# BISMARCK PARKS AND RECREATION DISTRICT
# BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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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, 2019, 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, 2019, 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 schedules, 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 August 3, 2020 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**

August 3, 2020

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, 2019. 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***

- The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at December 31, 2019 by $47,140,108. Of this amount, $2,864,545 is unrestricted in governmental activities and may be used to meet the District's ongoing obligations. Another $2,698,593 is restricted by constraints imposed on resources either externally or imposed by law and $41,576,970 is invested in capital assets.

- The District's total net position increased by $4,544,875 during the year ended December 31, 2019.

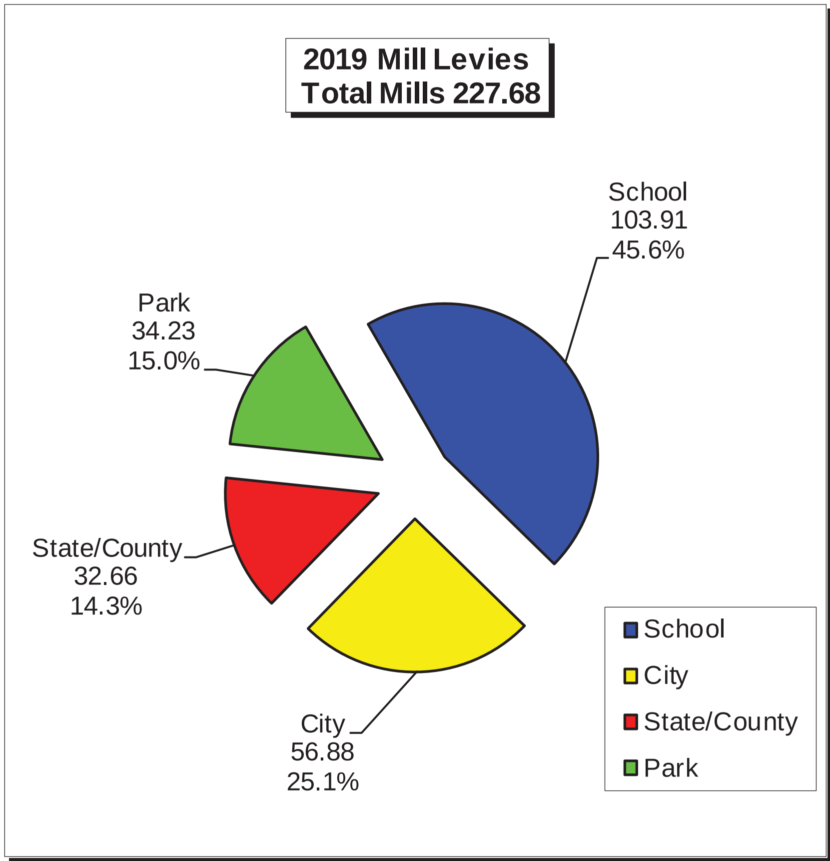
- At December 31, 2019, the District's governmental funds reported combined ending fund balances of $7,612,104, an increase of $625,305 in comparison with the 2018 year. This increase is not attributable to any specific transaction but rather a combination of a net increase in the collection of revenue plus a net decrease in expenditures.

- The District had $16,718,013 in general fund revenue and $262,229 in other financing sources. General fund expenditures were $15,763,610 and $1,606,633 in other financing uses. Local taxes contributed to 50% of the general fund revenue. Expenditures and other uses exceeded revenues and other sources by $390,001.

- At December 31, 2019, the general fund unassigned fund balance was $3,034,602 or 17.5% of total general fund expenditures and transfers out.

- The District's long-term financing debt decreased by $809,576 (3 percent) during the 2019 year. Special Assessment bond proceeds in the amount of $3,015,000 were obtained to finance expansion to the Cottonwood Park softball expansion project. Revenue Bonds Series 2019 in the amount of $8,355,000 were issued to advance refund the Revenue Bonds Series 2013 and Revenue Bond Series 2014.

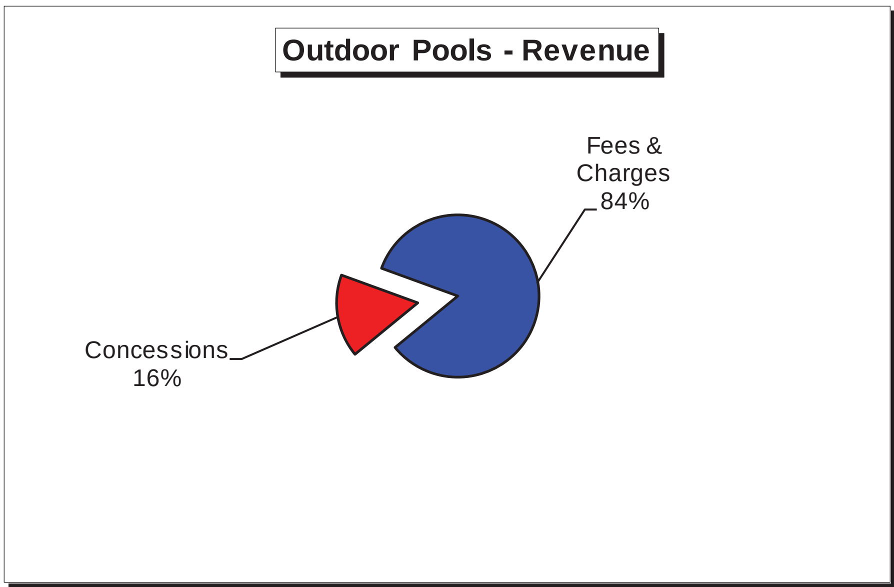
The District receives property tax revenue through the mill levy process. The District's mill levy for 2018 due January 2019 was 34.23 or 15% of the total mills levied. The general fund mill levy was 22.13 mills. The following chart indicates the allocation of property tax funds to the major governmental entities.

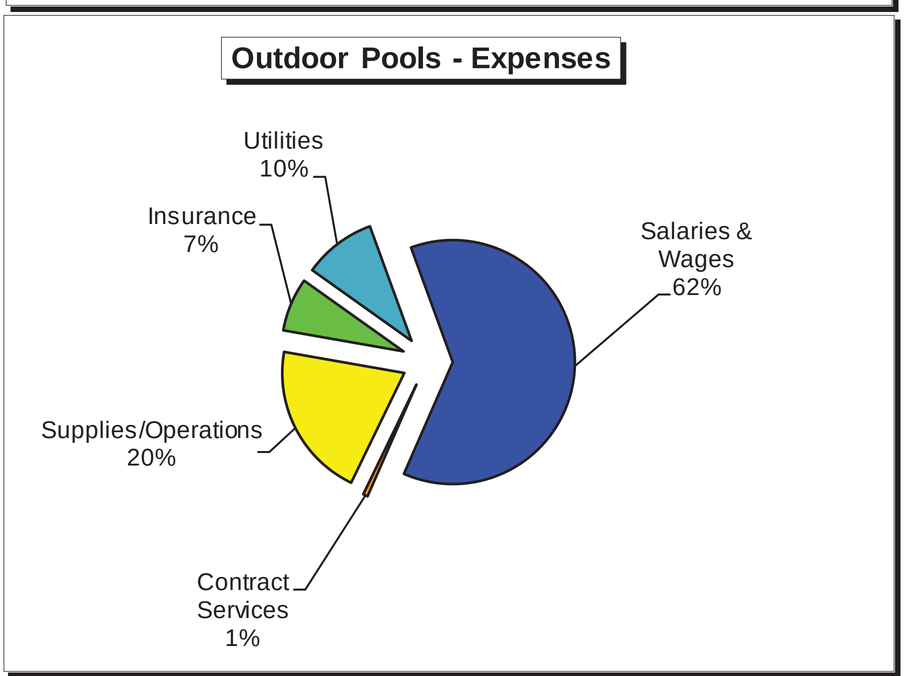


***The following is a brief overview of each major operational area of the District with emphasis on financial information and statistics:***

**<u>Facility Division - *Outdoor Swimming Pools*</u>**

- The District operates three swimming pools – Elks Aquatic Center, Hillside Aquatic Complex and Wachter Aquatic Complex. The daily attendance at the three pools was 44,252, for the entire 2019 year, a decrease of 3,407 from 2018.
- 43% of operating costs of the pools were covered by non-tax revenue.



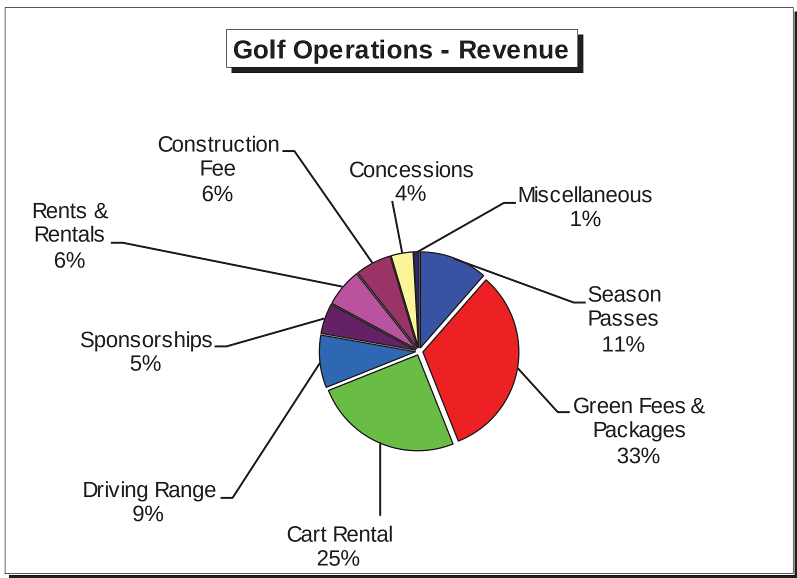
***Golf Operations Division***

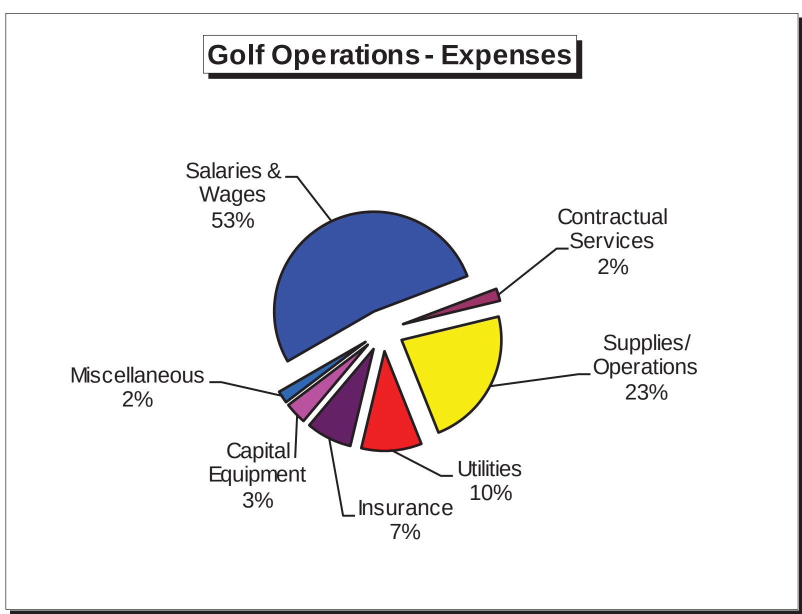
- The Golf Operations Division operates three golf courses – Riverwood, Tom O'Leary and the Pebble Creek/Fore Seasons Center.

- The golf courses had 64,359 rounds of golf during 2019. This was 3,641 less than 2018.

- 74% of operating costs were covered by non-tax revenue.

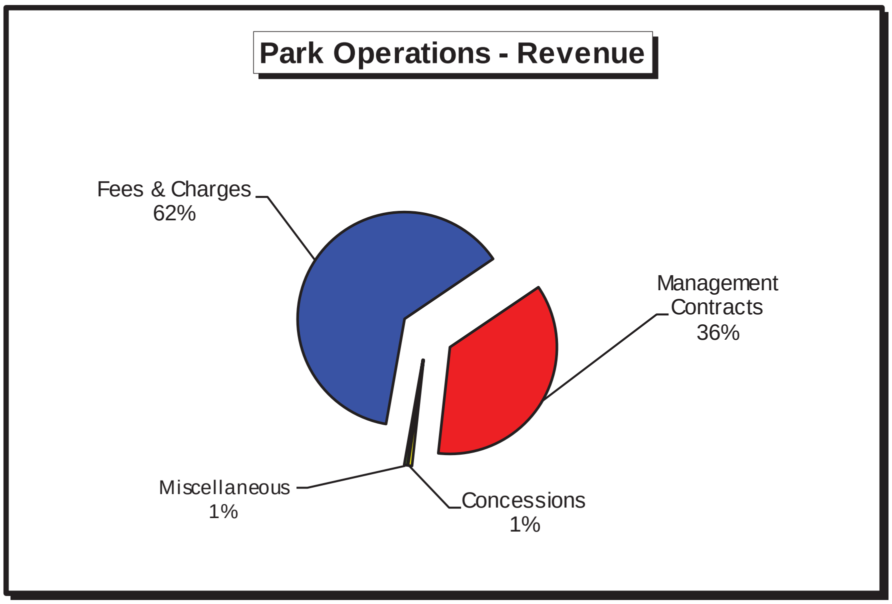
- *The following is a graphic presentation of revenue and expenses related to Golf Operations:*

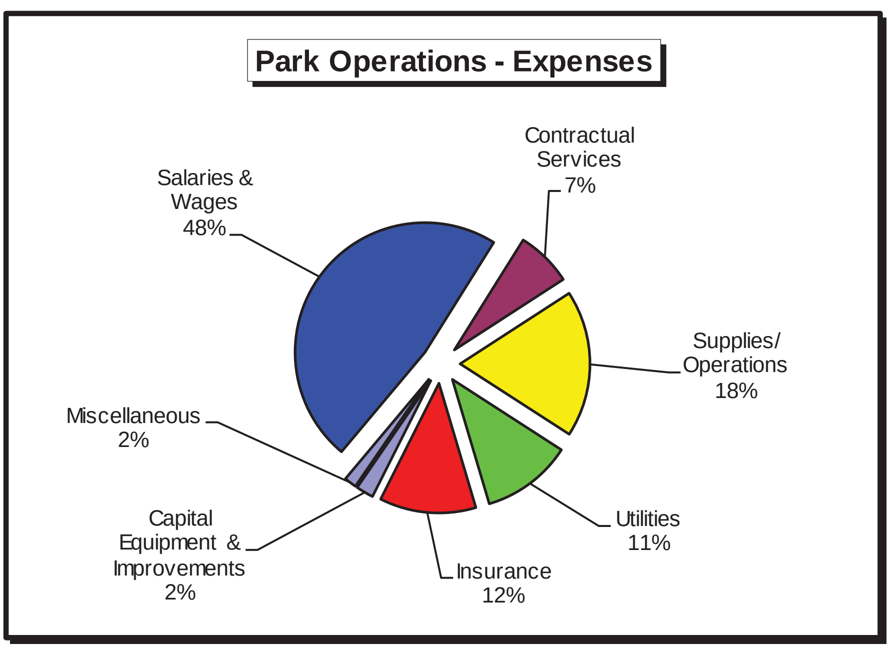


## Park Operations Division

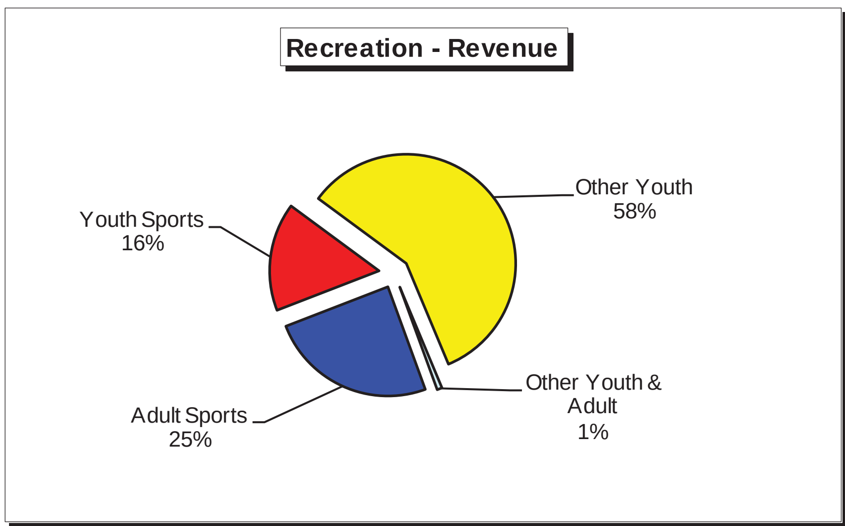
- Park Operations provides general maintenance and service to the District. In addition, Parks Operations manages Eagles Park, General Sibley Park, McDowell Dam, and Burleigh County Parks.
- Park Operations had 2,575 shelter reservations in 2019, a decrease of 348 from 2018.
- The Bismarck Forestry department 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:*

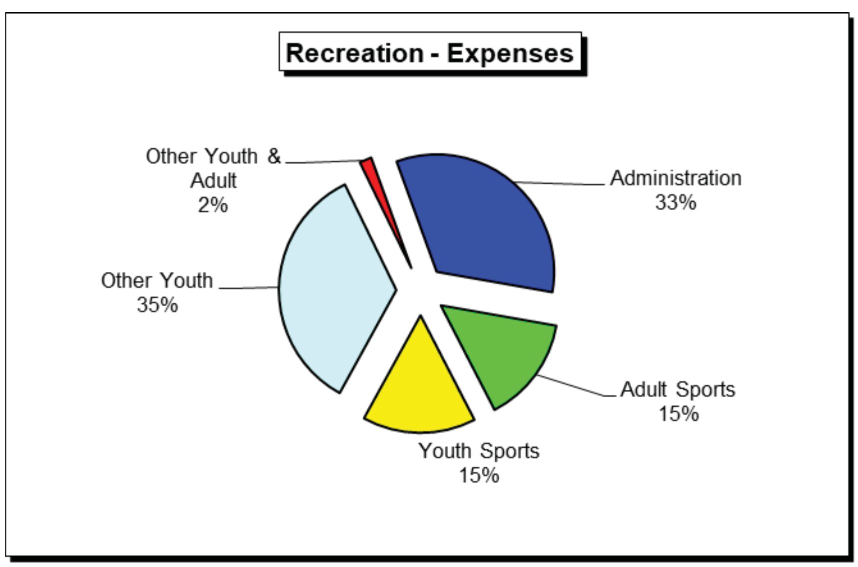


***Recreation Division***

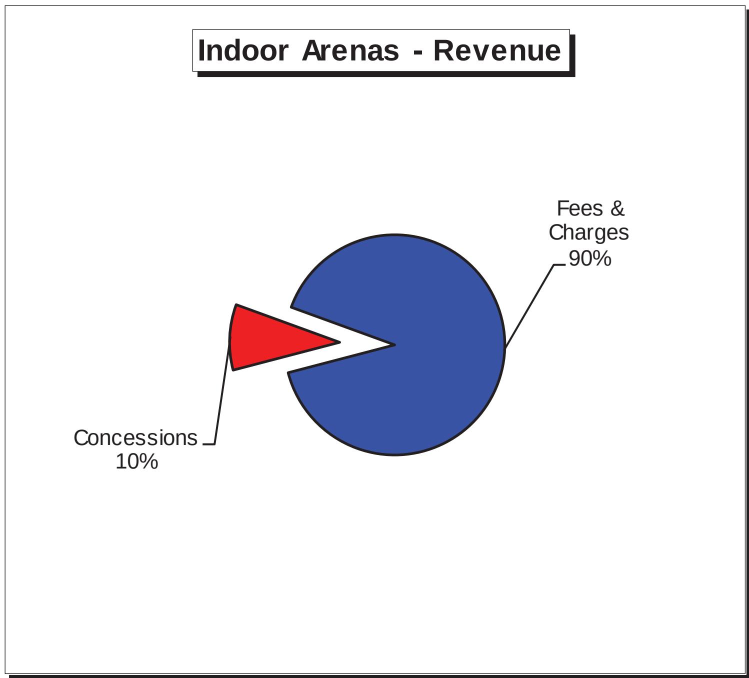
- The District manages a wide variety of youth and adult programs. Some of the programs include BLAST (607 participants), adult volleyball (6,774), activity centers (647), and open gym (8,708).
- 71% of operating costs were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to the various recreational activities:*

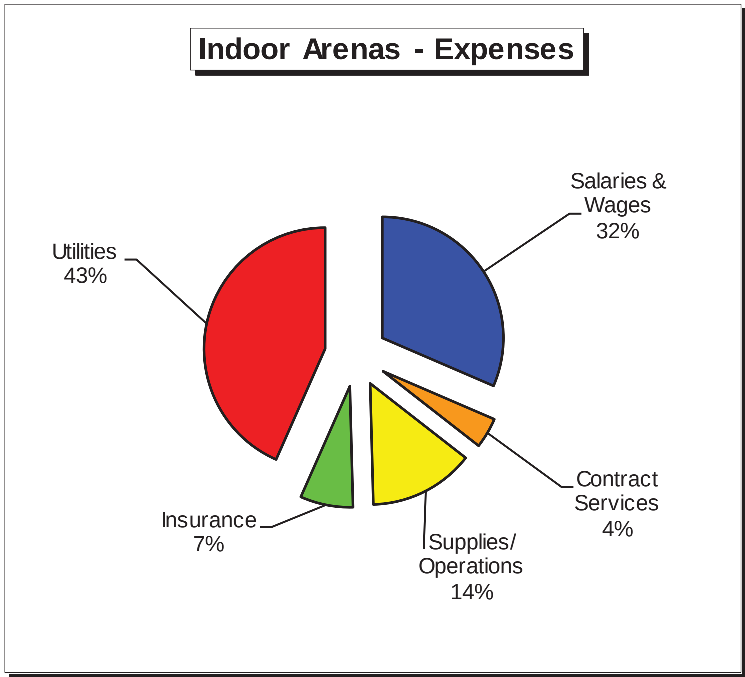


***Indoor Arenas - VFW Sports Center Rinks 1 & 2; Capital Ice Complex – Schaumberg & Wachter Arenas***

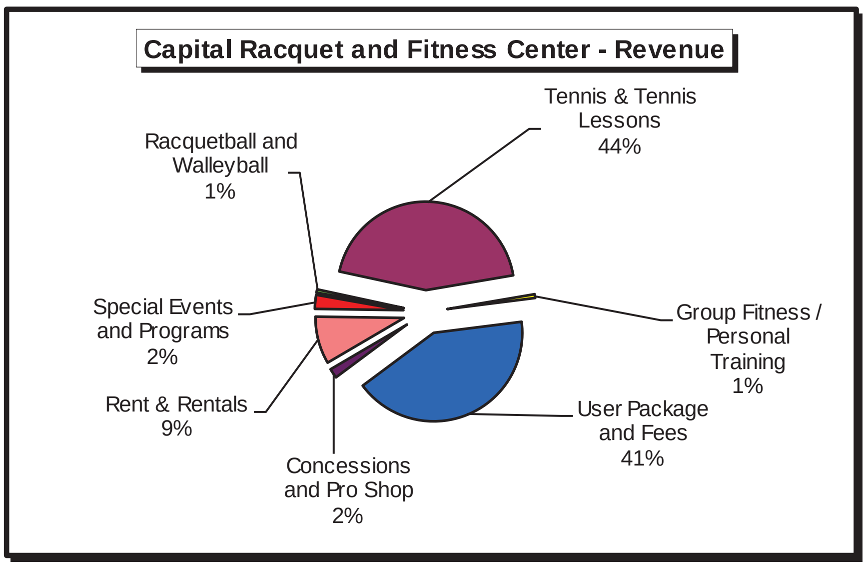
- 51% of operating costs were covered by non-tax revenue.
- Ice rental accounts for 86% of generated revenue in arena operations with most attributed to long-term agreements with youth and adult organizations, schools and Junior hockey.
- *The following is a graphic presentation of revenue and expenses related to the Indoor Arenas:*

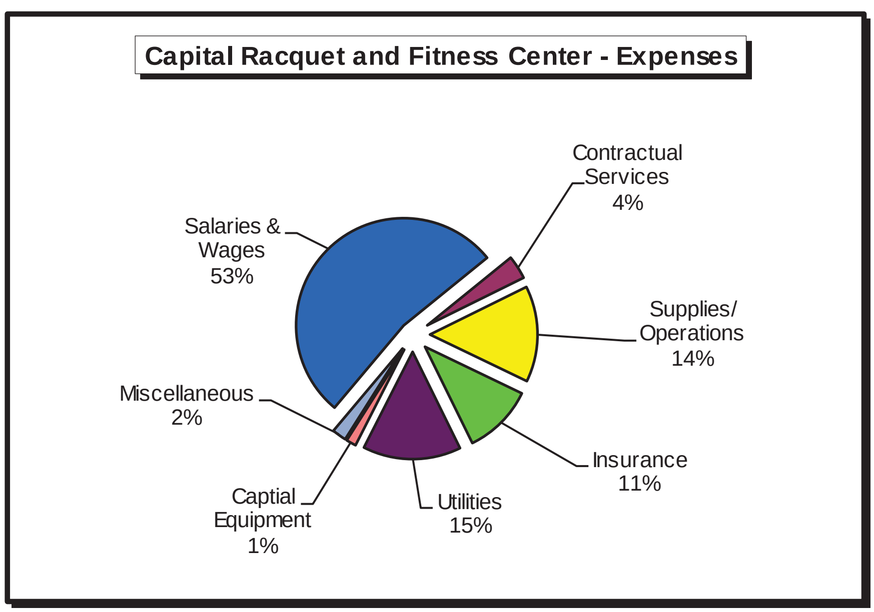



Indoor Arenas - Expenses
Salaries & Wages 32%
Utilities 43%
Contract Services 4%
Insurance 7%
Supplies/ Operations 14%

***Capital Racquet and Fitness Center***

- Monthly membership's usage was 30,571 in 2019 compared to 33,927 in 2018.
- There were 9,483 tennis court hours in 2019 compared to 8,066 in 2018.
- 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:*



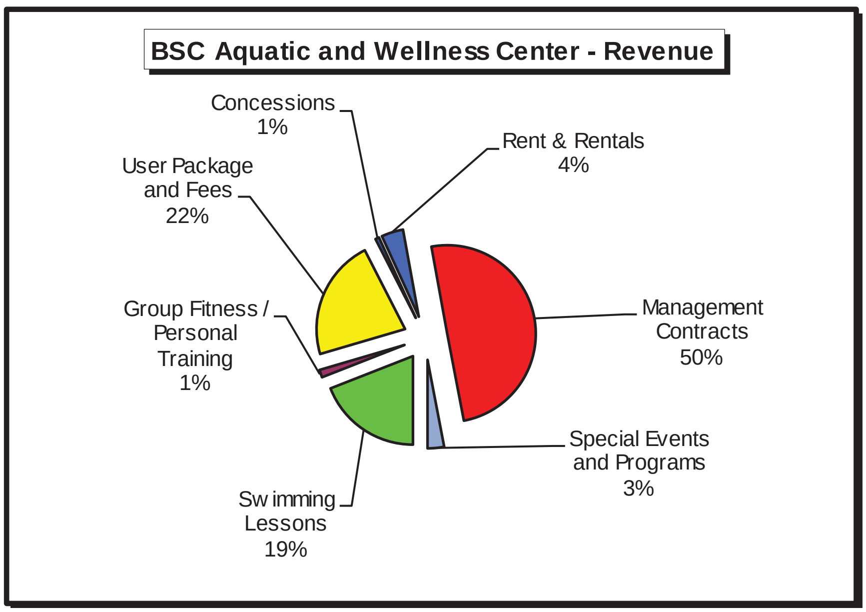
***BSC Aquatic and Wellness Center***

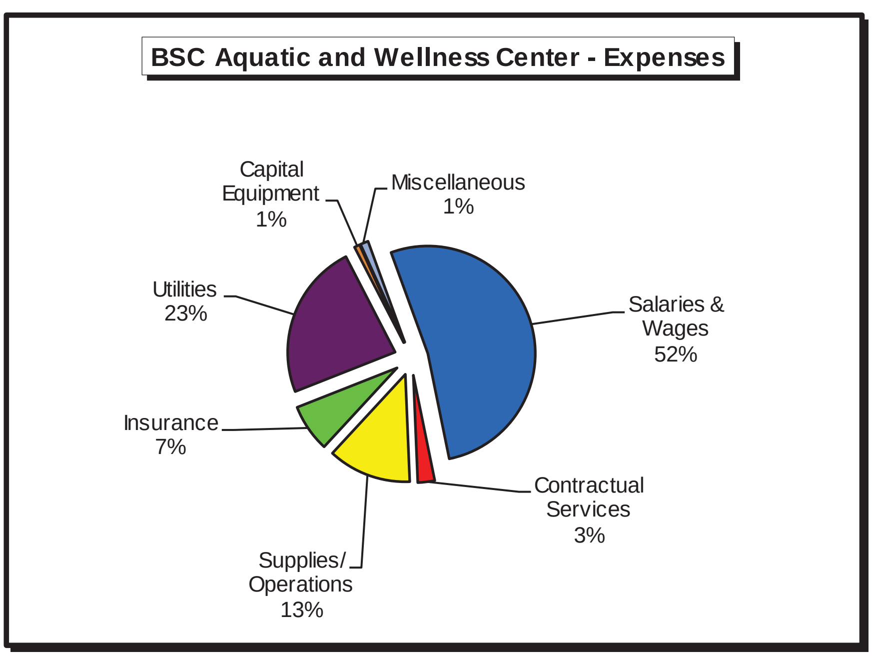
- The number of individuals taking swimming lessons decreased by 40 in 2019 with 2,928 compared to 2,968 in 2018.

- There were 6,211 participants in group exercise during 2019 compared to 6,637 in 2018.

- 78% 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:*



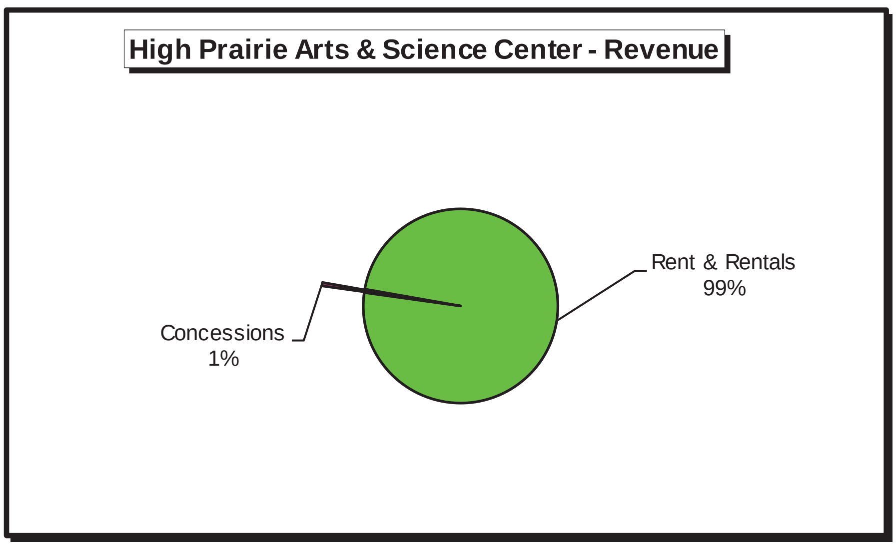



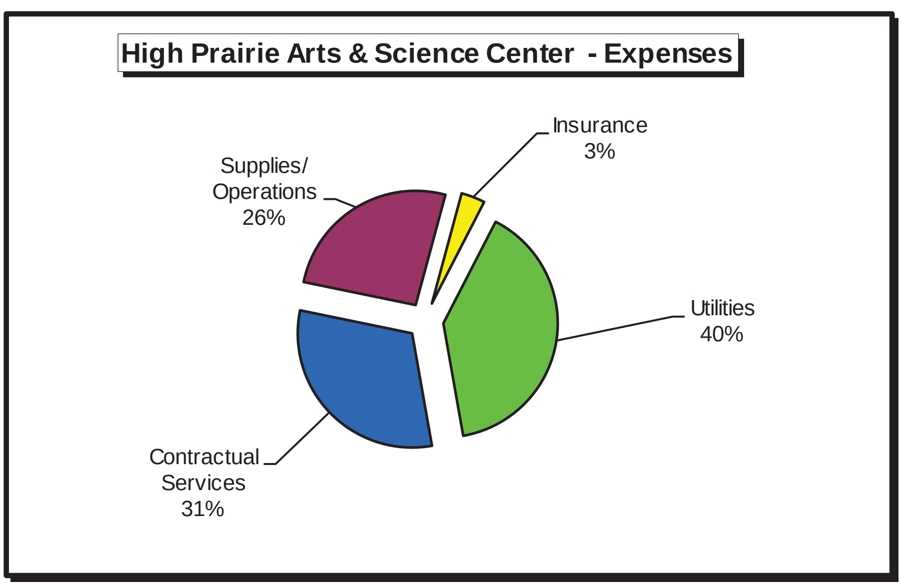
***Frances Leach High Prairie Arts & Science Complex***

- 63% 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 revenues and 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 $47,140,108 at December 31, 2019.

The largest part of the District's net position (88 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, 2019 and 2018:

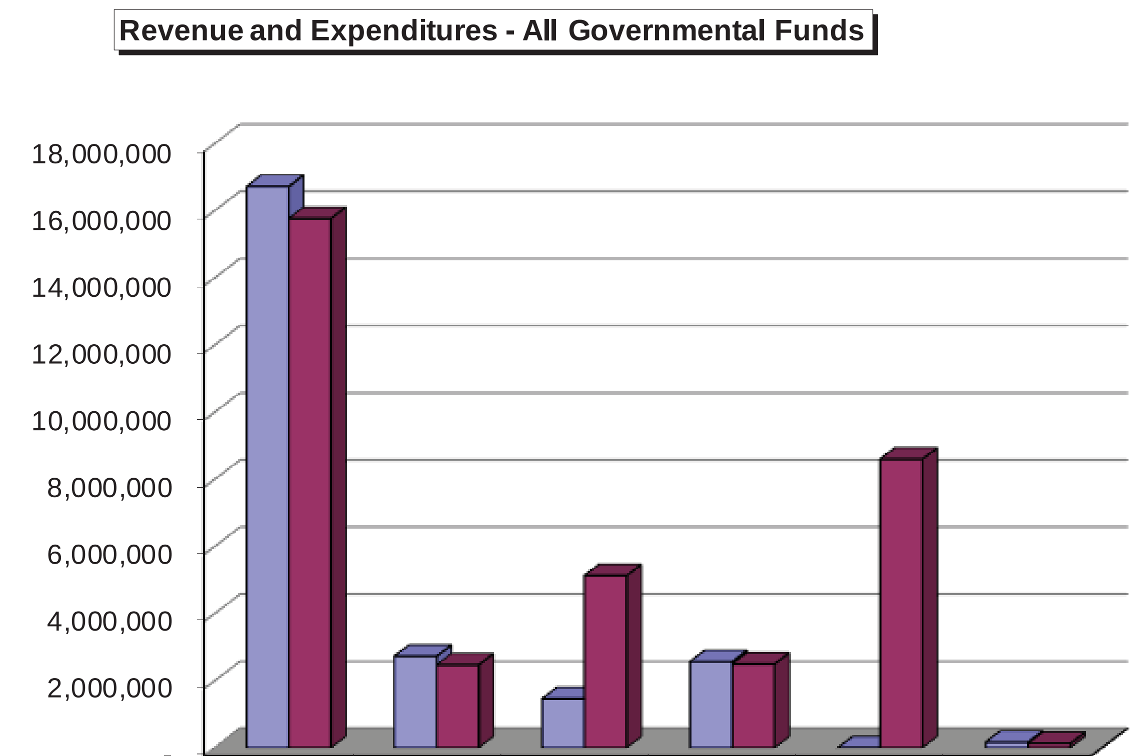
| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| Current and Other Assets | $ 9,195,139 | $ 8,759,104 |
| Capital Assets | 72,532,984 | 68,760,932 |
| Total Assets | $ 81,728,123 | $ 77,520,036 |
| Deferred Outflows of Resources | $ 886,298 | $ 1,830,810 |
| Current Liabilities | 5,732,133 | 5,547,201 |
| Long-Term Liabilities | 29,079,171 | 31,152,142 |
| Total Liabilities | $ 34,811,304 | $ 36,699,343 |
| Deferred Inflows of Resources | $ 663,009 | $ 56,270 |
| Net Position: | | |
| Net Investment in Capital Assets | 41,576,970 | 37,180,391 |
| Restricted | 2,698,593 | 2,787,233 |
| Unrestricted | 2,864,545 | 2,627,609 |
| Total Net Position | $ 47,140,108 | $ 42,595,233 |

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, 2019 and 2018:

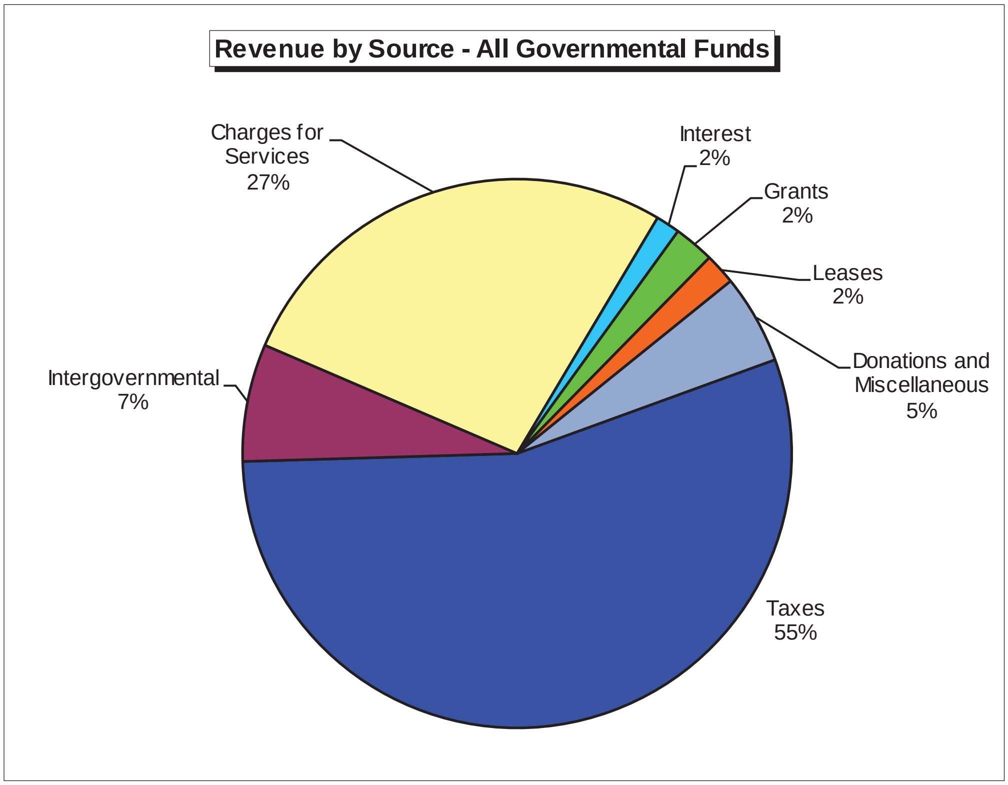
| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | $ 6,402,176 | $ 6,236,308 |
| Operating Grants and Contributions | 34,341 | 23,358 |
| Capital Grants and Contributions | 2,502,917 | 1,894,562 |
| Total Program Revenues | $ 8,939,434 | $ 8,154,228 |
| General Revenues: | | |
| Property Tax | 13,048,069 | 12,681,021 |
| Grants and Entitlements not restricted | 1,636,032 | 1,868,948 |
| Investment Earnings | 335,095 | 153,332 |
| Lease | 434,374 | 437,319 |
| Miscellaneous | 84,778 | 168,391 |
| Total General Revenues | $ 15,538,348 | $ 15,309,011 |
| Total Revenues | $ 24,477,782 | $ 23,463,239 |
| Expenses: | | |
| Park District Operations | 7,708,821 | 7,320,253 |
| Facilities / Recreation | 11,179,687 | 10,909,574 |
| Interest on Long-Term Debt | 880,818 | 889,620 |
| Issuance Costs on Long-Term Debt | 163,581 | 43,363 |
| Total Expenses | $ 19,932,907 | $ 19,162,810 |
| Increase in Net Position | $ 4,544,875 | $ 4,300,429 |
| Net Position - January 1 | $ 42,595,233 | $ 38,294,804 |
| Net Position - December 31 | $ 47,140,108 | $ 42,595,233 |

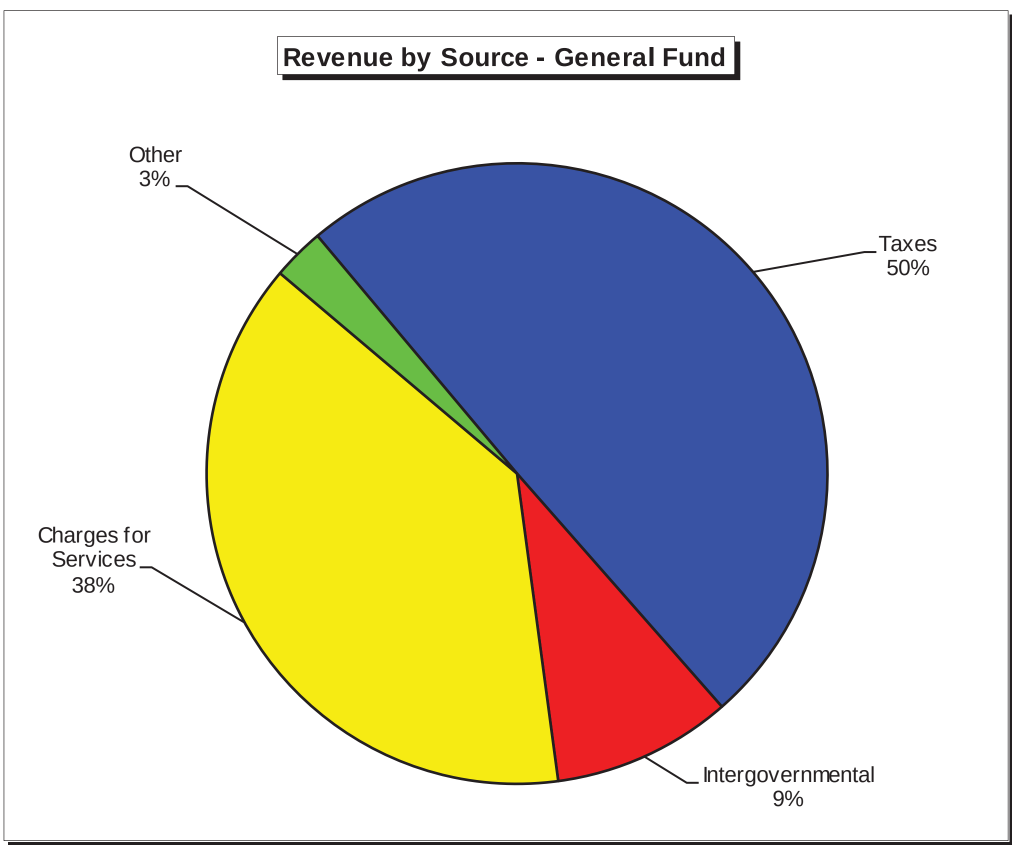
The following chart depicts functions/programs revenue and expenses for all governmental funds. Other financing sources (uses) are not included which consist of proceeds from long term debt and interfund transfers.




| | General | Special Assess | Park Improvemt | Construction Fund | Debt Service | Government Construction Fund |
|---|---|---|---|---|---|---|
| Revenue | 16,718,013 | 2,724,786 | 1,459,634 | 2,564,172 | - | 165,844 |
| Expenses | 15,763,610 | 2,466,386 | 5,128,061 | 2,493,793 | 8,595,660 | 126,034 |

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 $7,612,104 an increase of $625,305 from 2018. 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 $3,034,602. During the year, expenditures and other uses exceeded revenues and other sources by $390,001.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Park Commissioners approved the 2019 annual budget at the September 20, 2018 board meeting. The annual budget addresses funding from other sources as well as detailing how each fund should be expended. The 2019 general fund budget appropriation was $16,734,175.

During 2019, actual revenues exceeded budgetary estimates by $251,338, approximately 1.5%. The final budget exceeded the actual expenditures by $970,565 or 5.8%.

### *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:

- Replace Dome Fabric and Turf, and Lighting Improvements for $998,386
- Elk Ridge Land Addition for $270,739
- Cottonwood Park Softball Expansion for $3,961,486
- New Generations Park Farwest Rotary Community Center and Splash Pad $1,542,042
- Hay Creek Lower Bank Stabilization for $202,937
- Municipal Country Club Addition for $82,724

A schedule of capital assets, net of depreciation, for the years ended December 31, 2019 and 2018 is as follows:

| | Governmental Activities | |
|---|---|---|
| **Asset Type** | 2019 | 2018 |
| Land | $ 6,970,387 | $ 5,929,648 |
| Construction in progress | 4,330,088 | 1,923,460 |
| Buildings and improvements | 54,794,954 | 54,386,205 |
| Machinery and equipment | 1,565,396 | 1,511,726 |
| Infrastructure | 4,872,159 | 5,009,893 |
| Total | $ 72,532,984 | $ 68,760,932 |

***Long Term Debt***

Major long-term debt events during the year were:

- Issuance of $3,015,000 in special assessment bonds to finance improvements to the Cottonwood Park softball expansion project.
- Issuance of Gross Revenue Refunding Bonds Series 2019 in the amount of $8,355,000 to advance refund the Revenue Bonds Series 2013 and Revenue Bond Series 2014.
- Special Assessments added by the City of Bismarck in the amount of $135,608.

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, 2019 and 2018 is as follows:

| | Governmental Activities | |
|---|---|---|
| **Long-Term Liabilities** | 2019 | 2018 |
| Compensated Leave Balances | $ 695,907 | $ 654,479 |
| Post Retirement Benefit Obligations | 508,869 | 328,348 |
| Net Pension Liability | 1,485,481 | 2,721,922 |
| Unamoritized Bond Premium | 211,678 | 27,629 |
| Revenue Bonds Payable | 8,355,000 | 9,155,000 |
| Capital Leases | 5,615,412 | 6,695,142 |
| Special Assessments Debt | 16,772,924 | 15,702,770 |
| Total | $ 33,645,271 | $ 35,285,290 |

***Subsequent Events***

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic which has significantly impacted the activities of the Park District. Due to restrictions related to COVID-19, the Park District expects a negative impact on operations and financial standing. While 2020 revenues are expected to be lower than 2019 because programs were either ended early or cancelled, the entire extent of the impact is currently unknown.

***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, 2019

| | |
|---|---|
| **ASSETS:** | |
| Current assets: | |
| Cash and cash equivalents | $ 2,144,632 |
| Investments | 1,886,559 |
| Investments - board designated | 1,032,700 |
| Taxes receivable | 193,131 |
| Accounts receivable | 1,088,701 |
| Restricted assets: | |
| Cash and cash equivalents | 124,630 |
| Investments | 2,724,786 |
| Total current assets | 9,195,139 |
| Non-current assets: | |
| Capital assets (net of accumulated depreciation): | |
| Land | 6,970,387 |
| Construction in progress | 4,330,088 |
| Building and improvements | 54,794,954 |
| Machinery and equipment | 1,565,396 |
| Infrastructure | 4,872,159 |
| Total non-current assets: | 72,532,984 |
| Total assets | 81,728,123 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | |
| Deferred outflow - pension | 886,298 |
| **LIABILITIES:** | |
| Current liabilities | |
| Accounts payable | 610,036 |
| Retainage payable | 1,000 |
| Accrued expenses | 251,869 |
| Unearned revenue | 50,995 |
| Interest payable | 252,133 |
| Compensated absences, current portion | 229,203 |
| Post-retirement benefit obligations, current portion | 61,244 |
| Long term debt, current portion | 4,275,653 |
| Total current liabilities: | 5,732,133 |
| Non-current liabilities: | |
| Compensated absences, non-current portion | 466,704 |
| Post-retirement benefit obligations, non-current portion | 447,625 |
| Long term debt, non-current portion | 26,467,683 |
| Unamortized bond premium | 211,678 |
| Net pension liability | 1,485,481 |
| Total non-current liabilities: | 29,079,171 |
| Total liabilities | 34,811,304 |
| **DEFERRED INFLOWS OF RESOURCES:** | |
| Deferred inflow - pension | 663,009 |
| **NET POSITION:** | |
| Net investment in capital assets | 41,576,970 |
| Restricted: | |
| Debt Service | 1,010,078 |
| Special Assessments | 1,688,515 |
| Unrestricted | 2,864,545 |
| Total net position | $ 47,140,108 |

See Notes to the Financial Statements

## BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total |
| **Governmental Activities:** | | | | | |
| District operations | $ 7,708,821 | $ - | $ 34,341 | $ - | $ (7,674,480) |
| Facilities / recreation | 11,179,687 | 6,402,176 | - | 2,502,917 | (2,274,594) |
| Interest on long-term debt | 880,818 | - | - | - | (880,818) |
| Issuance costs on long-term debt | 163,581 | - | - | - | (163,581) |
| Total Governmental Activities | $ 19,932,907 | $ 6,402,176 | $ 34,341 | $ 2,502,917 | (10,993,473) |
| | **General Revenues** | | | | |
| | Property taxes | | | | 13,048,069 |
| | Intergovernmental | | | | 1,636,032 |
| | Investment earnings | | | | 335,095 |
| | Lease | | | | 434,374 |
| | Miscellaneous | | | | 84,778 |
| | Total general revenues | | | | 15,538,348 |
| | Change in net position | | | | 4,544,875 |
| | Total net position, beginning of year | | | | 42,595,233 |
| | Net position - end of year | | | | $ 47,140,108 |

See Notes to the Financial Statements

**BISMARCK PARKS AND RECREATION DISTRICT**
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | General | Special Assessment Fund | Park Improvement Fund | Construction Fund | Debt Service Fund | Governmental Construction Fund | Total |
|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | |
| Cash and cash equivalents | $ 2,060,635 | $ - | $ 12,762 | $ 4,300 | $ - | $ 66,935 | $ 2,144,632 |
| Cash and cash equivalents - restricted | - | 116,119 | - | - | 8,511 | - | 124,630 |
| Investments | 896,897 | - | 88,178 | 635,444 | - | 266,040 | 1,886,559 |
| Investments - board designated | - | - | 1,032,700 | - | - | - | 1,032,700 |
| Investments - restricted | - | 1,723,219 | - | - | 1,001,567 | - | 2,724,786 |
| Taxes receivable | 124,515 | 40,420 | - | 28,196 | - | - | 193,131 |
| Accounts receivable | 531,751 | - | 29,972 | 21,252 | - | - | 582,975 |
| Total assets | $ 3,613,798 | $ 1,879,758 | $ 1,163,612 | $ 689,192 | $ 1,010,078 | $ 332,975 | $ 8,689,413 |
| Liabilities: | | | | | | | |
| Accounts payable | $ 169,993 | $ - | $ 293,576 | $ 145,384 | $ - | $ 1,083 | $ 610,036 |
| Retainage payable | 1,000 | - | - | - | - | - | 1,000 |
| Accrued expenses | 251,869 | - | - | - | - | - | 251,869 |
| Unearned revenue | 50,995 | - | - | - | - | - | 50,995 |
| Total liabilities | 473,857 | - | 293,576 | 145,384 | - | 1,083 | 913,900 |
| Deferred inflows of resources: | | | | | | | |
| Delinquent property taxes | 105,339 | 34,214 | - | 23,856 | - | - | 163,409 |
| Fund balances: | | | | | | | |
| Restricted | - | 1,845,544 | - | - | 1,010,078 | - | 2,855,622 |
| Committed | - | - | 870,036 | - | - | - | 870,036 |
| Assigned | - | - | - | 519,952 | - | 331,892 | 851,844 |
| Unassigned | 3,034,602 | - | - | - | - | - | 3,034,602 |
| Total fund balances | 3,034,602 | 1,845,544 | 870,036 | 519,952 | 1,010,078 | 331,892 | 7,612,104 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 3,613,798 | $ 1,879,758 | $ 1,163,612 | $ 689,192 | $ 1,010,078 | $ 332,975 | $ 8,689,413 |

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, 2019

| | | |
|---|---|---|
| Total Governmental Funds Balance | | $ 7,612,104 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | | 72,532,984 |
| 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 | | 163,409 |
| Capital grants and contributions | | 505,726 |
| 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. | | 886,298 |
| Long-term liabilities not due and payable in the current period and therefore are not included in the funds: | | |
| Compensated absences | (695,907) | |
| Post-retirement benefit obligations | (508,869) | |
| Accrued interest on long-term liabilities | (252,133) | |
| Long term debt | (30,743,336) | |
| Unamortized bond premium | (211,678) | |
| Net pension liability | (1,485,481) | |
| Total | | (33,897,404) |
| 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. | | (663,009) |
| Net position of governmental activities | | $ 47,140,108 |

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, 2019

| | General | Special Assessment Fund | Park Improvement Fund | Construction Fund | Debt Service Fund | Government Construction Fund | Total |
|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | |
| Taxes | $ 8,298,811 | $ 2,686,462 | $ - | $ 1,890,935 | $ - | $ 143,402 | $ 13,019,610 |
| Intergovernmental | 1,563,283 | - | 72,749 | - | - | - | 1,636,032 |
| Charges for services | 6,402,176 | - | - | - | - | - | 6,402,176 |
| Investment earnings | 277,612 | - | 15,290 | 29,751 | - | 12,442 | 335,095 |
| Grants | 13,482 | - | 44,433 | 494,191 | - | 10,000 | 562,106 |
| Leases | 108,649 | - | 325,725 | - | - | - | 434,374 |
| Donations | 20,859 | - | 1,001,437 | 143,211 | - | - | 1,165,507 |
| Miscellaneous | 33,141 | 38,324 | - | 6,084 | - | - | 77,549 |
| Total revenues | 16,718,013 | 2,724,786 | 1,459,634 | 2,564,172 | - | 165,844 | 23,632,449 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 2,101,204 | - | - | 179,121 | - | - | 2,280,325 |
| General maintenance | 2,928,030 | - | - | - | - | - | 2,928,030 |
| Golf | 1,774,633 | - | - | - | - | - | 1,774,633 |
| Capital Racquet Fitness Center | 540,320 | - | - | - | - | - | 540,320 |
| Aquatic Wellness Center | 1,270,739 | - | - | - | - | - | 1,270,739 |
| Pools | 568,319 | - | - | - | - | - | 568,319 |
| Ice arenas | 1,132,349 | - | - | - | - | - | 1,132,349 |
| Forestry | 169,393 | - | - | - | - | - | 169,393 |
| Memorial Building | 170,702 | - | - | - | - | - | 170,702 |
| Sibley Park | 334,464 | - | - | - | - | - | 334,464 |
| County parks | 71,995 | - | - | - | - | - | 71,995 |
| McDowell Dam | 197,969 | - | - | - | - | - | 197,969 |
| High Prairie Arts and Science Complex | 101,063 | - | - | - | - | - | 101,063 |
| Other recreational activities | 2,619,508 | - | - | - | - | - | 2,619,508 |
| Capital outlay | 56,097 | - | 4,412,013 | 2,162,825 | - | 126,034 | 6,756,969 |
| Capital outlay less than $5,000 | 286,856 | 9,387 | - | - | - | - | 296,243 |
| Debt service: | | | | | | | |
| Principal retirement | 995,841 | 2,080,454 | 667,288 | 136,603 | 8,435,000 | - | 12,315,186 |
| Interest and fiscal charges | 444,128 | 354,531 | 41,230 | 15,244 | 26,623 | - | 881,756 |
| Issuance costs | - | 22,014 | 7,530 | - | 134,037 | - | 163,581 |
| Total expenditures | 15,763,610 | 2,466,386 | 5,128,061 | 2,493,793 | 8,595,660 | 126,034 | 34,573,544 |
| Excess of revenues over (under) expenditures | 954,403 | 258,400 | (3,668,427) | 70,379 | (8,595,660) | 39,810 | (10,941,095) |
| Other financing sources (uses): | | | | | | | |
| Proceeds from long-term debt | - | - | 3,015,000 | - | - | - | 3,015,000 |
| Issuance of refunding bonds | - | - | - | - | 8,355,000 | - | 8,355,000 |
| Debt issuance bond premium | - | - | - | - | 189,171 | | 189,171 |
| Proceeds from insurance | 7,229 | - | - | - | - | - | 7,229 |
| Transfers in | 255,000 | - | 1,361,700 | 573,933 | - | - | 2,190,633 |
| Transfers out | (1,606,633) | (225,000) | - | (319,000) | - | (40,000) | (2,190,633) |
| Total other financing sources (uses) | (1,344,404) | (225,000) | 4,376,700 | 254,933 | 8,544,171 | (40,000) | 11,566,400 |
| Net change in fund balances | (390,001) | 33,400 | 708,273 | 325,312 | (51,489) | (190) | 625,305 |
| Fund balance - January 1 | 3,424,603 | 1,812,144 | 161,763 | 194,640 | 1,061,567 | 332,082 | 6,986,799 |
| Fund balance - December 31 (Note 12) | $ 3,034,602 | $ 1,845,544 | $ 870,036 | $ 519,952 | $ 1,010,078 | $ 331,892 | $ 7,612,104 |

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, 2019

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Governmental Funds | | $ 625,305 |
| 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 | 6,756,969 | |
| Current year depreciation | (3,877,590) | |
| Total | | 2,879,379 |
| 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. | | 775,170 |
| Based on receipt dates, some revenues are not considered available revenue and are unavailable in the governmental funds. | | |
| Delinquent property taxes | 28,459 | |
| Capital grants and contributions | 34,475 | |
| Total | | 62,934 |
| 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 | 5,122 | |
| Net increase in post-retirement obligations | (180,521) | |
| Net increase in compensated absences | (41,428) | |
| Net decrease in interest payable | (4,185) | |
| Net increase in net pension liability | 1,236,441 | |
| Total | | 1,015,429 |
| Changes in deferred inflows and outflows relating to net pension liability | | (1,551,251) |
| 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. | | |
| Proceeds from bonds payable | | (3,015,000) |
| Bond refunding | | (8,355,000) |
| Bond premium | | (189,171) |
| 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. | | (18,106) |
| Repayment of principal on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position. The following are principal payments on long-term debt during the year ended December 31, 2019: | | |
| Principal payment on bonds payable | 12,315,186 | |
| Total | | 12,315,186 |
| Change in net position | | $ 4,544,875 |

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 Governmental 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 Governmental 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, 2019, 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, 2019 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 not less than 15% 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, 2019, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage.

## NOTE 3 BOARD DESIGNATIONS OF CASH, CASH EQUIVALENTS AND INVESTMENTS

### 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. During the year there were transfers from the General Fund and committed for park improvements. The outstanding balance at December 31, 2019 was $1,032,700.

## NOTE 4 RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

### Debt Service Fund

The October 1, 2019 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, 2019 was $1,010,078.

### 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, 2019 was $1,839,338.

## 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, 2019, 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 | $ 927,035 | $ 498,809 | $ 428,226 | $ - | $ - |
| Government bonds | 4,212,978 | 1,821,894 | 2,391,084 | - | - |
| | 5,140,013 | $ 2,320,703 | $ 2,819,310 | $ - | $ - |
| Investments not subject to categorization: | | | | | |
| Certificates of deposit | 504,032 | | | | |
| Total investments | $ 5,644,045 | | | | |

### 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, 2019, the credit ratings of the District's investments were as follows:

| S&P Credit Rating | Government Agencies | Government Bonds | Total Fair Value |
|---|---|---|---|
| A-1+ | $ - | $ - | $ - |
| AA+ | 927,035 | - | 927,035 |
| NR | - | 4,212,978 | 4,212,978 |
| Total debt securities | $ 927,035 | $ 4,212,978 | $ 5,140,013 |

### 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 assumptions 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, 2019.

| | Total | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|---|---|---|---|
| Government agencies | $ 927,035 | $ - | $ 927,035 | $ - |
| Government bonds | 4,212,978 | - | 4,212,978 | - |
| | $ 5,140,013 | $ - | $ 5,140,013 | $ - |

## NOTE 6 CAPITAL ASSETS

The following schedule is a summary of the capital asset activity for the year ended December 31, 2019:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 5,929,648 | $ 1,040,739 | $ - | $ 6,970,387 |
| Construction in progress | 1,923,460 | 4,273,041 | (1,866,413) | 4,330,088 |
| Total capital assets not being depreciated | 7,853,108 | 5,313,780 | (1,866,413) | 11,300,475 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 88,245,884 | 3,613,579 | (44,840) | 91,814,623 |
| Machinery and equipment | 7,015,222 | 471,194 | (90,396) | 7,396,020 |
| Infrastructure | 6,932,520 | 135,608 | - | 7,068,128 |
| Total capital assets being depreciated | 102,193,626 | 4,220,381 | (135,236) | 106,278,771 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 33,859,679 | 3,186,723 | (26,733) | 37,019,669 |
| Machinery and equipment | 5,503,496 | 417,524 | (90,396) | 5,830,624 |
| Infrastructure | 1,922,626 | 273,343 | - | 2,195,969 |
| Total accumulated depreciation | 41,285,801 | 3,877,590 | (117,129) | 45,046,262 |
| Total capital assets being depreciated, net | 60,907,825 | 342,791 | (18,107) | 61,232,509 |
| Governmental capital assets, net | $ 68,760,933 | $ 5,656,571 | $ (1,884,520) | $ 72,532,984 |

The District leases a bio-mass boiler building 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 | $ 7,650,000 |
| Less: accumulated amortization | (824,344) |
| | $ 6,825,656 |

Amortization expense for the year ended December 31, 2019 was $306,255, and is included in depreciation expense.

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

| | |
|---|---|
| Governmental Activities: | |
| Park Operations | $ 2,088,845 |
| Facilities / Recreation | 1,788,745 |
| Total depreciation expense - Governmental Activities | $ 3,877,590 |

## 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 12/31/19 |
|---|---|
| Revenue Bonds Payable: | |
| $8,355,000 bonds dated October 1, 2019 to refund bonds that were previously taken out to acquire and improve the BSC Aquatic & Wellness Center. The bonds are payable in variable annual principal and semi-annual interest payments at 2.25% to 3.00% through April 1, 2033. Payments are to be made from the Debt Service Fund. | $ 8,355,000 |
| Special Assessments Debt: | |
| The special assessments are dated from 2002 through 2019. The maturity varies per issue but extends through 2032. The interest rates are from 2.56% to 5.71%. Payments are to be made from the Special Assessment Fund. | 3,497,924 |
| $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. | 645,000 |

| | |
|---|---|
| $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. | $ 400,000 |
| $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. | 1,510,000 |
| $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. | 1,570,000 |
| $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. | 2,205,000 |
| $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. | 1,230,000 |
| $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. | 1,165,000 |
| $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. | 1,535,000 |
| $3,015,000 bonds dated July 1, 2019 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 2.00% to 4.00% through May 1, 2031. Payments are to be made from the Special Assessment Fund. | 3,015,000 |
| | $16,772,924 |
| Capital Leases: | |
| $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 $352,311 due December 5, 2020. Payments are to be made from the Construction Fund. | $ 390,611 |
| $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. | 1,272,348 |
| $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. | 3,952,453 |
| | $5,615,412 |

## Bond Refunding

The District issued $8,355,000 Revenue Bonds Series 2019 on October 1, 2019. The bonds were issued to advance refund the $5,690,000 Revenue Bonds Series 2013 and $2,745,000 Revenue Bonds Series 2014. The transaction resulted in an economic gain of $1,008,418 and a reduction of $1,155,586 in future debt service payments.

### Changes in Long-Term Liabilities

During the year ended December 31, 2019, 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 | $ 654,479 | $ 271,272 | $ 229,844 | $ 695,907 | $ 229,203 |
| Post-Retirement Benefit Obligations | 328,348 | 226,310 | 45,789 | 508,869 | 61,244 |
| Net Pension Liability | 2,721,922 | - | 1,236,441 | 1,485,481 | - |
| Unamortized Bond Premium | 27,629 | 189,171 | 5,122 | 211,678 | - |
| Bonds and notes payable | | | | | |
| Revenue Bonds Payable | 9,155,000 | 8,355,000 | 9,155,000 | 8,355,000 | 850,000 |
| Special Assessments Debt | 15,702,770 | 3,150,608 | 2,080,454 | 16,772,924 | 2,336,393 |
| Capital Leases | 6,695,142 | - | 1,079,730 | 5,615,412 | 1,089,260 |
| Total bonds and notes payable | 31,552,912 | 11,505,608 | 12,315,184 | 30,743,336 | 4,275,653 |
| Total long-term liabilities | $ 35,285,290 | $ 12,192,361 | $ 13,832,380 | $ 33,645,271 | $ 4,566,100 |

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, 2019 are as follows:

| | Revenue Bonds Payable | | Special Assessments | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2020 | $ 850,000 | $ 220,863 | $ 2,336,393 | $ 447,170 |
| 2021 | 760,000 | 196,713 | 2,361,915 | 367,544 |
| 2022 | 420,000 | 179,013 | 2,274,845 | 304,873 |
| 2023 | 430,000 | 166,263 | 2,276,044 | 244,412 |
| 2024 | 445,000 | 153,138 | 1,801,615 | 187,670 |
| 2025 - 2029 | 2,430,000 | 553,963 | 4,818,467 | 399,750 |
| 2030 - 2034 | 3,020,000 | 173,044 | 903,645 | 45,713 |
| Totals | $ 8,355,000 | $ 1,642,997 | $ 16,772,924 | $ 1,997,132 |

| | Capital Leases | | Total | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2020 | $ 1,089,260 | $ 143,875 | $ 4,275,653 | $ 811,908 |
| 2021 | 707,406 | 113,648 | 3,829,321 | 677,905 |
| 2022 | 715,837 | 95,800 | 3,410,682 | 579,686 |
| 2023 | 291,254 | 82,745 | 2,997,298 | 493,420 |
| 2024 | 295,329 | 74,538 | 2,541,944 | 415,346 |
| 2025 - 2029 | 2,516,326 | 123,998 | 9,764,793 | 1,077,711 |
| 2030 - 2034 | - | - | 3,923,645 | 218,757 |
| Totals | $ 5,615,412 | $ 634,604 | $ 30,743,336 | $ 4,274,733 |

## 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 | $ 1,348,703 |
| BLAST and Activity Centers | 970,316 |
| Aquatic Center | 969,293 |
| Adult Programs | 520,692 |
| Ice Arenas | 580,128 |
| Capital Racquet Fitness Center | 382,710 |
| Youth Programs | 257,679 |
| Sibley Park | 344,025 |
| County Parks | 73,595 |
| Pools | 243,532 |
| McDowell Dam | 256,084 |
| Other Recreational Activities | 372,014 |
| High Prairie Arts and Science Complex | 63,239 |
| World War Memorial Building | 20,166 |
| Total charges for services | $ 6,402,176 |

## 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 2020 and December 2036. The estimated rental income to be received in future periods under those agreements that are fixed fees are as follows:

| | |
|---|---|
| 2020 | $ 988,303 |
| 2021 | 507,568 |
| 2022 | 150,376 |
| 2023 | 29,217 |
| 2024 | 29,844 |
| Thereafter | 72,005 |
| Total | $ 1,777,313 |

## 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 ended December 31, 2019:

| | Transfer To: | | | |
|---|---|---|---|---|
| | General Fund | Park Improvement Fund | Construction Fund | Total Transfer From |
| Transfer from: | | | | |
| General Fund | $ - | $ 1,032,700 | $ 573,933 | $ 1,606,633 |
| Special Assessment Fund | 125,000 | 100,000 | - | 225,000 |
| Construction Fund | 90,000 | 229,000 | - | 319,000 |
| Government Construction Fund | 40,000 | - | - | 40,000 |
| Total Transfer To | $ 255,000 | $ 1,361,700 | $ 573,933 | $ 2,190,633 |

The above transfers into the general fund were made to cover administrative fees of bond issues and Riverfront maintenance and to fund the bond payment for the Schaumberg Arena and Pebble Creek Golf Course improvements. The above transfers into the Park Improvement Fund were to fund construction of the General Sibley garage, Cottonwood Park North Complex Trail rehabilitation project, Park Shop Maintenance Building, and Cottonwood Softball Field Expansion project. The above transfer into the Construction Fund was to fund the Fore Seasons Center dome and turf replacement project.

## NOTE 12 FUND BALANCES

At December 31, 2019, 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 | $ - | $ - | $ - | $ - | $ 1,010,078 | $ - | $ 1,010,078 |
| Special Assessments | - | 1,845,544 | - | - | - | - | 1,845,544 |
| Committed to: | | | | | | | |
| Capital Projects | - | - | 870,036 | - | - | - | 870,036 |
| Assigned to: | | | | | | | |
| Capital Projects | - | - | - | 519,952 | - | 331,892 | 851,844 |
| Unassigned | 3,034,602 | - | - | - | - | - | 3,034,602 |
| | $ 3,034,602 | $ 1,845,544 | $ 870,036 | $ 519,952 | $ 1,010,078 | $ 331,892 | $ 7,612,104 |

## 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, 2019 and are vested after five years of service. Membership in the BCEPP on December 31, 2019 is as follows:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 241 |
| Terminated employees – vested | 67 |
| Active employees: | |
| Vested | 303 |
| Non-vested | 168 |
| Total members | 779 |

**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 1.75% 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 2.25% 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. Benefit terms may be amended in accordance with North Dakota Century Code 40-46. Chapter 9-07 of the Bismarck Code of Ordinance grants the authority to the Board of City Commissioners to establish and amend the benefit terms.

Prior to January 2005, employees directed the investment of their contribution utilizing a contracted City investment manager. These employees were eligible to receive a distribution of the interest earned on the contributions in excess of 5% upon retirement. Effective January 1, 2005, all employee contributions are invested with the City pension funds and individual self-directed accounts were discontinued. As of December 31, 2004, interest earned in excess of 5% for the individual employee accounts has been transferred to an Employee Excess Retirement Fund and the excess funds in the individual employee accounts continue to be self-directed.

Employees or designated beneficiary that separate from the District before attaining the five-year service credit are refunded the employee's accumulated contribution plus interest earnings at 5% per annum.

### Contributions

*Employee Contributions* - Participating active employees contribute to the plan at a rate of 5% of covered payroll. Employees or designated beneficiary that separate from the District before attaining the five-year service credit are refunded the accumulated contributions plus interest earnings at 5% per annum. 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 net pension liability over a closed period of 30 years. The annual contribution is recommended to the City Commission an 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, 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, 2019:

| 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 | 1/1/2020 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level % of payroll over remaining amortization period-closed |
| Remaining amortization period | 19 |
| Mortality rate | Based on RP-2014 generational mortality projected with Scale MP-2019 |
| 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 | $ 3,706,184 | $ 1,485,481 | $ (377,642) |

**Proportionate Share of the Net Pension Liability**

The District's portion of the net pension liability for the BCEPP was recorded at $1,485,481 as of December 31, 2019. The calculation was determined by an actuarial valuation based on the present value of future payroll. The District's proportionate share was 14.94%, which is an increase of 0.47% from the District's proportionate share as of December 31, 2018.

**Deferred Inflows and Outflows of Resources**

The District recognized pension expense of $754,020 during the year ended December 31, 2019. 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 | $ 280,322 | $ (160,106) |
| Changes in assumptions | 526,777 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (501,318) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 79,199 | (1,585) |
| Total | $ 886,298 | $ (663,009) |

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 ending June 30: | |
| 2020 | $ 81,176 |
| 2021 | 68,527 |
| 2022 | 193,688 |
| 2023 | (136,813) |
| 2024 | 34,843 |
| Thereafter | (18,132) |

### 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, 2019 is as follows:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 1 |
| Active employees: | |
| Vested | - |
| Non-vested | 45 |

Membership in the plan for health insurance as of December 31, 2019 is as follows:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 2 |
| Active employees: | |
| Vested | 1 |
| Non-vested | 47 |

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 (35.40%), 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 $508,869 as of December 31, 2019.

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

Early Retirement Benefits

| | |
|---|---|
| OPEB Liability | |
| Service cost | $ 84,581 |
| Benefit paid | (11,348) |
| Net Change in Total OPEB Liability | 73,233 |
| OPEB Liability - Beginning | 97,621 |
| OPEB Liability - Ending | $ 170,854 |

Health Insurance Benefits

| | |
|---|---|
| OPEB Liability | |
| Service cost | $ 141,728 |
| Benefit paid | (34,440) |
| Net Change in Total OPEB Liability | 107,288 |
| OPEB Liability - Beginning | 230,727 |
| OPEB Liability - Ending | $ 338,015 |

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 | $ 192,621 | $ 170,854 | $ 153,502 |

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 | $ 381,546 | $ 338,015 | $ 303,245 |

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 | $ 154,641 | $ 170,854 | $ 190,562 |

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 | $ 303,360 | $ 338,015 | $ 380,420 |

## NOTE 15 COMMITMENTS

As of December 31, 2019, the District has the following outstanding commitments for on-going capital projects.

| | | |
|---|---|---|
| Cottonwood Park Softball Field Expansion | $ | 459,551 |
| Hay Creek Lower Bank Stabilization | | 126,994 |
| Park Shop Maintenance Facility | | 137,275 |
| Other miscellaneous capital projects | | 330,163 |
| | $ | 1,053,983 |

## 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, 2019, 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 ended December 31, 2019 for the District was as follows:

| | |
|---|---|
| Renaissance Zone Exemption - Commercial | $ 39,143 |
| Renaissance Zone Exemption - Residential | 6,065 |
| Remodeling Exemption - Commercial | 26,137 |
| Remodeling Exemption - Residential | 2,577 |
| | $ 73,922 |

## NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

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 June 15, 2021. 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, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information* Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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 $6,378,815 subsequent to year end.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the Park District. While the Park District expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Subsequent events have been evaluated through August 3, 2020, which is the date these financial statements were available to be issued.

**BISMARCK PARKS AND RECREATION DISTRICT**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Original Budget | Final Budget | Actual | Variance- Favorable (Unfavorable) |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 8,272,000 | $ 8,272,000 | $ 8,298,811 | $ 26,811 |
| Intergovernmental | 1,097,100 | 1,097,100 | 1,563,283 | 466,183 |
| Charges for services | 6,663,375 | 6,663,375 | 6,402,176 | (261,199) |
| Investment earnings (loss) | 25,000 | 25,000 | 277,612 | 252,612 |
| Grants | 53,500 | 53,500 | 13,482 | (40,018) |
| Leases | 110,000 | 110,000 | 108,649 | (1,351) |
| Donations | 21,200 | 21,200 | 20,859 | (341) |
| Miscellaneous | 224,500 | 224,500 | 33,141 | (191,359) |
| Total revenues | 16,466,675 | 16,466,675 | 16,718,013 | 251,338 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,389,875 | 2,389,875 | 2,101,204 | 288,671 |
| General maintenance | 2,982,450 | 2,982,450 | 2,928,030 | 54,420 |
| Golf | 1,899,825 | 1,899,825 | 1,774,633 | 125,192 |
| Capital Racquet Fitness Center | 512,750 | 512,750 | 540,320 | (27,570) |
| Aquatic Wellness Center | 1,162,975 | 1,162,975 | 1,270,739 | (107,764) |
| Pools | 845,800 | 845,800 | 568,319 | 277,481 |
| Ice arenas | 756,450 | 756,450 | 1,132,349 | (375,899) |
| Forestry | 208,200 | 208,200 | 169,393 | 38,807 |
| Memorial Building | 174,875 | 174,875 | 170,702 | 4,173 |
| Sibley Park | 434,575 | 434,575 | 334,464 | 100,111 |
| County parks | 241,700 | 241,700 | 71,995 | 169,705 |
| McDowell Dam | 205,950 | 205,950 | 197,969 | 7,981 |
| High Prairie Arts and Science Complex | 114,050 | 114,050 | 101,063 | 12,987 |
| Other recreational activities | 2,622,700 | 2,622,700 | 2,619,508 | 3,192 |
| Capital outlay | - | - | 56,097 | (56,097) |
| Capital outlay less than $5,000 | 737,785 | 737,785 | 286,856 | 450,929 |
| Debt service: | | | | |
| Principal retirement | 998,050 | 998,050 | 995,841 | 2,209 |
| Interest and fiscal charges | 446,165 | 446,165 | 444,128 | 2,037 |
| Total expenditures | 16,734,175 | 16,734,175 | 15,763,610 | 970,565 |
| Excess of revenues under expenditures | (267,500) | (267,500) | 954,403 | 1,221,903 |
| Other financing sources (uses): | | | | |
| Proceeds from insurance | 12,500 | 12,500 | 7,229 | (5,271) |
| Transfers in/out | 255,000 | 255,000 | (1,351,633) | (1,606,633) |
| Total other financing sources (uses) | 267,500 | 267,500 | (1,344,404) | (1,611,904) |
| Excess of revenues and other sources over (under) expenditures | $ - | $ - | (390,001) | $ (390,001) |
| Fund balance - January 1 | | | 3,424,603 | |
| Fund balance - December 31 | | | $ 3,034,602 | |

See Notes to the Required Supplementary Information

**BISMARCK PARKS AND RECREATION DISTRICT**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE- SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Original Budget | Final Budget | Actual | Variance- Favorable (Unfavorable) |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 2,717,800 | $ 2,717,800 | $ 2,686,462 | $ (31,338) |
| Miscellaneous | 50,000 | 50,000 | 38,324 | (11,676) |
| Total revenues | 2,767,800 | 2,767,800 | 2,724,786 | (43,014) |
| Expenditures: | | | | |
| Capital outlay <$5,000 | 135,150 | 135,150 | 9,387 | 125,763 |
| Debt service: | | | | |
| Principal retirement | 2,110,000 | 2,110,000 | 2,080,454 | 29,546 |
| Interest and fiscal charges | 377,650 | 377,650 | 354,531 | 23,119 |
| Issuance costs | 20,000 | 20,000 | 22,014 | (2,014) |
| Total expenditures | 2,642,800 | 2,642,800 | 2,466,386 | 176,414 |
| Excess of revenues over expenditures | 125,000 | 125,000 | 258,400 | 133,400 |
| Other financing sources (uses): | | | | |
| Transfers out | (125,000) | (125,000) | (225,000) | (100,000) |
| Excess of revenues and other sources over (under) expenditures | $ - | $ - | 33,400 | $ 33,400 |
| Fund balance - January 1 | | | 1,812,144 | |
| Fund balance - December 31 | | | $ 1,845,544 | |

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 *

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | 14.94% | 14.47% | 14.52% | 13.43% | 12.71% |
| Employer's proportionate share of the net pension liability (asset) | $ 1,485,481 | $ 2,721,922 | $ 1,283,226 | $ 1,315,443 | $ 1,167,823 |
| Employer's covered-employee payroll | $ 3,518,193 | $ 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 | 42.22% | 77.99% | 39.80% | 44.53% | 46.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.64% | 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 *

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Actuarially determined contribution | $ 320,293 | $ 262,486 | $ 266,849 | $ 209,905 | $ 122,820 |
| Contributions in relation to the actuarially determined contribution | $ (373,732) | $ (345,354) | $ (322,654) | $ (269,065) | $ (243,218) |
| Contribution deficiency (excess) | $ (53,439) | $ (82,868) | $ (55,805) | $ (59,160) | $ (120,398) |
| Employer's covered-employee payroll | $ 3,518,193 | $ 3,490,169 | $ 3,223,952 | $ 2,953,755 | $ 2,512,248 |
| Contributions as a percentage of covered-employee payroll | 10.62% | 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 *

| | 2019 | 2018 |
|---|---|---|
| Early Retirement Benefits | | |
| OPEB Liability | | |
| Service cost | $ 84,581 | $ 115,413 |
| Benefit paid | (11,348) | (17,792) |
| Net Change in Total OPEB Liability | 73,233 | 97,621 |
| OPEB Liability - Beginning | 97,621 | - |
| OPEB Liability - Ending | $ 170,854 | $ 97,621 |
| Covered Payroll | $ 2,511,467 | $ 2,530,464 |
| District's Total OPEB Liability as a % of Covered Payroll | 6.80% | 3.86% |
| Health Insurance Benefits | | |
| OPEB Liability | | |
| Service cost | $ 141,728 | $ 112,786 |
| Benefit paid | (34,440) | (16,348) |
| Net Change in Total OPEB Liability | 107,288 | 96,438 |
| OPEB Liability - Beginning | 230,727 | 134,289 |
| OPEB Liability - Ending | $ 338,015 | $ 230,727 |
| Covered Payroll | $ 2,765,641 | $ 2,832,811 |
| District's Total OPEB Liability as a % of Covered Payroll | 12.22% | 8.14% |

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

See Notes to the Required Supplementary Information

## 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 10th 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 7th and submitted to the County Auditor by October 10th 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 2019 reflect actuarial assumption changes effective January 1, 2020 based on the results of an actuarial experience study completed in 2019.

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 3, 2020.

**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**

August 3, 2020