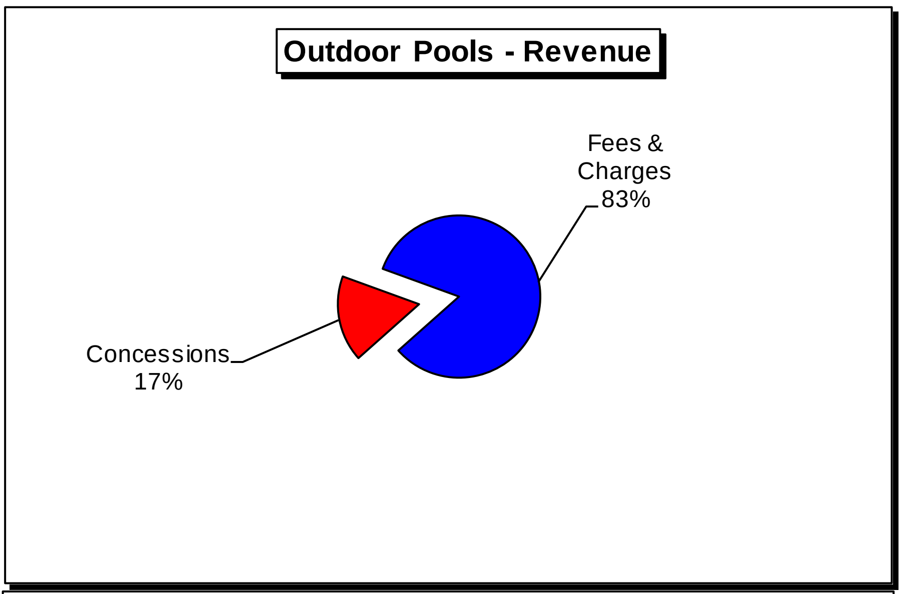
The District receives property tax revenue through the mill levy process. The District's mill levy for 2017 due January 2018 was 34.23 or 15% of the total mills levied. The general fund mill levy was 21.91 mills. The following chart indicates the allocation of property tax funds to the major governmental entities.

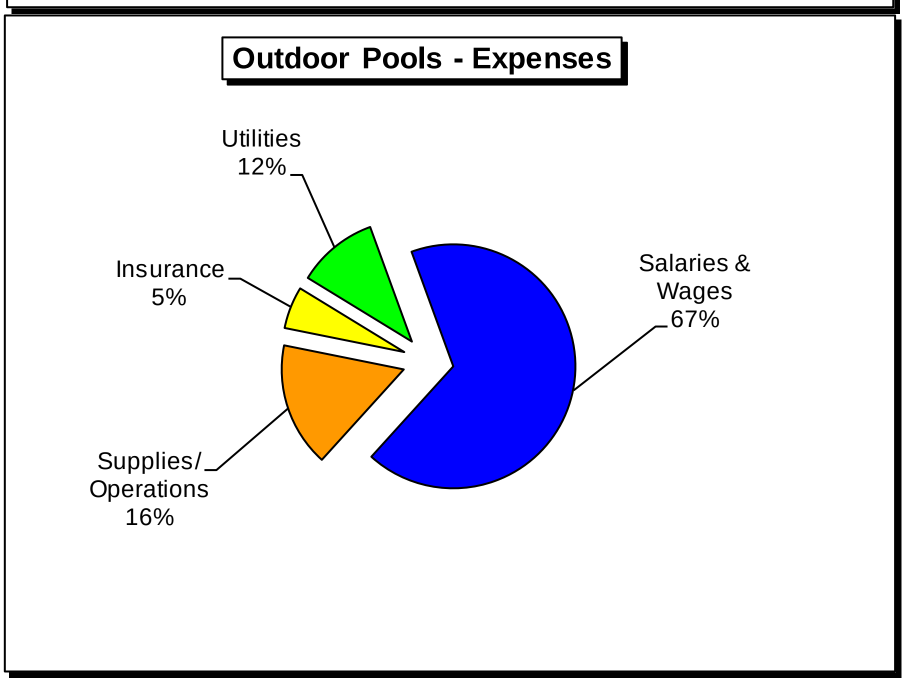


The following is a brief overview of each major operational area of the District with emphasis on financial information and statistics:

Facility Division - *Outdoor Swimming Pools*

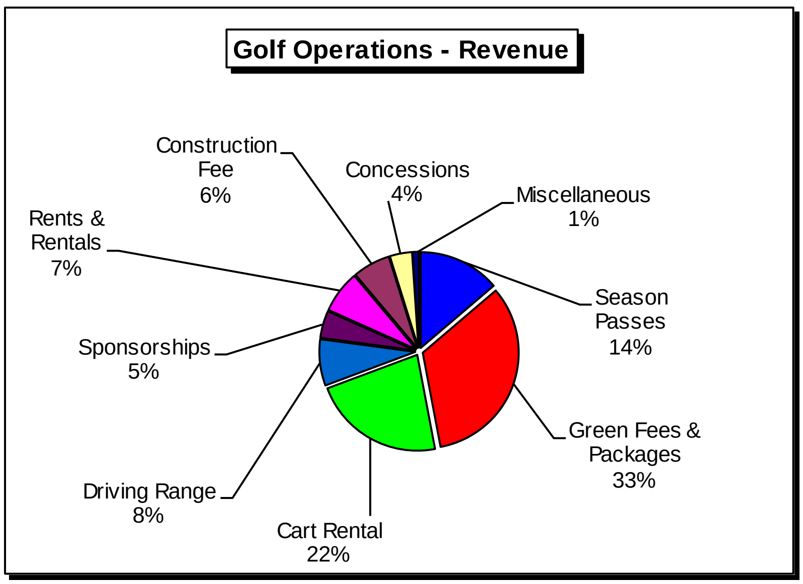
- The District operates three swimming pools – Elks Aquatic Center, Hillside Aquatic Complex and Wachter Aquatic Complex. The daily attendance at the three pools was 47,659, for the entire 2018 year, an increase of 2,803 from 2017.
- 50% of operating costs of the pools were covered by non-tax revenue.

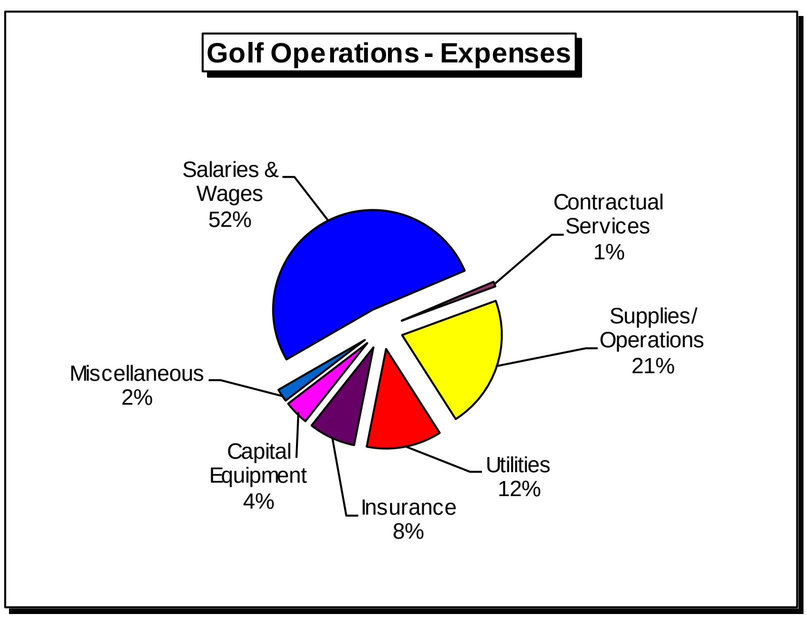




Golf Operations Division

- The Golf Operations Division operates three golf courses – Riverwood, Tom O'Leary and the Pebble Creek/Fore Seasons Center.
- The golf courses had 68,000 rounds of golf during 2018. This was 7,526 less than 2017.
- 76% of operating costs were covered by non-tax revenue.
- *The following is a graphic presentation of revenue and expenses related to Golf Operations:*





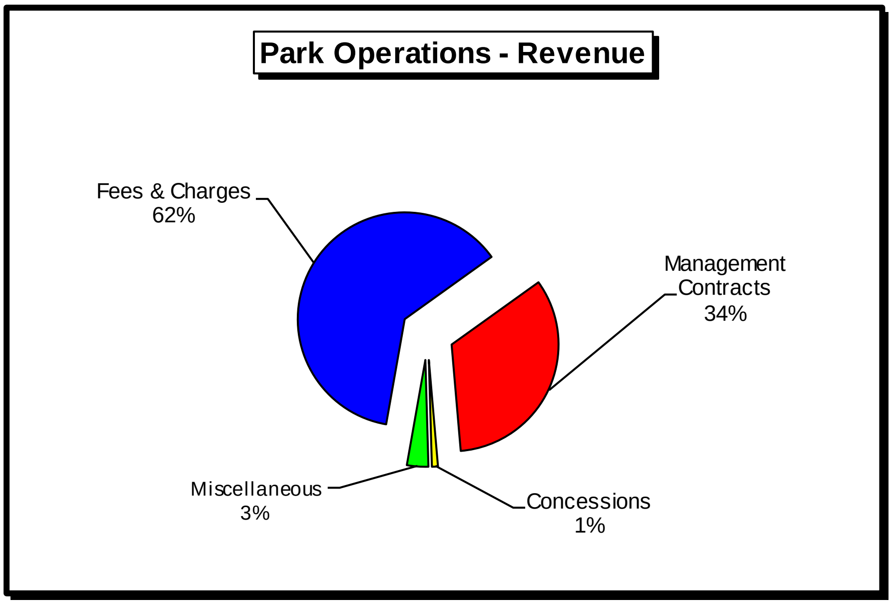
Park Operations Division

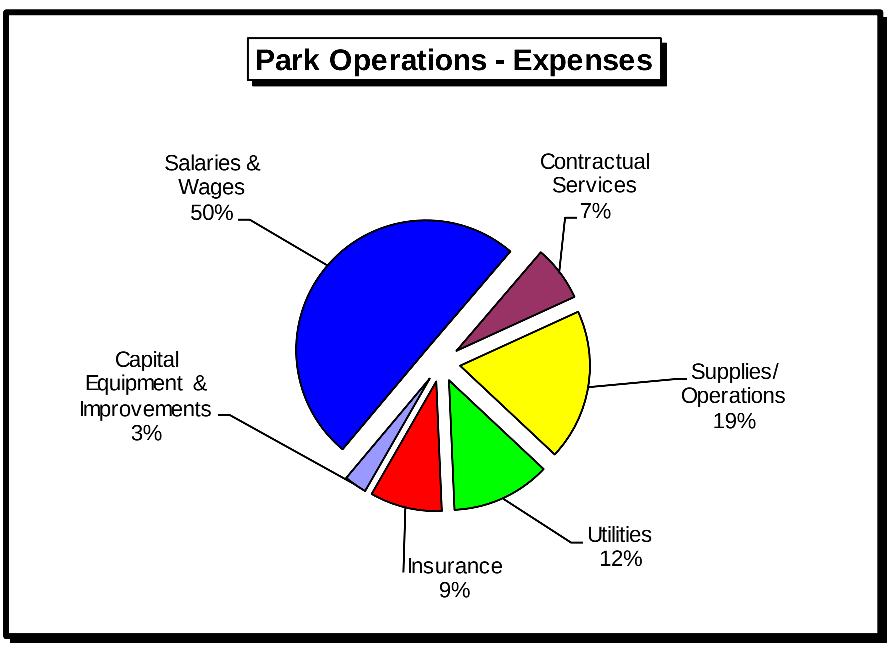
- Park Operations provides general maintenance and service to the District. In addition, Parks Operations manages Eagles Park, General Sibley Park, McDowell Dam, and Burleigh County Parks.

- Park Operations had 2,923 shelter reservations in 2018, an increase of 100 from 2017.

- The Bismarck Forestry department continued to provide forestry services for the District under an agreement with the City of Bismarck.

- *The following is a graphic presentation of revenue and expenses related to Park Operations, Eagles Park, General Sibley Park, McDowell Dam and Burleigh County Parks:*



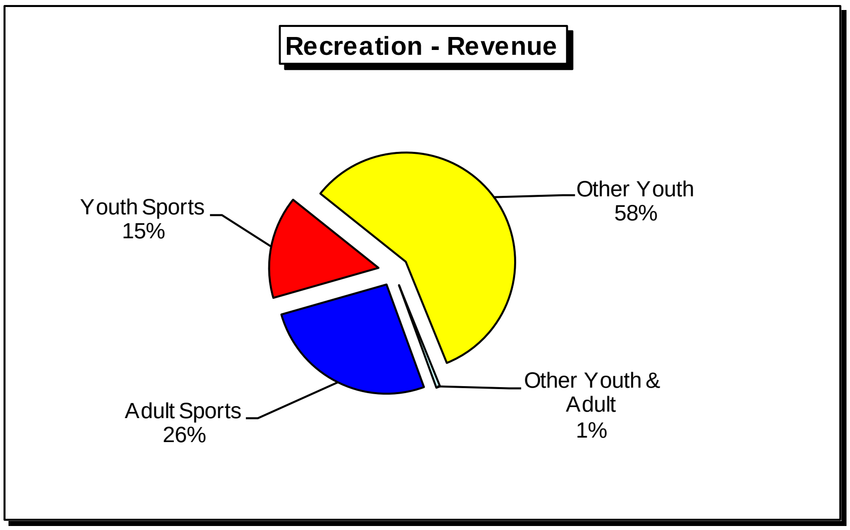


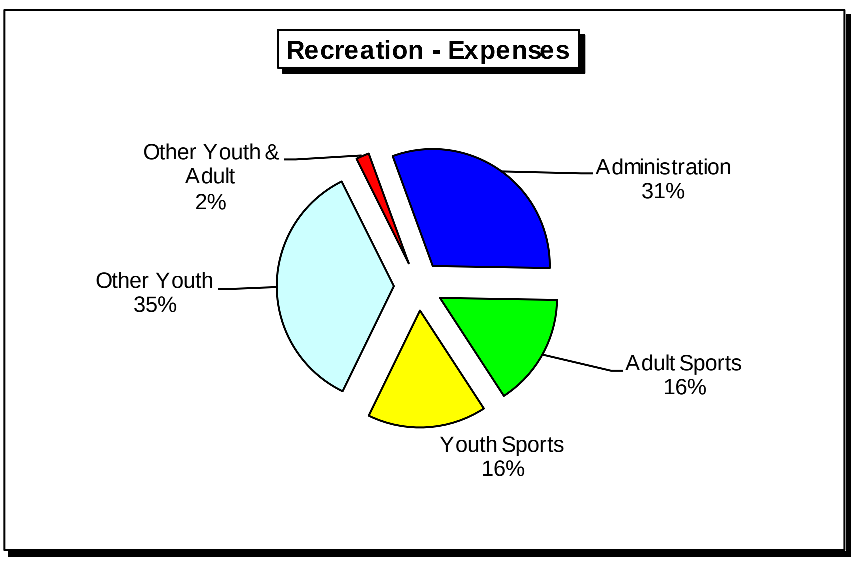
Recreation Division

- The District manages a wide variety of youth and adult programs. Some of the programs include BLAST (653 participants), adult volleyball (7,284), activity centers (638), and open gym (9,257).

- 75% of operating costs were covered by non-tax revenue.

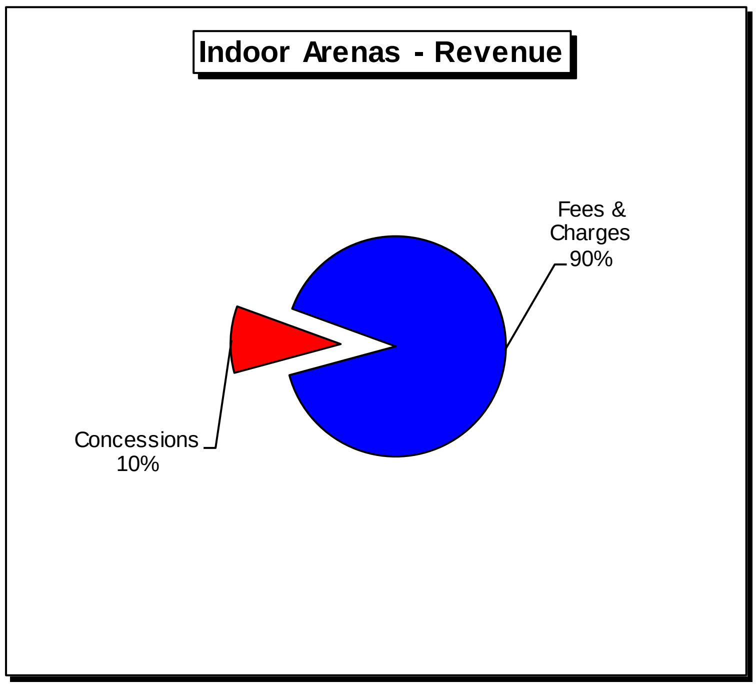
- *The following is a graphic presentation of revenue & expenses related to the various recreational activities:*

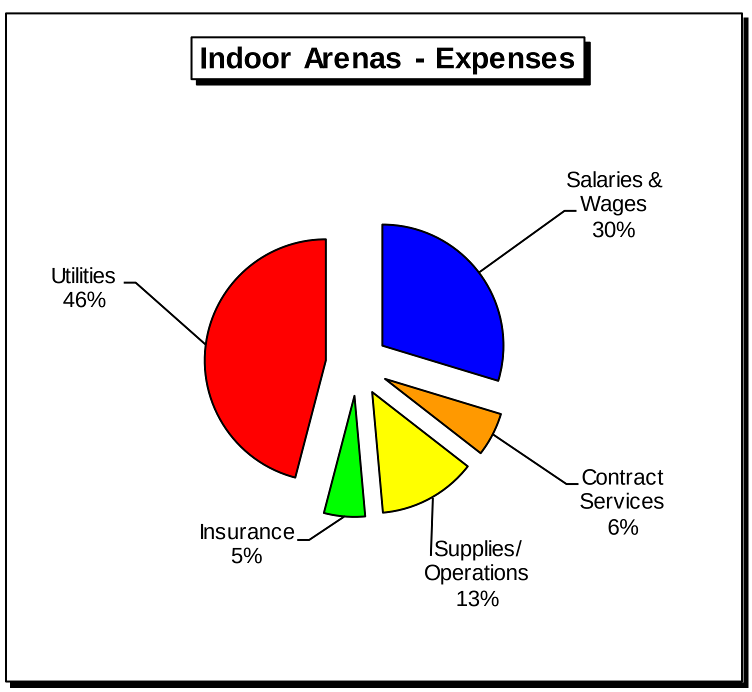




Indoor Arenas - VFW Sports Center Rinks 1 & 2; Capital Ice Complex – Schaumberg & Wachter Arenas

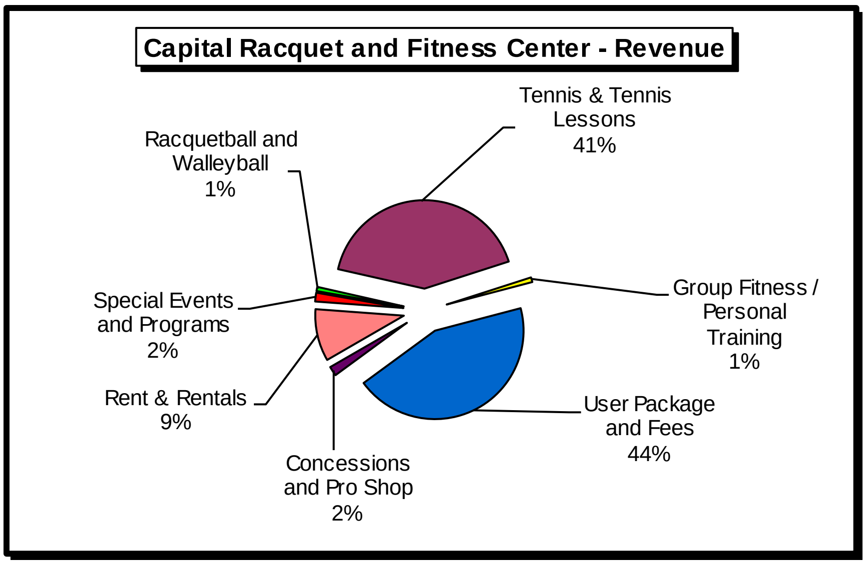
- 48% of operating costs were covered by non-tax revenue.
- Ice rental accounts for 84% of generated revenue in arena operations with most attributed to long-term agreements with youth and adult organizations, schools and Junior hockey.
- *The following is a graphic presentation of revenue and expenses related to the Indoor Arenas:*

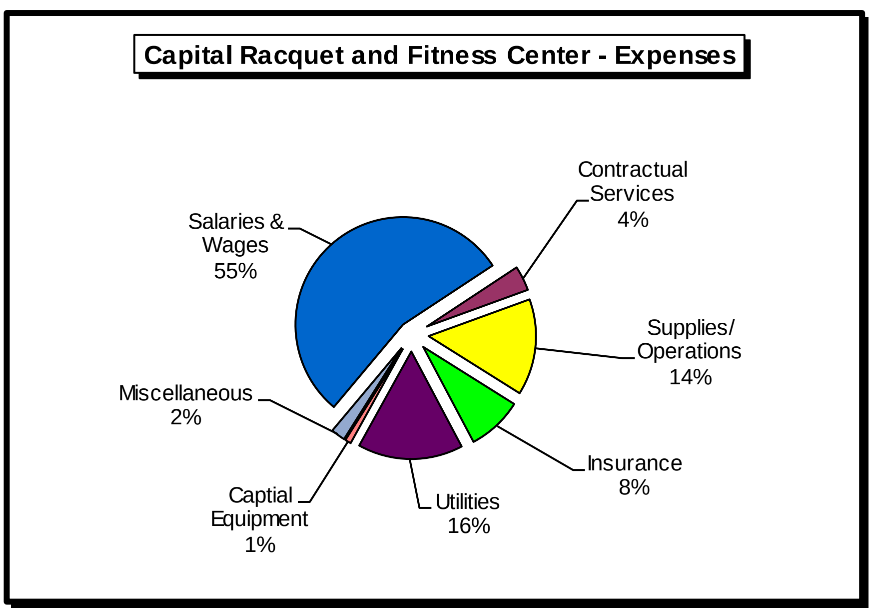




Capital Racquet and Fitness Center

- Monthly membership's usage was 33,927 in 2018 compared to 31,759 in 2017.
- There were 8,066 tennis court hours in 2018 compared to 7,821 in 2017.
- 71% of operating costs of Capital Racquet and Fitness Center were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to Capital Racquet and Fitness Center:*





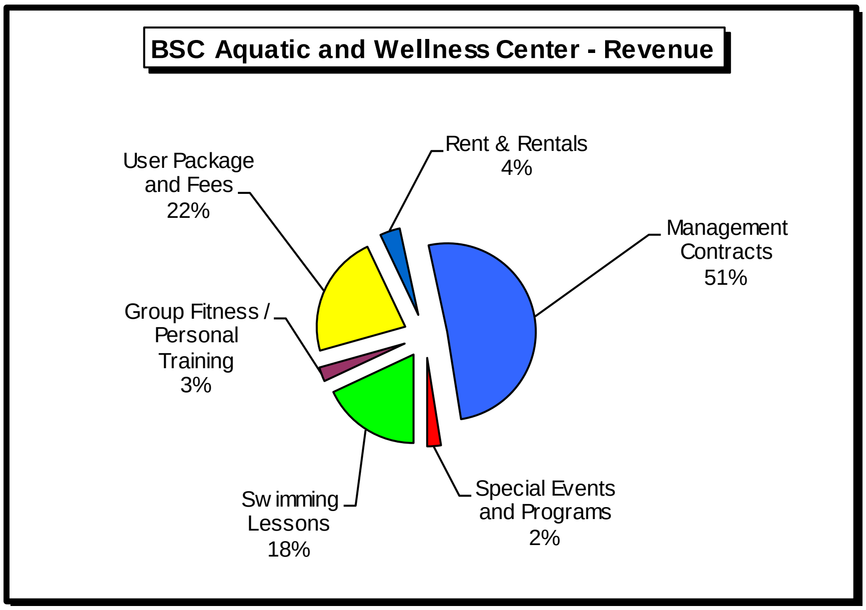
BSC Aquatic and Wellness Center

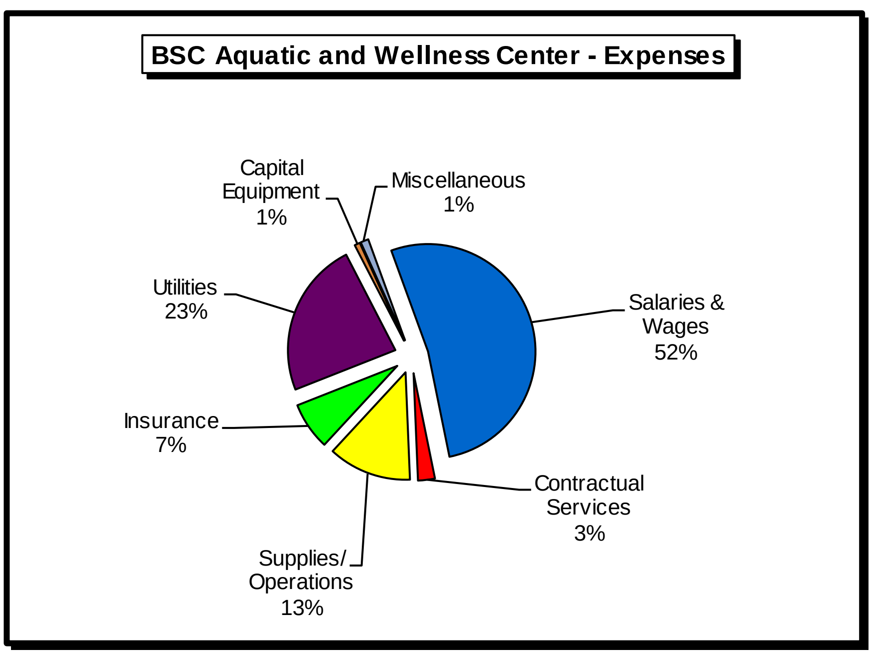
- The number of individuals taking swimming lessons increased by 218 in 2018 with 2,968 compared to 2,750 in 2017.

- There were 6,637 participants in group exercise during 2018 compared to 6,379 in 2017.

- 75% of operating costs of BSC Aquatic and Wellness Center were covered by non-tax revenue.

- *The following is a graphic presentation of revenue & expenses related to BSC Aquatic and Wellness Center:*



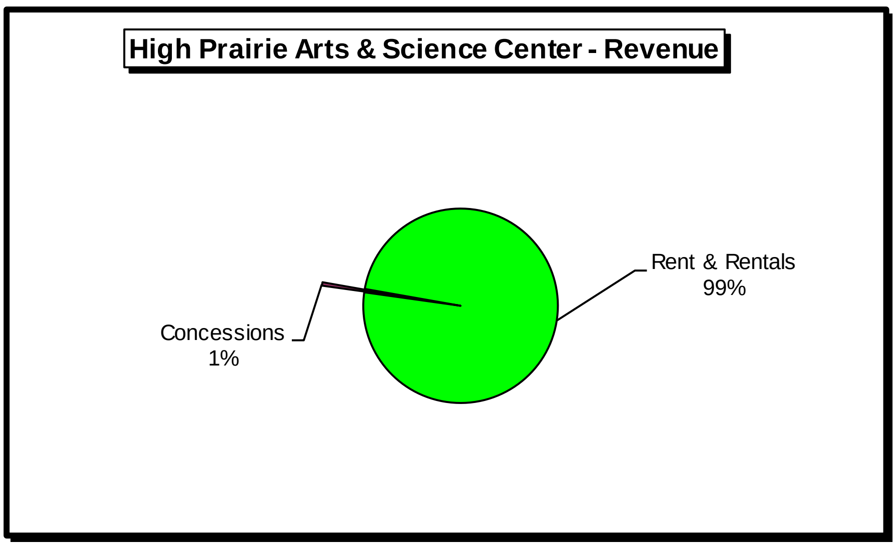


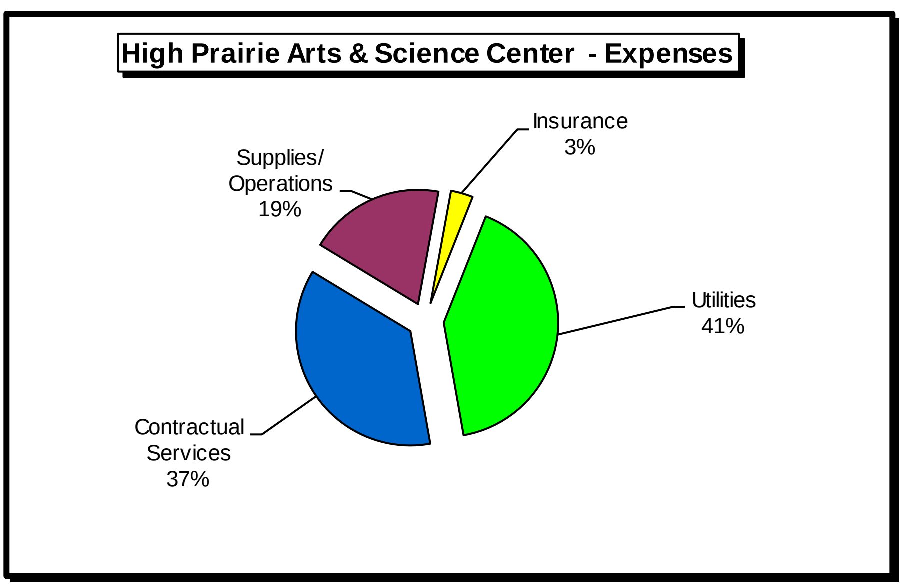
Frances Leach High Prairie Arts & Science Complex

- 54% of operating costs of the Frances Leach High Prairie Arts & Science Complex were covered by non-tax revenue.

- The High Prairie Arts & Science Complex is home to four BPRD partners: Central Dakota Children's Choir, Gateway to Science, Shade Tree Players/Dakota Stage and Theo Art School.

- *The following is a graphic presentation of expenses related to the Frances Leach High Prairie Arts & Science Complex:*





Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bismarck Parks and Recreation District's basic financial statements. The District's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These financial statements are prepared on a full accrual basis of accounting. This basically means that the statements follow methods that are similar to those used in most businesses. The statements take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The ***statement of net position*** presents information on all of the District's assets, deferred inflows, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bismarck Parks and Recreation District is improving or deteriorating.

The ***statement of activities*** presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Bismarck Parks and Recreation District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general and administration, park operations and maintenance, recreation programs, and principal and interest on long term debt. The District has no business-type activities.

Fund financial statements**:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bismarck Parks and Recreation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only governmental funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information may be useful in evaluating the District's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, by doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Bismarck Parks and Recreation District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Special Assessment Fund, Park Improvement Fund, Construction Fund, and the Debt Service Fund which are considered to be major funds. The Park District has elected to show the Government Construction Fund as it is the only non-major governmental fund.

The Bismarck Parks and Recreation District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement for the general fund and special assessment fund has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $42,595,233 at December 31, 2018.

The largest part of the District's net position (87 percent) reflects its investment in capital assets (land, construction in progress, building and building improvements, machinery and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of net position as of December 31, 2018 and 2017:

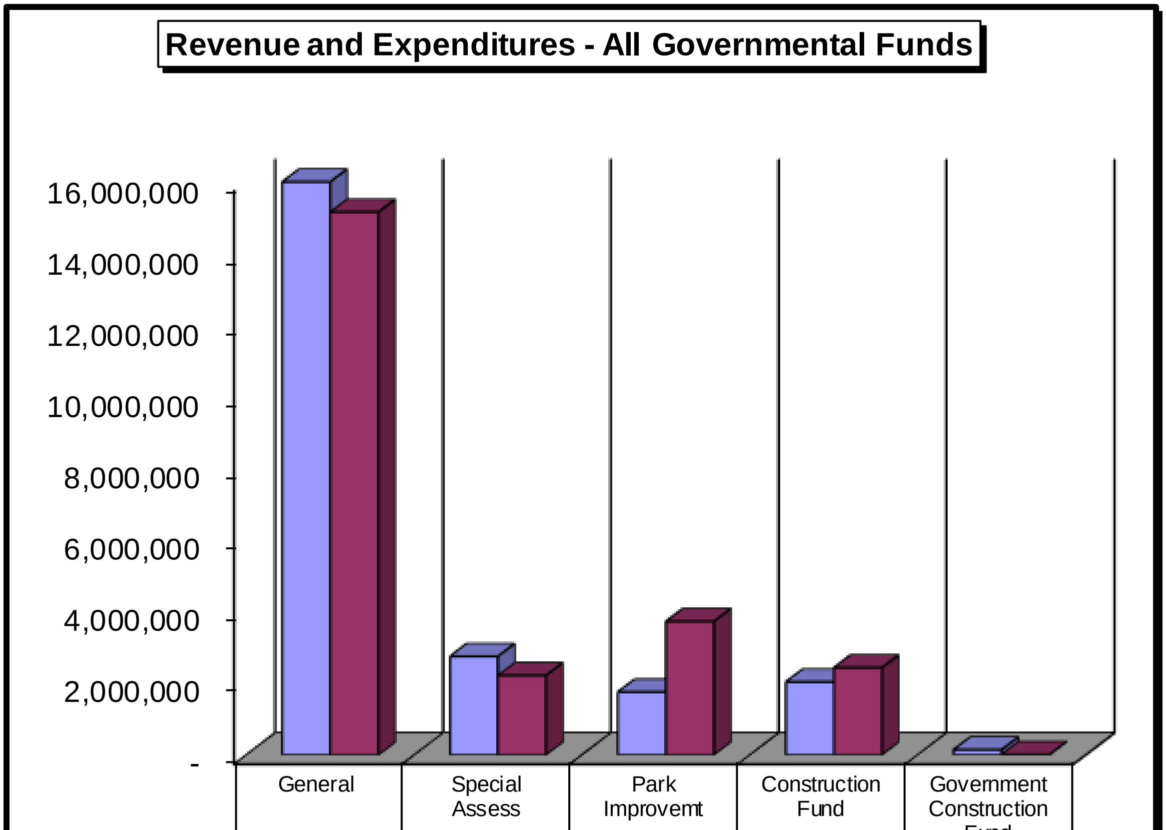
	Governmental Activities	
	2018	2017
Current and Other Assets	$ 8,759,104	$ 8,962,767
Capital Assets	68,760,932	66,122,291
Total Assets	$ 77,520,036	$ 75,085,058
Deferred Outflows of Resources	$ 1,830,810	$ 1,293,705
Current Liabilities	5,547,201	6,919,485
Long-Term Liabilities	31,152,142	30,632,085
Total Liabilities	$ 36,699,343	$ 37,551,570
Deferred Inflows of Resources	$ 56,270	$ 532,389
Net Position:		
Net Investment in Capital Assets	37,180,391	33,675,439
Restricted	2,787,233	2,315,592
Unrestricted	2,627,609	2,303,773
Total Net Position	$ 42,595,233	$ 38,294,804

The restricted net position classification is required by GASB Statement No. 54. It includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation.

The following is a summary of changes in net position for the years ended December 31, 2018 and 2017:

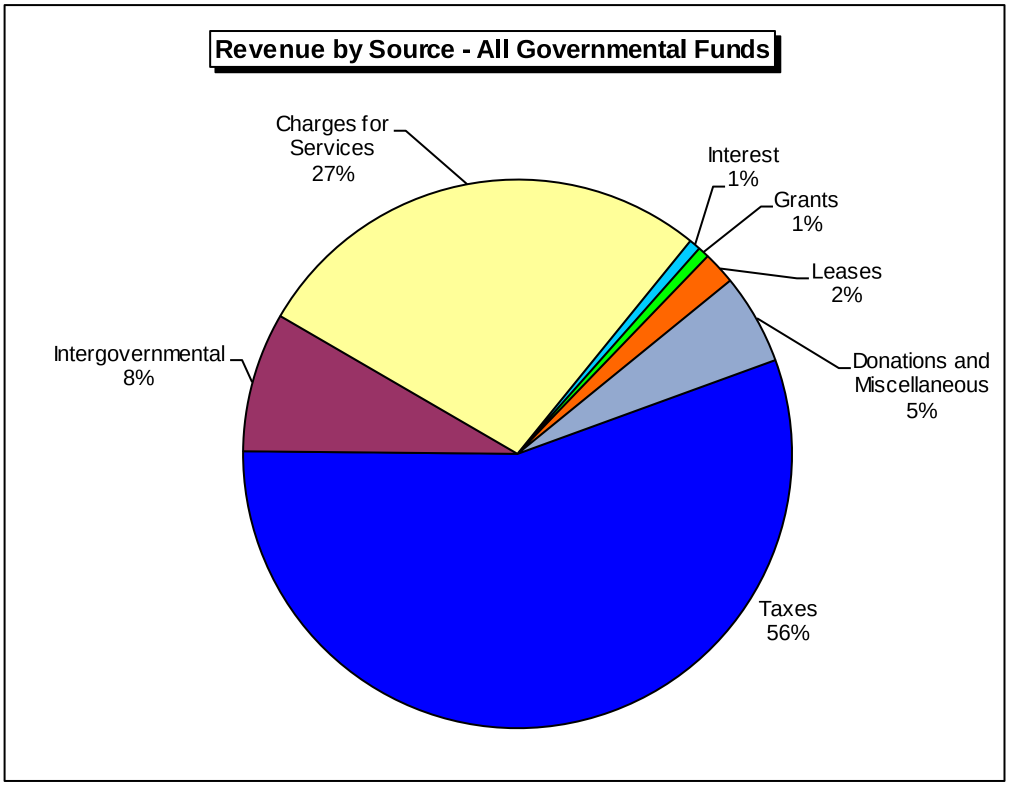
	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues:		
Charges for Services	$ 6,236,308	$ 6,158,443
Operating Grants and Contributions	23,358	514,822
Capital Grants and Contributions	1,894,562	1,237,277
Total Program Revenues	$ 8,154,228	$ 7,910,542
General Revenues:		
Property Tax	12,681,021	12,037,086
Grants and entitlements not restricted	1,868,948	2,126,556
Investment Earnings	153,332	96,326
Lease	437,319	449,688
Gain on sale or disposal of capital assets	-	161,574
Miscellaneous	168,391	80,979
Total General Revenues	$ 15,309,011	$ 14,952,209
Total Revenues	$ 23,463,239	$ 22,862,751
Expenses:		
Park District Operations	7,320,253	7,383,345
Facilities / Recreation	10,909,574	9,371,032
Interest on Long-Term Debt	889,620	958,548
Issuance costs on long-term debt	43,363	41,114
Total Expenses	$ 19,162,810	$ 17,754,039
Increase in Net Position	$ 4,300,429	$ 5,108,712
Net Position - January 1	$ 38,294,804	$ 33,186,092
Net Position - December 31	$ 42,595,233	$ 38,294,804

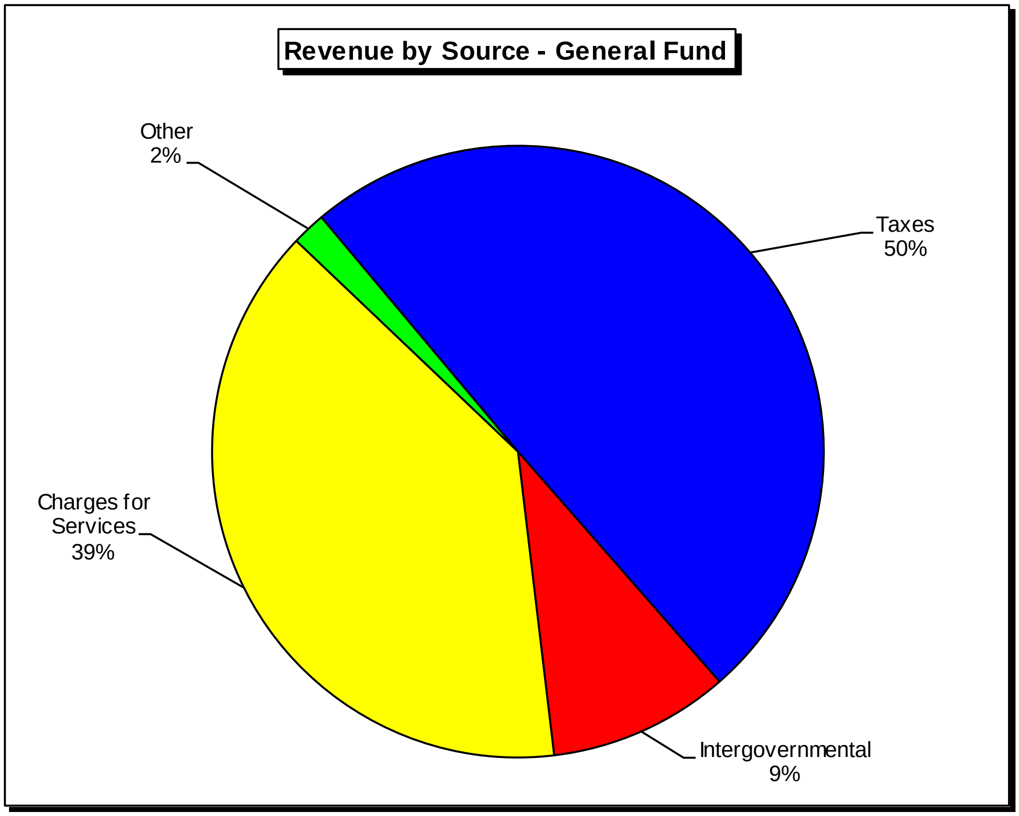
The following chart depicts functions/programs revenue and expenses for all governmental funds. Other financing sources (uses) are not included which consist of proceeds from long term debt and interfund transfers.



	General	Special Assess	Park Improvemt	Construction Fund	Government Construction Fund
Revenue	15,994,452	2,749,849	1,755,801	2,038,275	146,094
Expenses	15,151,223	2,215,832	3,726,642	2,437,001	14,852

The following charts depict revenue by source for all the governmental funds and the general fund.





Financial Analysis of the Government's Funds

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Bismarck Parks and Recreation District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District's governmental funds reported combined ending fund balances of $6,986,799 an increase of $954,426 from 2017. This increase is not attributable to any specific transaction but rather a combination of a net increase in the collection of revenue plus a net decrease in expenditures.

The general fund is the primary operating fund of the Bismarck Parks and Recreation District and reported an ending fund balance of $3,424,603. Of this amount $256,000 is committed. During the year, revenues and other financing sources exceeded expenditures and other uses in the general fund by $891,734.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Park Commissioners approved the 2018 annual budget at the September 21, 2017 board meeting. The annual budget addresses funding from other sources as well as detailing how each fund should be expended. The 2018 general fund budget appropriation was $16,056,825.

During 2018, actual revenues exceeded budgetary estimates by $221,127, approximately 1.4%. The final budget exceeded the actual expenditures by $905,602 or 5.6%.

Capital Assets

The District's investment in capital assets includes land, construction in progress, building and building improvements, machinery and equipment, and infrastructure. See Note 6 Capital Assets in the notes to the financial statements for more information.

Major capital asset additions during the year were:

- New Generations Park Improvements for $1,284,894
- Sleepy Hollow Parking Lot for $491,814
- Scheels Parking Lot for $329,753
- Arizona Drive Bank Stabilization for $729,113.51
- Magical Moments Sensory Playground for $109,993
- Santa Fe Trail Reconstruction for $181,811
- Sertoma Park-Clem Kelley Trail Overlay for $418,443
- Horizon Park Sport Court and Tennis Court Reconstruction for $320,560
- Haaland Field Concession and Restroom Facility for $338,632
- Zamboni Ice Resurfacer for $139,202

A schedule of capital assets, net of depreciation, for the years ended December 31, 2018 and 2017 is as follows:

	Governmental Activities	
Asset Type	2018	2017
Land	$ 5,929,648	$ 5,928,948
Construction in progress	1,923,460	168,734
Buildings and improvements	54,386,205	54,119,900
Machinery and equipment	1,511,726	1,303,169
Infrastructure	5,009,893	4,601,540
Total	$ 68,760,932	$ 66,122,291

Long Term Debt

Major long-term debt events during the year were:

- Issuance of $1,690,000 in special assessment bonds to finance improvements to the Sleepy Hollow Park parking lot, Santa Fe Trail, Clem Kelley and Sertoma Trails, and Horizon Park phase II that included tennis courts and a sport court.
- Special Assessments added by the City of Bismarck in the amount of $1,052,221.

See Note 7 Long-Term Debt in the notes to the financial statements for more information.

A schedule of long-term liabilities for the years ended December 31, 2018 and 2017 is as follows:

	Governmental Activities	
Long-Term Liabilities	2018	2017
Compensated Leave Balances	$ 654,479	$ 610,331
Post Retirement Benefit Obligations	328,348	134,289
Net Pension Liability	2,721,922	1,283,226
Unamoritized Bond Premium	27,629	30,415
Revenue Bonds Payable	9,155,000	9,860,000
Capital Leases	6,695,142	7,753,683
Special Assessments Debt	15,702,770	14,802,754
Total	$ 35,285,290	$ 34,474,698

Requests for Information

This financial report is designed to provide a general overview of the Bismarck Parks and Recreation District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Randy Bina, Executive Director of Parks and Recreation, Bismarck Parks and Recreation District, 400 East Front Avenue, Bismarck, ND 58504.

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS:	
Current assets:	
Cash and cash equivalents	$ 2,068,701
Cash and cash equivalents - board designated	256,000
Investments	2,163,381
Taxes receivable	157,970
Accounts receivable	1,126,837
Restricted assets:	
Cash and cash equivalents	28,949
Investments	2,957,266
Total current assets	8,759,104
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land	5,929,648
Construction in progress	1,923,460
Building and improvements	54,386,205
Machinery and equipment	1,511,726
Infrastructure	5,009,893
Total non-current assets:	68,760,932
Total assets	77,520,036
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflow - pension	1,830,810
LIABILITIES:	
Current liabilities	
Accounts payable	911,401
Accrued expenses	226,943
Unearned revenue	27,760
Interest payable	247,949
Compensated absences, current portion	221,145
Post-retirement benefit obligations, current portion	32,256
Bonds and notes payable, current portion	3,879,747
Total current liabilities:	5,547,201
Non-current liabilities:	
Compensated absences, non-current portion	433,334
Post-retirement benefit obligations, non-current portion	296,092
Bonds and notes payable, non-current portion	27,673,165
Unamortized bond premium	27,629
Net pension liability	2,721,922
Total non-current liabilities:	31,152,142
Total liabilities	36,699,343
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflow - pension	56,270
NET POSITION:	
Net investment in capital assets	37,180,391
Restricted:	
Debt Service	1,061,567
Special Assessments	1,725,666
Unrestricted	2,627,609
Total net position	$ 42,595,233

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:					
District operations	$ 7,320,253	$ -	$ 23,358	$ -	$ (7,296,895)
Facilities / recreation	10,909,574	6,236,308	-	1,894,562	(2,778,704)
Interest on long-term debt	889,620	-	-	-	(889,620)
Issuance costs on long-term debt	43,363	-	-		(43,363)
Total Governmental Activities	$ 19,162,810	$ 6,236,308	$ 23,358	$ 1,894,562	(11,008,582)
General Revenues					
Property taxes					12,681,021
Intergovernmental					1,868,948
Investment earnings					153,332
Lease					437,319
Miscellaneous					168,391
Total general revenues					15,309,011
Change in net position					4,300,429
Total net position, beginning of year					38,294,804
Net position - end of year					$ 42,595,233

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Special Assessment Fund	Park Improvement Fund	Construction Fund	Debt Service Fund	Governmental Construction Fund	Total
Assets:							
Cash and cash equivalents	$ 1,990,818	$ -	$ 3,571	$ 36,822	$ -	$ 37,490	$ 2,068,701
Cash and cash equivalents - board designated	256,000	-	-	-	-	-	256,000
Cash and cash equivalents - restricted	-	28,949	-	-	-	-	28,949
Investments	1,069,668	-	355,995	443,126	-	294,592	2,163,381
Investments - restricted	-	1,778,219	117,480	-	1,061,567	-	2,957,266
Taxes receivable	100,872	34,129	-	22,969	-	-	157,970
Accounts receivable	564,150	-	42,546	48,890	-	-	655,586
Total assets	$ 3,981,508	$ 1,841,297	$ 519,592	$ 551,807	$ 1,061,567	$ 332,082	$ 8,287,853
Liabilities:							
Accounts payable	$ 216,029	$ -	$ 357,829	$ 337,543	$ -	$ -	$ 911,401
Accrued expenses	226,943	-	-	-	-	-	226,943
Unearned revenue	27,760	-	-	-	-	-	27,760
Total liabilities	470,732	-	357,829	337,543	-	-	1,166,104
Deferred inflows of resources:							
Delinquent property taxes	86,173	29,153	-	19,624	-	-	134,950
Fund balances:							
Restricted	-	1,812,144	117,480	-	1,061,567	-	2,991,191
Committed	256,000	-	-	-	-	-	256,000
Assigned	-	-	44,283	194,640	-	332,082	571,005
Unassigned	3,168,603	-	-	-	-	-	3,168,603
Total fund balances	3,424,603	1,812,144	161,763	194,640	1,061,567	332,082	6,986,799
Total liabilities, deferred inflows of resources, and fund balances	$ 3,981,508	$ 1,841,297	$ 519,592	$ 551,807	$ 1,061,567	$ 332,082	$ 8,287,853

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Governmental Funds Balance		$ 6,986,799
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 fund.		68,760,932
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 or are not recognized in the funds.		
Delinquent property taxes		134,950
Capital grants and contributions		471,251
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.		1,830,810
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:		
Compensated absences	(654,479)	
Post-retirement benefit obligations	(328,348)	
Accrued interest on long-term liabilities	(247,949)	
Bonds and notes payable	(31,552,912)	
Unamortized bond premium	(27,629)	
Net pension liability	(2,721,922)	
Total		(35,533,239)
Deferred inflows 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.		(56,270)
Net position of governmental activities		$ 42,595,233

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Special Assessment Fund	Park Improvement Fund	Construction Fund	Debt Service Fund	Government Construction Fund	Total
Revenues:							
Taxes	$ 7,942,996	$ 2,724,849	$ -	$ 1,839,995	$ -	$ 139,865	$ 12,647,705
Intergovernmental	1,529,197	-	339,751	-	-	-	1,868,948
Charges for services	6,236,308	-	-	-	-	-	6,236,308
Investment earnings	118,312	-	11,646	17,145	-	6,229	153,332
Grants	4,503	-	47,125	99,327	-	-	150,955
Leases	106,395	-	330,924	-	-	-	437,319
Donations	18,855	-	1,046,355	81,808	-	-	1,147,018
Miscellaneous	37,886	25,000	-	-	-	-	62,886
Total revenues	15,994,452	2,749,849	1,775,801	2,038,275	-	146,094	22,704,471
Expenditures:							
Current:							
General government	2,029,937	-	-	167,201	-	-	2,197,138
General maintenance	2,700,934	-	-	-	-	-	2,700,934
Golf	1,713,590	-	-	-	-	-	1,713,590
Capital Racquet Fitness Center	502,506	-	-	-	-	-	502,506
Aquatic Wellness Center	1,244,355	-	-	-	-	-	1,244,355
Pools	551,634	-	-	-	-	-	551,634
Ice arenas	1,109,991	-	-	-	-	-	1,109,991
Forestry	148,300	-	-	-	-	-	148,300
Memorial Building	177,375	-	-	-	-	-	177,375
Sibley Park	350,510	-	-	-	-	-	350,510
County parks	66,800	-	-	-	-	-	66,800
McDowell Dam	186,391	-	-	-	-	-	186,391
High Prairie Arts and Science Complex	102,637	-	-	-	-	-	102,637
Other recreational activities	2,412,694	-	-	-	-	-	2,412,694
Capital outlay	82,174	-	2,988,112	2,117,886	-	14,852	5,203,024
Capital outlay less than $5,000	327,031	8,962	-	-	-	-	335,993
Debt service:							
Principal retirement	976,709	1,842,207	654,535	132,295	-	-	3,605,746
Interest and fiscal charges	467,655	346,650	58,645	19,619	-	-	892,569
Issuance costs	-	18,013	25,350	-	-	-	43,363
Total expenditures	15,151,223	2,215,832	3,726,642	2,437,001	-	14,852	23,545,550
Excess of revenues over (under) expenditures	843,229	534,017	(1,950,841)	(398,726)	-	131,242	(841,079)
Other financing sources (uses):							
Proceeds from long-term debt	-	-	1,690,000	-	-	-	1,690,000
Proceeds from insurance	105,505	-	-	-	-	-	105,505
Transfers in	271,000	-	229,000	328,000	-	-	828,000
Transfers out	(328,000)	(125,000)	-	(335,000)	-	(40,000)	(828,000)
Total other financing sources (uses)	48,505	(125,000)	1,919,000	(7,000)	-	(40,000)	1,795,505
Net change in fund balances	891,734	409,017	(31,841)	(405,726)	-	91,242	954,426
Fund balance - January 1	2,532,869	1,403,127	193,604	600,366	1,061,567	240,840	6,032,373
Fund balance - December 31 (Note 12)	$ 3,424,603	$ 1,812,144	$ 161,763	$ 194,640	$ 1,061,567	$ 332,082	$ 6,986,799

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balance - Total Governmental Funds		$ 954,426
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	5,203,025	
Current year depreciation	(3,658,396)	
Total		1,544,629
Governmental funds do not report donated capital assets as expenditures or revenue. However, in the statement of activities, donations of capital assets are recorded as donation revenue.		148,696
Based on receipt dates, some revenues are not considered available revenue and are unavailable in the governmental funds.		
Delinquent property taxes	33,316	
Capital grants and contributions	471,251	
Total		504,567
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	2,786	
Net increase in post-retirement obligations	(194,059)	
Net increase in compensated absences	(44,148)	
Net decrease in interest payable	164	
Net increase in net pension liability	(1,438,696)	
Total		(1,673,953)
Changes in deferred inflows and outflows relating to net pension liability		1,013,224
Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(1,690,000)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financials resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus the change in net position differs from the change in fund balance by the net book value of the asset disposed.		(106,906)
Repayment of principal on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position.		3,605,746
Change in net position		$ 4,300,429

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Bismarck Parks and Recreation District (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

In accordance with the Government Accounting Standards Board, reporting entity's financial statements should include all component units over which that component unit (oversight unit) exercises oversight responsibility. Criteria used to determine a potential component unit include: is it legally separate, does it have separate corporate powers, who appoints the governing board, is there fiscal dependency, can the oversight unit impose its will, and is there a financial benefit/burden relationship.

Based upon the criteria set by the Government Accounting Standards Board, the Bismarck Park District Building Authority is a component unit. All board members of the Building Authority are board members or management of the District. These financial statements include the financial information of the District and its component unit, the Bismarck Park District Building Authority, which is shown as a blended component unit. The activity of this component unit is recorded within the construction fund.

Basis of Presentation

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the district. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurements 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental funds:

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

The special assessment fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for District wide improvements.

The park improvement fund is used to account for the District’s expenditures for major capital acquisitions and improvements.

The construction fund is used to account for major capital acquisitions and construction projects.

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The government construction fund is used to account for capital projects. This fund is not required to be shown as a major fund, but the Park District has elected to show as such as it is the only non-major governmental fund.

Governmental Fund Types

The general fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of district facilities and other capital assets.

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

Investments are carried at fair value. 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.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days. There is no allowance for doubtful accounts receivable as of December 31, 2018, as management considers all receivables collectible.

Taxes Receivable

The taxes receivables consist of uncollected and collected but not remitted, property taxes as of December 31, 2018 for both current and prior years.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	7-25
Machinery and equipment	5-10
Infrastructure	25

Compensated Absences

All full-time employees of the District are covered by a compensated absences policy including annual leave and sick leave. Unused annual leave can be accumulated and carried over to a maximum of 360 hours to the next calendar year. Unused sick leave may be accumulated to a maximum of 960 hours. Upon termination of employment, employees receive 100 percent of their unused annual leave pay at their rate of pay on the date of termination. If termination of employment occurs after five years of employment, employees receive 25 percent of their unused sick pay at their rate of pay on the date of termination.

Post-Retirement Benefit Obligations

The District operates a single-employer other post-employment benefit plan that provides supplemental pay and health insurance benefits to employees of the District who have met certain criteria. This liability is shown as post-retirement benefit obligations on the government-wide financial statements. See Note 14 for more details.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. Bond issuance costs are expensed in the year of occurrence. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discount on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

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) 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 park 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 – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The District has set a General fund minimum fund balance target at 8% - 12% of the current year General fund expenditures and transfers out.

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 resources (expense/expenditure) until then. The District has one item reported as a deferred outflow of resources on the statement of net position, deferred outflow - pension, which represents the actuarial differences within the Bismarck City Employee Pension Plan (BCEPP). See Note 13 for further details.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, delinquent property taxes (unavailable revenue), is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues, from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as cost sharing defined benefit pension plan, which represents actuarial differences within the BCEPP.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Pension

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 Bismarck City Employee Pension Plan (BCEPP) and additions to / deductions from BCEPP fiduciary net position have been determined on the same basis as they are reported by BCEPP. 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.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on the assessed property on January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 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 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 district tax levies are in compliance with state laws.

Grant Revenue Recognition

The governmental grants received by the District are recognized as revenue at the time eligible expenditures are incurred on the government wide statements. Governmental grants must be received within 60 days after year-end to be considered available and recognized as revenue within the funds. The grants are accounted for as exchange transactions due to the government’s solicitation of proposals, approval of allowable expenditures and eligibility requirements. Grant funds received prior to expenditure are recorded as refundable advances on the statement of net position. These funds are to be repaid to the grantor if they are not used on eligible expenditures.

Use of Estimates

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

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure the District would not be able to recover its 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 or bonds.

The District maintains cash on deposit at various financial institutions. The amounts on deposit are insured by the FDIC up to $250,000 per financial institution. At December 31, 2018, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. Approximately $11,000 of the District's deposits are covered by pledged securities held in the District's name as of December 31, 2018.

NOTE 3 BOARD DESIGNATIONS OF CASH, CASH EQUIVALENTS AND INVESTMENTS

General Fund

The Board designated $256,000 to cover the difference between the cash value that the Golf Dome is insured for and its estimated replacement value as of December 31, 2018. This is shown as investments – board designated on the statement of net position and balance sheet of governmental funds.

NOTE 4 RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Special Assessment Fund

The special assessment fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for District wide improvements. The outstanding balance at December 31, 2018 was $1,807,168.

Park Improvement Fund

The park improvement fund is used to account for the District's expenditures for major capital acquisitions and improvements that are legally restricted to expenditures for park improvements. The outstanding balance at December 31, 2018 was $117,480.

Debt Service Fund

The December 1, 2013 and January 15, 2014 Park District Revenue Bonds require a Reserve Fund Deposit. Withdrawals from the Reserve Fund Deposit may be only for the payment of the principal and interest of the bonds. The outstanding balance at December 31, 2018 was $1,061,567.

NOTE 5 INVESTMENTS

The District maintains investments at those institutions, in accordance with state statutes, authorized by the Commission.

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.

At December 31, 2018, the District's investments were as follows:

Investment Type	Total Fair Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government agencies	$ 1,911,644	$ 995,670	$ 915,974	$ -	$ -
Government bonds	2,011,689	573,213	1,438,476	-	-
	3,923,333	$ 1,568,883	$ 2,354,450	$ -	$ -
Investments not subject to categorization:					
Certificates of deposit	1,197,314				
Total investments	$ 5,120,647				

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.

At December 31, 2018, the credit ratings of the District's investments were as follows:

S&P Credit Rating	Government Agencies	Government Bonds	Total Fair Value
A-1+	$ 995,670	$ -	$ 995,670
AA+	915,974	-	915,974
NR	-	2,011,689	2,011,689
Total debt securities	$ 1,911,644	$ 2,011,689	$ 3,923,333

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 assumptions 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, 2018.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Government agencies	$ 1,911,644	$ -	$ 1,911,644	$ -
Government bonds	2,011,689	-	2,011,689	-
	$ 3,923,333	$ -	$ 3,923,333	$ -

NOTE 6 CAPITAL ASSETS

The following schedule is a summary of the capital asset activity for the year ended December 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 5,928,948	$ 700	$ -	$ 5,929,648
Construction in progress	168,734	1,916,590	(161,864)	1,923,460
Total capital assets not being depreciated	6,097,682	1,917,290	(161,864)	7,853,108
Capital assets, being depreciated:				
Buildings and improvements	85,091,560	3,362,872	(208,548)	88,245,884
Machinery and equipment	6,591,726	628,496	(205,000)	7,015,222
Infrastructure	6,275,371	657,149	-	6,932,520
Total capital assets being depreciated	97,958,657	4,648,517	(413,548)	102,193,626
Less accumulated depreciation for:				
Buildings and improvements	30,971,661	3,016,789	(128,771)	33,859,679
Machinery and equipment	5,288,556	392,811	(177,871)	5,503,496
Infrastructure	1,673,831	248,796	-	1,922,627
Total accumulated depreciation	37,934,048	3,658,396	(306,642)	41,285,802
Total capital assets being depreciated, net	60,024,609	990,121	(106,906)	60,907,824
Governmental capital assets, net	$ 66,122,291	$ 2,907,411	$ (268,770)	$ 68,760,932

The District leases the Masonic Lodge, a bio-mass boiler heating system and building, Aquatic Center equipment, lockers and bleachers, the municipal ballpark, and the Capital Ice Complex under capital leases. The cost and accumulated amortization of the leased assets are as follows:

Capitalized leased buildings and improvements	$ 9,637,670
Less: accumulated amortization	(1,305,243)
	$ 8,332,427

Amortization expense for the year ended December 31, 2018 was $379,669, and is included in depreciation expense.

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

Governmental Activities:	
Park Operations	$ 1,936,173
Facilities / Recreation	1,722,223
Total depreciation expense - Governmental Activities	$ 3,658,396

NOTE 7 LONG-TERM DEBT

Debt Outstanding

The obligations under notes payable, bonds payable, revenue bonds payable, special assessments debt and capital leases are scheduled as follows:

	Outstanding 12/31/18
Revenue Bonds Payable:	
$8,630,000 bonds dated December 1, 2013 to refund 2006 revenue bonds and purchase the Aquatic Center. The bonds are payable in variable annual principal and semi-annual interest payments at 0.45% to 4.75% through April 1, 2033. Payments are to be made from the Debt Service Fund.	$ 6,270,000
$3,455,000 bonds dated January 15, 2014 to purchase the Aquatic Center. The bonds are payable in variable annual principal and semi-annual interest payments at 0.25% to 4.50% through April 1, 2033. Payments are to be made from the Debt Service Fund.	2,885,000
	$ 9,155,000
Special Assessments Debt:	
The special assessments are dated from 2002 through 2018. The maturity varies per issue but extends through 2031. The interest rates are from 2.56% to 5.71%. Payments are to be made from the Special Assessment Fund.	$ 3,927,770
$1,400,000 bonds dated August 1, 2010 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.4% to 3.6% through May 1, 2025. The bonds are callable on May 1, 2016 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Special Assessment Fund.	740,000

$750,000 bonds dated September 15, 2011 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.15% to 3.25% through May 1, 2026. The bonds are callable on May 1, 2017 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Special Assessment Fund.	$ 450,000
$2,700,000 bonds dated October 1, 2012 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.55% to 2.75% through May 1, 2027. Payments are to be made from the Special Assessment Fund.	1,680,000
$3,730,000 bonds dated April 18, 2013 to refund 2008 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.30% to 1.90% through May 1, 2023. Payments are to be made from the Special Assessment Fund.	1,940,000
$3,500,000 bonds dated October 1, 2014 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.40% to 2.50% through May 1, 2026. Payments are to be made from the Special Assessment Fund.	2,495,000
$2,120,000 bonds dated April 1, 2015 to refund 2009 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.60% to 2.20% through May 1, 2024. Payments are to be made from the Special Assessment Fund.	1,460,000
$1,600,000 bonds dated February 1, 2017 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.90% to 2.25% through May 1, 2025. Payments are to be made from the Special Assessment Fund.	1,320,000
$1,690,000 bonds dated June 15, 2018 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.85% to 2.70% through May 1, 2028. Payments are to be made from the Special Assessment Fund.	1,690,000
	$15,702,770

Capital Leases:

$1,200,000 lease dated January 1, 2005 for the purchase of the Masonic Lodge. Due in four annual principal and interest payments of $106,263 at 3.87% interest until November 5, 2008, with one final payment of principal and interest for $973,883 due November 5, 2009. This lease was refinanced on November 5, 2009 with principal and interest payments of $106,263 due annually until November 5, 2013, with one final payment of principal and interest for $693,438 due November 5, 2014. The District refinanced the lease for a second time on November 5, 2014 for the amount of the last principal and interest payment of $693,438, which requires a first annual principal and interest payment of $106,600 and five subsequent annual payments of $128,990. Payments are to be made from the Capital Projects Fund.	$124,956
$450,000 lease dated December 22, 2009 for the purchase of the Aquatic Wellness Center Bio Mass heating system. Due in ten semi-annual principal and interest payments of $28,230 at 4.53% interest until December 22, 2014, with one final payment of principal and interest for $251,054 due January 22, 2015. This lease was refinanced on January 20, 2015. New lease terms require ten semi-annual principal and interest payments of $26,989 until January 22, 2019. The terms of the re-financed lease are presented in the following debt notes. Payments are to be made from the Construction Fund.	52,674
$400,000 lease dated December 22, 2009 for the purchase of the Aquatic Wellness Center lockers, bleachers and equipment. Due in ten semi-annual principal and interest payments of $25,100 at 4.536% interest until December 22, 2014, with one final payment of principal and interest for $223,189 due January 22, 2015. This lease was refinanced on January 20, 2015. New lease terms require ten semi-annual principal and interest payments of $23,968 until January 22, 2019. The terms of the re-financed lease are presented in the following debt notes. Payments are to be made from the Construction Fund.	46,778

$650,000 lease dated October 11, 2010 for the construction of a building to house the biomass heating unit at the Aquatic Wellness Center. Due in ten semi-annual principal and interest payments of $23,553 at 3.898% interest until October 11, 2015, with one final payment of principal and interest for $532,859 due November 11, 2015. This lease was refinanced on November 5, 2015. New lease terms require ten semi-annual principal and interest payments of $25,000 at 3.070% until November 5, 2020, with one final payment of principal and interest for $352,311due December 5, 2020. Payments are to be made from the Construction Fund.	$ 427,762
$600,000 lease dated July 22, 2014 for the Bismarck Municipal Baseball Park. Due in ten semi-annual principal and interest payments of $65,406 until July 22, 2019. Payments are to be made from the Park Improvement Fund.	127,733
$2,500,000 lease dated December 1, 2016 for the Schaumberg Ice Arena. Due in six annual principal and interest payments of $434,000 and semi-annual interest payments until June 30, 2022. Payments are to be made from the Park Improvement Fund.	1,686,947
$4,500,000 lease dated December 1, 2016 for the Schaumberg Ice Arena. Due in nine annual principal and interest payments of $334,664 and semi-annual interest payments until December 31, 2026, at which time one final payment of principal and interest of $1,939,983 is due. Payments are to be made from the Park Improvement Fund.	4,228,291
	$6,695,142

Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in liabilities reported in the Statement of Net Position:

	Balance - January 1	Additions	Reductions	Balance - December 31	Due Within One Year
Compensated Absences	$ 610,331	$ 271,943	$ 227,795	$ 654,479	221,145
Post-Retirement Benefit Obligations	134,289	194,059	-	328,348	32,256
Net Pension Liability	1,283,226	1,438,696	-	2,721,922	-
Unamortized Bond Premium	30,415	-	2,786	27,629	-
Bonds and notes payable					
Revenue Bonds Payable	9,860,000	-	705,000	9,155,000	720,000
Special Assessments Debt	14,802,754	2,742,221	1,842,205	15,702,770	2,080,454
Capital Leases	7,753,683	-	1,058,541	6,695,142	1,079,293
Total bonds and notes payable	32,416,437	2,742,221	3,605,746	31,552,912	3,879,747
Total long-term liabilities	$ 34,474,698	$ 4,646,919	$ 3,836,327	$ 35,285,290	$ 4,133,148

Assets of the General Fund are used to pay compensated absences. See Note 13 for more information on the net pension liability and Note 14 for more information on the post-retirement benefit obligation.

Debt Service Requirements

Annual requirements to amortize outstanding debt at December 31, 2018 are as follows:

	Revenue Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2019	$ 720,000	$ 326,663	$ 2,080,454	$ 354,522
2020	730,000	310,983	2,085,647	350,641
2021	750,000	292,335	2,116,169	300,444
2022	405,000	276,243	2,024,098	246,397
2023	415,000	263,794	2,025,298	193,481
2024 - 2028	2,300,000	1,088,831	4,895,213	383,348
2029 - 2033	3,835,000	548,866	475,891	51,707
Totals	$ 9,155,000	$ 3,107,714	$ 15,702,770	$ 1,880,539

	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2019	$ 1,079,293	$ 171,102	$ 3,879,747	$ 852,287
2020	1,089,260	143,875	3,904,907	805,498
2021	707,406	113,648	3,573,575	706,426
2022	716,274	95,800	3,145,372	618,439
2023	291,254	82,745	2,731,552	540,019
2024 - 2028	2,811,655	198,536	10,006,868	1,670,715
2029 - 2033	-	-	4,310,891	600,573
Totals	$ 6,695,142	$ 805,705	$ 31,552,912	$ 5,793,958

NOTE 8 CHARGES FOR SERVICES

The District collects fees for the various programs and services it provides to the community. Charges for services revenue consists of the following programs:

Golf	$ 1,354,901
BLAST and activity centers	988,837
Aquatic Center	937,479
Adult programs	564,938
Ice arenas	532,577
Capital Racquet Fitness Center	356,886
Youth programs	248,503
Sibley Park	340,145
County parks	66,500
Pools	275,809
McDowell Dam	239,894
Other recreational activities	263,140
High Prairie Arts and Science Complex	54,952
Memorial Building	11,747
Total charges for services	$ 6,236,308

NOTE 9 FACILITY AGREEMENTS

The District has many agreements with various organizations for use of the District's facilities. Revenue terms differ by organization depending upon the organization's needs. Revenue is charged differently to the organizations as follows: fees paid are dependent upon the number of participants or the number of games, seasonal rental, monthly rental or rental based upon the organization's sales. The agreements terminate between January 2018 and December 2036. The estimated rental income to be received in future periods under those agreements that are fixed fees are as follows:

2019	$ 912,868
2020	399,335
2021	141,152
2022	119,576
2023	29,217
Thereafter	101,849
Total	$ 1,703,996

NOTE 10 PUBLIC RISK POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District 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. Currently there are approximately 2,000 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.

The amount of any settlement did not exceed insurance coverage for any of the prior three fiscal years.

NOTE 11 TRANSFERS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The following is a list of transfers for the year ending December 31, 2018:

	Transfer To:			
	General Fund	Park Improvement Fund	Construction Fund	Total Transfer From
Transfer from:				
General Fund	$ -	$ -	$ 328,000	$ 328,000
Special Assessment Fund	125,000	-	-	125,000
Construction Fund	106,000	229,000	-	335,000
Government Construction Fund	40,000	-	-	40,000
Total Transfer To	$ 271,000	$ 229,000	$ 328,000	$ 828,000

The purpose of the above transfers in for the general fund were to cover administrative fees of bond issues, add to the Golf Dome replacement reserve, and Riverfront maintenance. The purpose of the above transfers to the park improvement fund were to fund bond payments and payments for capital improvements.

NOTE 12 FUND BALANCES

At December 31, 2018, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Assessment Fund	Park Improvement Fund	Construction Fund	Debt Service Fund	Government Construction Fund	Total
Restricted for:							
Debt Service	$ -	$ -	$ -	$ -	$ 1,061,567	$ -	$ 1,061,567
Capital Projects	-	-	117,480	-	-	-	117,480
Special Assessments	-	1,812,144	-	-	-	-	1,812,144
Committed to:							
Golf Dome Roof Replacement	256,000	-	-	-	-	-	256,000
Assigned to:							
Capital Projects	-	-	44,283	194,640	-	332,082	571,005
Unassigned	3,168,603	-	-	-	-	-	3,168,603
	$ 3,424,603	$ 1,812,144	$ 161,763	$ 194,640	$ 1,061,567	$ 332,082	$ 6,986,799

NOTE 13 BISMARCK CITY EMPLOYEE PENSION PLAN (BCEPP)

Plan Description

The District participates in the Bismarck City Employee Pension Plan (BCEPP). The BCEPP is a cost sharing, multiple employer public employee retirement system between the City of Bismarck and the Bismarck Parks and Recreation District. The BCEPP document provides for all full-time City and District employees with the exclusion of sworn police officers, non-sworn members of the police department who began employment before December 31, 2006 and members of the firefighter’s relief fund.

Plan Membership

Memberships begin with their hire date before December 31, 2018 and are vested after five years of service. Membership in the BCEPP on December 31, 2018 is as follows:

Retirees and beneficiaries receiving benefits	226
Terminated employees – vested	62
Active employees:	
Vested	274
Non-vested	186
Number of participating employers	2

Plan Administration

North Dakota Century Code (NDCC) 40-46 and in accordance with Chapter 9-07 of the Bismarck Code of Ordinance grants the authority to establish and amend the benefit terms to the City Commission. Management of the BCEPP plan is vested in the Board of Trustees which consists of the City Administrator and all department heads with the exception of the Chief of Police.

Benefits Provided

Benefit provisions, amendments, and all requirements are established under the authority of the City Commission. Employees may be eligible for early or normal retirement, as well as death benefits. Normal retirement age for full benefits is age 62. Employees who retire at or after age 62 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to one and three-quarters percent of the average of the member's highest 36 months base salary for each full and fractional year of contributing service before January 2005 and two and one-quarter percent for contributing service on or after January 2005. Married participants receive a joint and two-thirds to survivor annuity while single participants receive a life only annuity. There are no provisions with respect to automatic and post-retirement benefit increases. Employees with 5 years of credited service may retire at an earlier age and receive an actuarially reduced retirement benefit.

Pension benefits available under this plan are funded in part from the accumulation of the employees' contribution. Prior to January 2005, employees directed the investment of their contribution utilizing a contracted City investment manager and were eligible to receive a distribution of the interest earned on the contributions in excess of five percent upon retirement. Effective January 1, 2005, all employee contributions are invested with the City pension funds and individual self-directed accounts were discontinued. Interest earned in excess of five percent for the individual employee accounts as of December 31, 2004 has been transferred to an Employee Excess Retirement Fund and the excess funds in the individual employee accounts continue to be self-directed.

Contributions

Employee Contributions - Participating active employees contribute to the plan at a rate of 5% of covered payroll. If an employee leaves covered employment before attaining the five-year service credit, the accumulated contributions plus interest earnings at 5% per annum are refunded to the employee or designated beneficiary. All member contributions are made by payroll deductions applied to regular bi-weekly pay.

Employer Contributions - Employer contributions are based on an actuarial formula identified as entry age normal cost method. This method produces an employer contribution rate consisting of an amount for normal cost and an amount for amortization of the unfunded accrued liability over a closed period of 30 years. The annual contribution is recommended to the City Commission and considered for approval and adoption.

Investments

Investment Policy - The BCEPP investment policy and asset class allocations are established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the BCEPP to pursue an investment strategy to improve the Plan's funding status to protect and sustain current and future benefits, minimize the employee and employer contributions needed to fund the Plan over the long-term, avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status and to accumulate a funding surplus to provide increases in retiree payments to preserve the purchasing power of their retirement benefits.

BCEPP Board has entered into a contract with the North Dakota State Investment Board (SIB) for investment services as allowed under NDCC 21-10-06 and to implement these policies by investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Management's responsibility that is not assigned to the SIB in Chapter 21-10 of the NDCC is delegated to the SIB who must establish written policies for the operation of the investment program consistent with this investment policy.

The BCEPP Board of Trustee's adopted a long-term investment horizon and asset allocation policy for the management of the fund assets. Asset allocation targets are established using an asset-liability analysis designed to determine an acceptable volatility target for the plan and an optimal asset allocation policy mix. The asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk. The following was the plans asset allocation as of December 31, 2018:

Asset Class	Target Allocation
Large domestic equity	15%
Small domestic equity	10%
Developed international equity	12%
Emerging international equity	5%
Private equity	4%
Domestic fixed income	30%
International fixed income	4%
Real estate	10%
Infrastructure	5%
Timber	5%
	100%

Long-term Expected Return on Plan Assets

The long-term expected rate of return of 7.5% on plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates to return by the target asset allocation percentage. The projected 10-year geometric real rates of return by asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large domestic equity	7.60%
Small domestic equity	7.90%
Developed international equity	7.60%
Emerging international equity	8.00%
Private equity	8.80%
Domestic fixed income	3.25%
International fixed income	2.85%
Real estate	6.40%
Infrastructure	7.50%
Timber	7.10%

Actuarial Assumptions

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level % of payroll over remaining amortization period-closed
Remaining amortization period	20
Mortality rate	Based on RP-2014 generational mortality projected with Scale MP-2017
Asset valuation method	Market
Valuation method	
Inflation rate	3.00%
Investment rate of return	7.50%
Projected salary increases:	
0-9 years of service	5.00%
10+ years of service	4.00%
Post retirement cost of living adjustments	None

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the BCEPP is calculated at a discount rate of 7.5 percent, as well as what the BCEPP net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5 percent) or 1 percent higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share share of the net pension liability	$ 4,812,225	$ 2,721,922	$ 969,287

Proportionate Share of the Net Pension Liability

The District's portion of the net pension liability for the BCEPP was recorded at $2,721,922 as of December 31, 2018. The calculation was determined by an actuarial valuation based on the present value of future payroll. The District's proportionate share was 14.47%, which is a decrease of 0.05% from the District's proportionate share as of December 31, 2017.

Deferred Inflows and Outflows of Resources

The District recognized pension expense of $843,041 during the year ended December 31, 2018. Deferred inflows and outflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 387,754	$ (54,368)
Changes in assumptions	625,818	-
Net difference between projected and actual earnings on pension plan investments	751,273	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,965	(1,902)
Total	$ 1,830,810	$ (56,270)

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

Year ended June 30:	
2019	$ 477,010
2020	340,203
2021	327,959
2022	449,017
2023	128,930
Thereafter	51,421

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the City of Bismarck's separately issued financial report. The financial report is available on the City of Bismarck's website at www.bismarcknd.gov.

NOTE 14 OTHER POST-EMPLOYMENT BENEFIT PLAN

The District offers and administers a single-employer other post-employment benefit plan. A separately issued plan report is not issued, as there are no assets set aside for the plan. There are no required employer or employee contributions to the plan. Benefits may be changed by revision of the Board of Commissioners. The plan is only available for those employees who were hired by the District prior to November 16, 2017.

Full-time employees with a hire date prior to November 16, 2017 who have worked for the District for fifteen years or more are eligible for an early retirement option within six months of the employee's 59th birthday. Under this early retirement option, the District will continue to pay for the employee's health insurance until the employee reaches age 62 with the amount paid not to exceed the full rate paid for current employees.

From age 62 to 65 of the employee, the District will pay a portion of the health insurance, ranging from 50% to 100% of the health insurance premium, dependent upon the number of years of service by the employee.

Supplemental pay is available to employees who choose early retirement. Employees are eligible for supplemental pay from age 59 to age 62. The payment will be half of the employee's monthly gross salary less pension payments. A minimum payment of $250 per month will be paid if the employee's pension payment is greater than one half the employee's monthly salary. The supplemental payment is capped at $500 per month.

Membership in the plan for early retirement as of December 31, 2018 is as follows:

Retirees and beneficiaries receiving benefits	-
Active employees:	
Vested	1
Non-vested	46

Membership in the plan for health insurance as of December 31, 2018 is as follows:

Retirees and beneficiaries receiving benefits	2
Active employees:	
Vested	2
Non-vested	49

As there are fewer than 100 plan members, the District has elected to use the alternative measurement method. The District has made assumptions on expected beginning date of benefits, turnover (32.74%), and healthcare cost (4.5%) based on historical results the District has experienced. Marital status is assumed to be the same as the employee's current status when projecting the liability. The District has used a discount rate of 2% for early retirement benefits and 2.5% for health insurance benefits to arrive at a present value of the other post-employment benefit liability, which is $328,348 as of December 31, 2018.

Schedules of the change in the OPEB liability is as follows:

Early Retirement Benefits

OPEB Liability	
Service cost	$ 115,413
Benefit paid	(17,792)
Net Change in Total OPEB Liability	97,621
OPEB Liability - Beginning	-
OPEB Liability - Ending	$ 97,621

Health Insurance Benefits

OPEB Liability		
Service cost	$	112,786
Benefit paid		(16,348)
Net Change in Total OPEB Liability		96,438
OPEB Liability - Beginning		134,289
OPEB Liability - Ending	$	230,727

The net OPEB liability for early retirement benefits is calculated at a discount rate of 2.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (1.0 percent) or 1 percent higher (3.0 percent) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Net OPEB liability for early retirement benefits	$ 114,763	$ 97,621	$ 83,951

The net OPEB liability for health insurance benefits is calculated at a discount rate of 2.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (1.5 percent) or 1 percent higher (3.5 percent) than the current rate:

	1% Decrease 1.50%	Current Discount Rate 2.50%	1% Increase 3.50%
Net OPEB liability for health insurance benefits	$ 262,519	$ 230,727	$ 205,835

The net OPEB liability for early retirement benefits is calculated using a 4.5 percent increase in health care costs, as well as what the net OPEB liability would be if it were calculated using a healthcare rate that is 1 percent lower (3.5 percent) or 1 percent higher (5.5 percent) than the current rate:

	1% Decrease 3.50%	Current Health Insurance Rate 4.50%	1% Increase 5.50%
Net OPEB liability for early retirement benefits	$ 96,780	$ 97,621	$ 98,467

The net OPEB liability for health insurance benefits is calculated using a 4.5 percent increase in health care costs, as well as what the net OPEB liability would be if it were calculated using a healthcare rate that is 1 percent lower (3.5 percent) or 1 percent higher (5.5 percent) than the current rate:

	1% Decrease 3.50%	Current Health Insurance Rate 4.50%	1% Increase 5.50%
Net OPEB liability for health insurance benefits	$ 229,184	$ 230,727	$ 232,280

NOTE 15 COMMITMENTS

As of December 31, 2018, the District has the following outstanding commitments for on-going capital projects.

Schaumberg Ice Arena	$ 128,806
Pebble Creek Trail reconstruction/bank stabilization	153,544
Haaland Field restroom/concession building	4,050
New Generations Park splash pad/community building	490,543
Sleepy Hollow Park parking lot	117,480
23rd Street park	18,738
Wildwood Horseshoe Court	9,350
Refurbish Rising Eagle Sculpture	4,500
Sunrise Trail	51,749
Facility Master Plan	51,124
General Sibley Vault Toilets	2,000
Cottonwood Park Softball Field Expansion	342,944
Municipal Country Club - office addition	9,000
Fore Seasons Center - replace fabric and turf	45,000
Hay Creek Lower Bank Stabilization	85,000
	$ 1,513,828

NOTE 16 TAX ABATEMENTS

The City of Bismarck provides five tax abatement programs which includes a Commercial and Residential Renaissance Zone Program, New or Expanding Business Exemptions, and a Commercial and Residential Remodeling Exemption.

As of December 31, 2018, the Renaissance Zone Property Tax Exemptions under North Dakota Century Code 40-63, is for Commercial and Residential buildings located within the renaissance zone that allow for the property to be excluded for up to five years, provided the City approves the exemption. A renaissance zone is a geographical area that the City applies to the State Department of Commerce to designate a portion of the City into a renaissance zone.

The Renaissance Zone Program for commercial and residential properties was established in March 2001 and now encompasses a 39 block area in the downtown area. The purpose of the zone is to encourage reinvestment in downtown properties by providing property tax incentives to commercial and residential owners. There are four different type of Renaissance Zone projects that qualify for property tax exemptions: rehabilitation, purchase with major improvements, purchase only, and historical preservation and renovation. A Renaissance Zone project must be approved by both the City of Bismarck and the North Dakota Department of Commerce before qualifying activity occurs.

New or Expanding Business Exemption under North Dakota Century Code 40-57.1 provides property tax abatements by assisting in establishing industrial plants, expanding and retaining existing businesses. A property tax exemption allows for the property to be excluded for up to five years. The property must have prior certification as a primary sector business by the North Dakota Department of Commerce. A partial or complete exemption from ad valorem taxation under this section for retail sector projects may receive a partial or complete exemption from the City Commission.

The Commercial and Residential Remodeling Exemption under North Dakota Century Code 40-57.02.2 provides property tax abatements by assisting in incentives for remodeling properties that are 30 years or older. This exemption will be for commercial and residential remodeling projects and will only include additions for residential structures. The exemption will be for a maximum of three years. The City Commission must approve the application prior to the exemption.

The amount of taxes abated for the year ending December 31, 2018 for the District was as follows:

Renaissance Zone Exemption - Commercial	$ 40,365
Renaissance Zone Exemption - Residential	3,786
Remodeling Exemption - Commercial	53,080
Remodeling Exemption - Residential	4,002
	$ 101,233

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

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. 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*, improves 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

NOTE 18 SUBSEQUENT EVENTS

The District has entered into additional commitments for primarily capital projects totaling $5,683,423 subsequent to year end. Subsequent events have been evaluated through June 5, 2019, which is the date these financial statements were available to be issued.

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Taxes	$ 7,860,000	$ 7,860,000	$ 7,942,996	$ 82,996
Intergovernmental	1,142,100	1,142,100	1,529,197	387,097
Charges for services	6,360,725	6,360,725	6,236,308	(124,417)
Investment earnings (loss)	12,000	12,000	118,312	106,312
Grants	53,500	53,500	4,503	(48,997)
Leases	100,000	100,000	106,395	6,395
Donations	21,500	21,500	18,855	(2,645)
Miscellaneous	223,500	223,500	37,886	(185,614)
Total revenues	15,773,325	15,773,325	15,994,452	221,127
Expenditures:				
Current:				
General government	2,275,945	2,275,945	2,029,937	246,008
General maintenance	2,727,505	2,727,505	2,700,934	26,571
Golf	1,899,500	1,899,500	1,713,590	185,910
Capital Racquet Fitness Center	498,700	498,700	502,506	(3,806)
Aquatic Wellness Center	1,117,925	1,117,925	1,244,355	(126,430)
Pools	760,350	760,350	551,634	208,716
Ice arenas	679,600	679,600	1,109,991	(430,391)
Forestry	205,000	205,000	148,300	56,700
Memorial Building	164,575	164,575	177,375	(12,800)
Sibley Park	396,265	396,265	350,510	45,755
County parks	167,150	167,150	66,800	100,350
McDowell Dam	191,300	191,300	186,391	4,909
High Prairie Arts and Science Complex	108,050	108,050	102,637	5,413
Other recreational activities	2,500,000	2,500,000	2,412,694	87,306
Capital outlay	-	-	82,174	(82,174)
Capital outlay less than $5,000	915,300	915,300	327,031	588,269
Debt service:				
Principal retirement	979,250	979,250	976,709	2,541
Interest and fiscal charges	470,410	470,410	467,655	2,755
Total expenditures	16,056,825	16,056,825	15,151,223	905,602
Excess of revenues under expenditures	(283,500)	(283,500)	843,229	1,126,729
Other financing sources (uses):				
Proceeds from insurance	12,500	12,500	105,505	93,005
Transfers in/out	271,000	271,000	(57,000)	(328,000)
Total other financing sources (uses)	283,500	283,500	48,505	(234,995)
Excess of revenues and other sources over (under) expenditures	$ -	$ -	891,734	$ 891,734
Fund balance - January 1			2,532,869	
Fund balance - December 31			$ 3,424,603	

See Notes to the Required Supplementary Information

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Taxes	$ 2,666,000	$ 2,666,000	$ 2,724,849	$ 58,849
Miscellaneous	-	-	25,000	25,000
Total revenues	2,666,000	2,666,000	2,749,849	83,849
Expenditures:				
Capital outlay <$5,000	304,800	304,800	8,962	295,838
Debt service:				
Principal retirement	1,865,000	1,865,000	1,842,207	22,793
Interest and fiscal charges	351,200	351,200	346,650	4,550
Issuance costs	20,000	20,000	18,013	1,987
Total expenditures	2,541,000	2,541,000	2,215,832	325,168
Excess of revenues over expenditures	125,000	125,000	534,017	409,017
Other financing sources (uses):				
Transfers out	(125,000)	(125,000)	(125,000)	-
Excess of revenues and other sources over (under) expenditures	$ -	$ -	409,017	$ 409,017
Fund balance - January 1			1,403,127	
Fund balance - December 31			$ 1,812,144	

See Notes to the Required Supplementary Information

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS *

	2018	2017	2016	2015
Employer’s proportion of the net pension liability (asset)	14.47%	14.52%	13.43%	12.71%
Employer’s proportionate share of the net pension liability (asset)	$ 2,721,922	$ 1,283,226	$ 1,315,443	$ 1,167,823
Employer’s covered-employee payroll	$ 3,490,169	$ 3,223,952	$ 2,953,755	$ 2,512,248
Employer’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.99%	39.80%	44.53%	46.49%
Plan fiduciary net position as a percentage of the total pension liability	83.50%	91.78%	89.86%	89.88%

* Complete data for this schedule is not available prior to 2015.

See Notes to the Required Supplementary Information

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS *

	2018	2017	2016	2015
Actuarially determined contribution	$ 262,486	$ 266,849	$ 209,905	$ 122,820
Contributions in relation to the actuarially determined contribution	$ (345,354)	$ (322,654)	$ (269,065)	$ (243,218)
Contribution deficiency (excess)	$ (82,868)	$ (55,805)	$ (59,160)	$ (120,398)
Employer's covered-employee payroll	$ 3,490,169	$ 3,223,952	$ 2,953,755	$ 2,512,248
Contributions as a percentage of covered-employee payroll	9.90%	10.01%	9.11%	9.68%

* Complete data for this schedule is not available prior to 2015.

See Notes to the Required Supplementary Information

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS *

	2018
Early Retirement Benefits	
OPEB Liability	
Service cost	$ 115,413
Benefit paid	(17,792)
Net Change in Total OPEB Liability	97,621
OPEB Liability - Beginning	-
OPEB Liability - Ending	$ 97,621
Covered Payroll	$ 2,530,464
District's Total OPEB Liability as a % of Covered Payroll	3.86%
Health Insurance Benefits	
OPEB Liability	
Service cost	$ 112,786
Benefit paid	(16,348)
Net Change in Total OPEB Liability	96,438
OPEB Liability - Beginning	134,289
OPEB Liability - Ending	$ 230,727
Covered Payroll	$ 2,832,811
District's Total OPEB Liability as a % of Covered Payroll	8.14%

* Complete data for this schedule is not available prior to 2018.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general and special assessment funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- All divisions of the District submit requests for appropriation to the Executive Director of Parks and Recreation so that a budget may be prepared.
- The requests are reviewed in detail with the divisions.
- 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 fiscal year.
- By August 10^{th} of each year, the preliminary budget is presented to the District's board for review and approval.
- The District's board holds public hearings and may modify the preliminary budget.
- The final budget must be adopted before October 7^{th} and submitted to the County Auditor by October 10^{th} of each year.
- Project-length financial plans are adopted for all capital projects funds.
- The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 PENSION – CHANGE OF ASSUMPTIONS

Amounts reported in 2018 reflect actuarial assumption changes effective January 1, 2019 based on the results of an actuarial experience study completed in 2018.

BradyMartz

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 Park Commissioners
Bismarck Parks and Recreation District
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Bismarck Parks and Recreation District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 5, 2019.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

June 5, 2019