

**MANDAN PARKS AND
RECREATION DISTRICT**

AUDIT REPORT

December 31, 2020

**MANDAN PARKS AND RECREATION DISTRICT
MANDAN, NORTH DAKOTA**

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For The Year Ended December 31, 2020

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**MANDAN PARKS AND RECREATION DISTRICT
MANDAN, NORTH DAKOTA**

List of Officials
December 31, 2020

| | |
|--------------------|-----------------|
| Wade Meschke | Board President |
| Jason Arenz | Vice President |
| Miles Mehlhoff | Commissioner |
| Jennifer Froehlich | Commissioner |
| Chad Hatzenbuhler | Commissioner |
| Cole Higlin | Director |

INDEPENDENT AUDITOR'S REPORT

Park Board
Mandan Parks and Recreation District
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mandan Parks and Recreation District, Mandan, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Park 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.

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mandan Parks and Recreation District, Mandan, North Dakota as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 4 through 10, the budgetary comparison information on page 36, and the notes to the required supplementary information on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2021, on our consideration of Mandan 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 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 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 Mandan Parks and Recreation District's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
June 14, 2021

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

As management of the Mandan Parks and Recreation District, we offer readers of the Mandan Parks and Recreation District's financial statements this narrative overview and analysis of the financial activities of the Mandan Parks and Recreation District for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 11 – 35 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the Mandan Parks and Recreation District exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$39,888,055 (*net position*). Of this amount, \$2,583,597 *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.
- The governmental activities total net position decreased by (\$209,160) during the current fiscal year.
- As of the close of the current fiscal year, the Mandan Parks and Recreation District's governmental funds reported combined ending fund balances of \$4,014,496, an increase of \$661,203 from the prior year.
- COVID-19 Financial Impact:
 - Because of the COVID-19 pandemic, some of our facilities and programs were affected. Due to the unforeseen stability of the economy, we took necessary precautions early in 2020. We cut expenses, put a temporary hiring freeze on seasonal staff, did not replace two unfilled full-time positions, and made our debt payments early.
 - We temporarily closed the Starion Sports Complex, the All Seasons Arena, and the Mandan Aquatic Center, resulting in lost revenue in the form of facility rentals, swim memberships, daily fees, and swimming lessons.
 - We cancelled our youth volleyball spring program and saw some decline in participants in our various adult and youth recreation programs throughout the year.
 - We discontinued our Mandan Activities and Care program from mid-March through the end of the school year.
 - By utilizing safety protocols, we were able to have the Golf Courses and Raging Rivers Waterpark open for their entire seasons.
 - We received a Hospitality Economic Resilience Grant (HERG) grant through the ND Department of Commerce in the amount of \$49,972.45 for expenses incurred at the Starion Sports Complex and the All Seasons Arena, because of lost revenue at these facilities.
 - We received \$8,500.72 from State of ND through the Coronavirus Relief Fund for reimbursement of COVID-19-related necessary expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Mandan Parks and Recreation District's basic financial statements. The Mandan Parks and Recreation District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Mandan Parks and Recreation District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Mandan Parks and Recreation District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Mandan Parks and Recreation District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Mandan 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 Mandan Parks and Recreation District include culture and recreation. The business-type activities of Mandan Parks and Recreation District include the Raging Rivers Waterpark. The government-wide financial statements can be found on pages 11 – 12 of this report.

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 Mandan Parks and Recreation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Mandan Parks and Recreation District are categorized as governmental funds and proprietary 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 fund 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mandan 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 balances for the general fund, parks's share of special assessments fund, capital improvements fund, vision fund and construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Mandan Parks and Recreation District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided only for the funds that are required to demonstrate compliance with this budget.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Proprietary funds. The Mandan Parks and Recreation District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Mandan Parks and Recreation District uses an enterprise fund to account for its Raging Rivers Waterpark activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Raging Rivers Waterpark, which is considered to be a major fund of the Mandan Parks and Recreation District.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

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. The notes to the financial statements can be found on pages 20 – 35 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Mandan Parks and Recreation District, assets exceeded liabilities by \$39,888,055 for governmental activities and assets exceeded liabilities by \$1,864,924 for business-type activities at the close of the most recent fiscal year.

A significant portion of the Mandan Parks and Recreation District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture and equipment, and vehicles and machinery); less any related debt used to acquire those assets that is still outstanding. The Mandan Parks and Recreation District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Mandan Parks and Recreation 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Mandan Parks and Recreation District's net position represents resources that are subject to external restrictions on how they may be used. However, the remaining balance of net position (*unrestricted*) \$2,583,597 governmental activities and \$371,633 for business-type activities may be used to meet the government's ongoing obligations to citizens and creditors.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|
| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
| Current and Other Assets | \$ 5,268,699 | \$ 4,647,356 | \$ 456,660 | \$ 416,386 |
| Capital and Non-Current Assets | 38,229,095 | 38,352,139 | 2,793,257 | 2,824,292 |
| Total Assets | <u>43,497,794</u> | <u>42,999,495</u> | <u>3,249,917</u> | <u>3,240,678</u> |
| Current Liabilities | 353,692 | 252,376 | 7,162 | 14,327 |
| Long-Term Liabilities | 2,404,840 | 1,676,841 | 1,301,659 | 1,539,862 |
| Deferred Inflows of Resources | 851,207 | 973,063 | 76,172 | 83,196 |
| Total Liabilities and Deferred Resources | <u>3,609,739</u> | <u>2,902,280</u> | <u>1,384,993</u> | <u>1,637,385</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 35,912,206 | 36,775,764 | 1,493,291 | 1,285,589 |
| Restricted | 1,392,252 | 1,139,326 | - | - |
| Unrestricted | 2,583,597 | 2,182,125 | 371,633 | 317,704 |
| Total Net Position | <u>\$ 39,888,055</u> | <u>\$ 40,097,215</u> | <u>\$ 1,864,924</u> | <u>\$ 1,603,293</u> |

Governmental activities. Net position decreased by \$209,160 from 2019 to 2020. Revenues decreased by \$1,204,565 and expenses increased by \$787,834 as compared to the prior year.

Business-type activities. Net position increased by \$261,631 from 2019 to 2020. Revenues increased by \$86,786 and expenses increased by \$5,110 as compared to the prior year.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|----------------------------|--------------------------------|---------------------|---------------------------------|-------------------|
| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 1,841,649 | \$ 1,873,524 | \$ 708,668 | \$ 624,502 |
| General Revenues | | | | |
| Property Taxes | 2,737,100 | 2,572,779 | - | - |
| Sales Taxes | 70,715 | 63,211 | 50,685 | 50,484 |
| Intergovernmental | 553,132 | 626,468 | - | - |
| Interest Earnings | 35,715 | 63,830 | - | - |
| Miscellaneous Revenue | 882,190 | 2,078,970 | 3,361 | 942 |
| Gain on Disposal | 16,000 | 62,284 | - | - |
| Transfers | <u>(96,369)</u> | <u>(96,369)</u> | <u>96,369</u> | <u>96,369</u> |
| Total Revenues | 6,040,132 | 7,244,697 | 859,083 | 772,297 |
| Expenses | | | | |
| Culture and Recreation | 6,207,942 | 5,418,711 | 563,926 | 554,313 |
| Interest & Service Charges | <u>41,350</u> | <u>42,747</u> | <u>33,526</u> | <u>38,029</u> |
| Total Expenses | <u>6,249,292</u> | <u>5,461,458</u> | <u>597,452</u> | <u>592,342</u> |
| Change in Net Position | <u>\$ (209,160)</u> | <u>\$ 1,783,239</u> | <u>\$ 261,631</u> | <u>\$ 179,955</u> |

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Mandan Parks and Recreation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Mandan 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 the Mandan Parks and Recreation District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Mandan Parks and Recreation District's governmental funds reported combined ending fund balances of \$4,014,496, an increase of \$661,203 from the prior year. Of this total amount, \$1,688,942 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. A portion of the remaining fund balance is *assigned* in the amount of \$429,308, *restricted* in the amount of \$999,204, and *nonspendable* in the amount of \$897,402.

The general fund is the chief operating fund of the Mandan Parks and Recreation District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,400,798, while total fund balance reached \$1,903,340. The fund balance of the Mandan Parks and Recreation District's general fund increased by \$405,303 during the current fiscal year.

Proprietary funds. The Mandan Parks & Recreation District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

As of the end of the current fiscal year, the Mandan Parks and Recreation District's proprietary funds reported ending net position of \$1,864,924, an increase of \$261,631 from the prior year. Of this amount \$371,633 constitutes *unrestricted net position*, which is available for spending at the government's discretion, the remaining balance of the total net position \$1,493,291 are the *net investment in capital assets*. The Mandan Parks and Recreation District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- The original budget anticipated a decrease of \$3,400 in fund balance.
- The amended budget increased expenditures by \$99,836 and adjusted transfers by a net of (\$327,736).
- The net effect of the budget amendments was estimated to reduce fund balance by \$427,572.

During the year, revenues were more than budgetary estimates by \$509,474, expenditures were less than budgetary estimates by \$372,609, other financing sources and uses were more than budgetary estimates by \$45,808 and ending fund balance was more than budgetary estimates by \$836,275.

Additional information on the Mandan Parks and Recreation District's budget amendments can be found in Note 16 in the notes to the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Mandan Parks and Recreation District's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$38,229,095 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, furniture and equipment, vehicles and machinery, and construction in progress.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--------------------------|--------------------------------|----------------------|---------------------------------|---------------------|
| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
| Land | \$ 4,819,135 | \$ 4,819,135 | \$ 653,400 | \$ 653,400 |
| Land Improvements | 6,023,839 | 5,377,393 | 158,445 | - |
| Buildings | 24,852,468 | 25,436,441 | 1,196,789 | 1,228,282 |
| Building Improvements | 1,721,834 | 1,819,186 | 784,623 | 842,310 |
| Furniture and Equipment | 207,946 | 246,670 | - | - |
| Vehicles and Machinery | 525,523 | 622,063 | - | - |
| Other Assets | 24,403 | 31,251 | - | - |
| Construction in Progress | 53,947 | - | - | 100,300 |
| Total | <u>\$ 38,229,095</u> | <u>\$ 38,352,139</u> | <u>\$ 2,793,257</u> | <u>\$ 2,824,292</u> |

Additional information on the Mandan Parks and Recreation District's capital assets can be found in Note 6 in the notes to the basic financial statements.

Mandan Parks and Recreation District
Management's Discussion and Analysis
December 31, 2020

Long-term debt. At the end of the current fiscal year, the Mandan Parks and Recreation District had total debt outstanding of \$3,706,499. The Mandan Parks and Recreation District's total debt increased by \$489,796 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The Mandan Parks and Recreation District has no outstanding general obligation debt. Park Districts also have a separate general debt limit that states the debt of a park service may not exceed one percent of the taxable property within the district according to the last preceding assessment. The Mandan Parks and Recreation District has stayed in compliance with that.

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|----------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | <u>12/31/2020</u> | <u>12/31/2019</u> | <u>12/31/2020</u> | <u>12/31/2019</u> |
| Revenue Bonds | \$ - | \$ - | \$ 1,115,000 | \$ 1,265,000 |
| Notes | 902,052 | 1,140,327 | 184,966 | 273,703 |
| Special Assessments | 1,414,837 | 436,048 | - | - |
| Compensated Absences | 87,951 | 100,466 | 1,693 | 1,159 |
| Total | <u>\$ 2,404,840</u> | <u>\$ 1,676,841</u> | <u>\$ 1,301,659</u> | <u>\$ 1,539,862</u> |

Additional information on the Mandan Parks and Recreation District's long-term debt can be found in Note 11 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- For budgetary purposes, the Mandan Board of Park Commissioners have requested that the Mandan Parks and Recreation District maintain a minimum of \$1.25 Million as the ending general fund balance each year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Mandan 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 information should be addressed to the Accounting Manager, 2600 46th Ave SE, Mandan, ND 58554.

MANDAN PARKS AND RECREATION DISTRICT

Statement of Net Position

December 31, 2020

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and Investments | \$ 4,062,478 | \$ 456,660 | \$ 4,519,138 |
| Due from Other Governments | 74,384 | - | 74,384 |
| Accounts Receivable | 173,066 | - | 173,066 |
| Taxes Receivable | 61,729 | - | 61,729 |
| Contributions Receivable | 893,800 | - | 893,800 |
| Prepaid Expenses | 3,242 | - | 3,242 |
| Capital Assets, Net of Accumulated Depreciation | 38,229,095 | 2,793,257 | 41,022,352 |
| TOTAL ASSETS | 43,497,794 | 3,249,917 | 46,747,711 |
| LIABILITIES | | | |
| Accounts Payable | 249,999 | 621 | 250,620 |
| Salaries & Benefits Payable | 91,268 | 2,533 | 93,801 |
| Interest Payable | 12,425 | 4,008 | 16,433 |
| Long-Term Liabilities: | | | |
| Due Within One Year: | | | |
| Revenue Bonds Payable | - | 150,000 | 150,000 |
| Notes Payable | 244,894 | 91,212 | 336,106 |
| Special Assessments Payable | 108,107 | - | 108,107 |
| Due After One Year: | | | |
| Revenue Bonds Payable | - | 965,000 | 965,000 |
| Notes Payable | 657,158 | 93,754 | 750,912 |
| Special Assessments Payable | 1,306,730 | - | 1,306,730 |
| Compensated Absences Payable | 87,951 | 1,693 | 89,644 |
| TOTAL LIABILITIES | 2,758,532 | 1,308,821 | 4,067,353 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Revenue | 851,207 | 76,172 | 927,379 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 851,207 | 76,172 | 927,379 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 35,912,206 | 1,493,291 | 37,405,497 |
| Restricted for: | | | |
| Debt Service | 441,412 | - | 441,412 |
| Capital Projects | 950,840 | - | 950,840 |
| Unrestricted | 2,583,597 | 371,633 | 2,955,230 |
| TOTAL NET POSITION | \$ 39,888,055 | \$ 1,864,924 | \$ 41,752,979 |

MANDAN PARKS AND RECREATION DISTRICT
Statement of Activities
For the Year Ended December 31, 2020

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|---------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| <u>Functions/Programs</u> | | | | | | | |
| Primary Government: | | | | | | | |
| <u>Governmental Activities:</u> | | | | | | | |
| Culture and Recreation | \$ 6,207,942 | \$ 1,841,649 | \$ - | \$ - | \$ (4,366,293) | | \$ (4,366,293) |
| <u>Debt Service:</u> | | | | | | | |
| Interest & Service Charges | 41,350 | - | - | - | (41,350) | | (41,350) |
| Total Governmental Activities | <u>\$ 6,249,292</u> | <u>\$ 1,841,649</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(4,407,643)</u> | | <u>(4,407,643)</u> |
| <u>Business-Type Activities:</u> | | | | | | | |
| Raging Rivers Waterpark | \$ 597,452 | \$ 762,714 | \$ - | \$ - | - | \$ 165,262 | 165,262 |
| Total Business-type Activities | <u>597,452</u> | <u>762,714</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>165,262</u> | <u>165,262</u> |
| Total Primary Government | <u>\$ 6,846,744</u> | <u>\$ 2,604,363</u> | <u>\$ -</u> | <u>\$ -</u> | (4,407,643) | 165,262 | (4,242,381) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes; levied for general purposes | | | | | 2,031,917 | - | 2,031,917 |
| Property taxes; levied for special purposes | | | | | 234,882 | - | 234,882 |
| Property taxes; levied for capital improvement | | | | | 470,301 | - | 470,301 |
| Sales Tax | | | | | 70,715 | - | 70,715 |
| Intergovernmental | | | | | 553,132 | - | 553,132 |
| Earnings on investments | | | | | 35,715 | - | 35,715 |
| Other Revenue | | | | | 882,190 | - | 882,190 |
| Gain (Loss) on Disposal | | | | | 16,000 | - | 16,000 |
| Total General Revenues | | | | | <u>4,294,852</u> | <u>-</u> | <u>4,294,852</u> |
| Transfers | | | | | (96,369) | 96,369 | - |
| Total General Revenues and Transfers | | | | | <u>4,198,483</u> | <u>96,369</u> | <u>4,294,852</u> |
| Change in Net Position | | | | | (209,160) | 261,631 | 52,471 |
| Net Position - Beginning of Year | | | | | <u>40,097,215</u> | <u>1,603,293</u> | <u>41,700,508</u> |
| Net Position - End of Year | | | | | <u>\$ 39,888,055</u> | <u>\$ 1,864,924</u> | <u>\$ 41,752,979</u> |

MANDAN PARKS AND RECREATION DISTRICT
Balance Sheet - Governmental Funds
December 31, 2020

| | Major Funds | | | | | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|-------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| | General | Park's Share of Special | Capital | Vision | Construction | | |
| | | Assessments | Improvements | Fund | | | |
| ASSETS: | | | | | | | |
| Cash and Cash Equivalents | \$ 2,512,938 | \$ 453,781 | \$ 711,307 | \$ 83,967 | \$ 288,144 | \$ 12,341 | \$ 4,062,478 |
| Taxes Receivable | 46,825 | 4,118 | 10,786 | - | - | - | 61,729 |
| Contributions Receivable | 166,300 | 90,000 | - | 637,500 | - | - | 893,800 |
| Due from Other Governments | 55,104 | 18,094 | 1,186 | - | - | - | 74,384 |
| Accounts Receivable | 173,066 | - | - | - | - | - | 173,066 |
| Prepaid Expenses | 3,242 | - | - | - | - | - | 3,242 |
| TOTAL ASSETS | <u>\$ 2,957,475</u> | <u>\$ 565,993</u> | <u>\$ 723,279</u> | <u>\$ 721,467</u> | <u>\$ 288,144</u> | <u>\$ 12,341</u> | <u>\$ 5,268,699</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | \$ 64,835 | \$ 124,581 | \$ 60,583 | \$ - | \$ - | \$ - | \$ 249,999 |
| Salary and Benefits Payable | 91,268 | - | - | - | - | - | 91,268 |
| Total Liabilities | <u>156,103</u> | <u>124,581</u> | <u>60,583</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>341,267</u> |
| Deferred Inflows of Resources: | | | | | | | |
| Deferred Revenue | 851,207 | - | - | - | - | - | 851,207 |
| Uncollected Taxes | 46,825 | 4,118 | 10,786 | - | - | - | 61,729 |
| Total Deferred Inflows of Resources | <u>898,032</u> | <u>4,118</u> | <u>10,786</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>912,936</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>1,054,135</u> | <u>128,699</u> | <u>71,369</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,254,203</u> |
| Fund Balances: | | | | | | | |
| Nonspendable for: | | | | | | | |
| Contributions Receivable | 166,300 | 90,000 | - | 637,500 | - | - | 893,800 |
| Prepaid Expenses | 3,242 | - | - | - | - | - | 3,242 |
| Restricted | - | 347,294 | 651,910 | - | - | - | 999,204 |
| Assigned | 113,500 | - | - | 83,967 | 288,144 | 12,341 | 497,952 |
| Unassigned | 1,620,298 | - | - | - | - | - | 1,620,298 |
| Total Fund Balances | <u>1,903,340</u> | <u>437,294</u> | <u>651,910</u> | <u>721,467</u> | <u>288,144</u> | <u>12,341</u> | <u>4,014,496</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 2,957,475</u> | <u>\$ 565,993</u> | <u>\$ 723,279</u> | <u>\$ 721,467</u> | <u>\$ 288,144</u> | <u>\$ 12,341</u> | <u>\$ 5,268,699</u> |

MANDAN PARKS AND RECREATION DISTRICT
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position - Governmental Funds
 December 31, 2020

Total *Fund Balances* for Governmental Funds \$ 4,014,496

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| Cost of Capital Assets | \$ 51,164,259 | |
| Less Accumulated Depreciation | <u>(12,935,164)</u> | |
| Net Capital Assets | | 38,229,095 |

Property taxes 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 revenues in the funds.

61,729

Long-term liabilities applicable to the Park District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the statement of net position. Balances at December 31, 2020 are:

| | | |
|-----------------------------|-----------------|--------------------|
| Notes Payable | (902,052) | |
| Special Assessments Payable | (1,414,837) | |
| Interest Payable | (12,425) | |
| Compensated Absences | <u>(87,951)</u> | |
| Total Long-Term Liabilities | | <u>(2,417,265)</u> |

Total Net Position of Governmental Activities \$ 39,888,055

MANDAN PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

| | Major Funds | | | | | Other Governmental Funds | Total Governmental Funds |
|--|--------------|---|-------------------------|----------------|--------------|--------------------------------|--------------------------------|
| | General | Park's Share of Special Assessments | Capital Improvements | Vision Fund | Construction | | |
| REVENUES: | | | | | | | |
| Taxes | \$ 2,122,314 | \$ 233,492 | \$ 474,666 | \$ - | \$ - | \$ - | \$ 2,830,472 |
| Intergovernmental | 542,442 | 3,434 | 7,256 | - | - | - | 553,132 |
| Charges for Services | 1,775,488 | - | 48,681 | - | - | 17,480 | 1,841,649 |
| Interest | 26,130 | 2,353 | 7,232 | - | - | - | 35,715 |
| Miscellaneous | 666,000 | 25,008 | 12,050 | - | 170,552 | 8,580 | 882,190 |
| Total Revenues | 5,132,374 | 264,287 | 549,885 | - | 170,552 | 26,060 | 6,143,158 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| Culture and Recreation | 4,044,190 | - | - | - | - | 19,088 | 4,063,278 |
| Capital Outlay | 110,447 | 552,210 | 659,274 | - | 217,116 | - | 1,539,047 |
| Special Assessments | - | 537,090 | - | - | - | - | 537,090 |
| Debt Service: | | | | | | | |
| Principal | 238,275 | 110,509 | - | - | - | - | 348,784 |
| Interest | 30,615 | 14,072 | - | - | - | - | 44,687 |
| Total Expenditures | 4,423,527 | 1,213,881 | 659,274 | - | 217,116 | 19,088 | 6,532,886 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 708,847 | (949,594) | (109,389) | - | (46,564) | 6,972 | (389,728) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Special Assessments Issued | - | 1,089,300 | - | - | - | - | 1,089,300 |
| Proceeds on Sale of Equipment | 58,000 | - | - | - | - | - | 58,000 |
| Transfers In (Out) | (361,544) | - | (65,401) | 20,817 | 337,548 | (27,789) | (96,369) |
| Total Other Financing Sources (Uses) | (303,544) | 1,089,300 | (65,401) | 20,817 | 337,548 | (27,789) | 1,050,931 |
| NET CHANGE IN FUND BALANCES | 405,303 | 139,706 | (174,790) | 20,817 | 290,984 | (20,817) | 661,203 |
| FUND BALANCES - January 1, 2020 | 1,498,037 | 297,588 | 826,700 | 700,650 | (2,840) | 33,158 | 3,353,293 |
| FUND BALANCES - December 31, 2020 | \$ 1,903,340 | \$ 437,294 | \$ 651,910 | \$ 721,467 | \$ 288,144 | \$ 12,341 | \$ 4,014,496 |

MANDAN PARKS AND RECREATION DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities - Governmental Funds
 For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 661,203

The change in net position reported for governmental activities in the statement of activities is different because:

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

This consists of the decrease in taxes receivable. (22,657)

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

| | | |
|-----------------------------------|--------------------|----------|
| Capital Assets Purchased | \$ 1,250,736 | |
| Current Year Depreciation Expense | <u>(1,331,778)</u> | |
| | | (81,042) |

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets disposed.

(42,000)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

| | | |
|-------------------|----------------|-----------|
| Issuance of Debt | (1,089,300) | |
| Repayment of Debt | <u>348,784</u> | |
| | | (740,516) |

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

| | | |
|--------------------------------------|--------------|---------------|
| Net Decrease in Compensated Absences | 12,515 | |
| Net Decrease in Interest Payable | <u>3,337</u> | |
| | | <u>15,852</u> |

Change in Net Position of Governmental Activities \$ (209,160)

MANDAN PARKS AND RECREATION DISTRICT
Statement of Net Position - Proprietary Funds
For the Year Ended December 31, 2020

| | Raging Rivers Waterpark |
|---|----------------------------|
| ASSETS: | |
| Current: | |
| Cash and Cash Equivalents | \$ 456,660 |
| Noncurrent: | |
| Capital Assets, Net of Accumulated Depreciation | 2,793,257 |
| TOTAL ASSETS | 3,249,917 |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | 621 |
| Salary & Benefits Payable | 2,533 |
| Interest Payable | 4,008 |
| Long-Term Liabilities: | |
| Due Within One Year: | |
| Revenue Bonds Payable | 150,000 |
| Note Payable | 91,212 |
| Due After One Year: | |
| Revenue Bonds Payable | 965,000 |
| Note Payable | 93,754 |
| Compensated Absences | 1,693 |
| TOTAL LIABILITIES | 1,308,821 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred Revenue | 76,172 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 76,172 |
| NET POSITION: | |
| Net Investment in Capital Assets | 1,493,291 |
| Unrestricted | 371,633 |
| TOTAL NET POSITION | \$ 1,864,924 |

MANDAN PARKS AND RECREATION DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

| | Raging Rivers Waterpark |
|--|----------------------------|
| OPERATING REVENUES: | |
| Charges for Services | \$ 708,668 |
| Sales Taxes | 50,685 |
| Cash Long/(Short) | 3,361 |
| TOTAL OPERATING REVENUES | 762,714 |
| OPERATING EXPENSES: | |
| Salaries and Benefits | 227,329 |
| Fees and Other Service Charges | 11,367 |
| Insurance | 2,492 |
| Utilities | 55,891 |
| Improvements | 5,813 |
| Publishing and Printing | 392 |
| Supplies and Maintenance | 114,605 |
| Repairs and Maintenance | 5,073 |
| Depreciation | 91,865 |
| Miscellaneous | 49,099 |
| TOTAL OPERATING EXPENSES | 563,926 |
| INCOME (LOSS) FROM OPERATIONS | 198,788 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Debt Service: | |
| Interest | (32,431) |
| Service Charges | (1,095) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (33,526) |
| NET INCOME (LOSS) BEFORE TRANSFERS | 165,262 |
| Transfers In (Out) | 96,369 |
| CHANGE IN NET POSITION | 261,631 |
| Net Position - January 1, 2020 | 1,603,293 |
| NET POSITION - DECEMBER 31, 2020 | \$ 1,864,924 |

MANDAN PARKS & RECREATION DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

| | Raging Rivers Waterpark |
|--|----------------------------|
| <u>Cash Flows from Operating Activities:</u> | |
| Receipts from Customers and Users | \$ 755,690 |
| Payments to Employees | (226,673) |
| Payments to Suppliers | (252,019) |
| Net Cash Provided (Used) by Operating Activities | 276,998 |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Transfers In | 96,369 |
| Cash Paid on Capital Assets | (60,830) |
| Principal Paid on Capital Debt | (238,737) |
| Interest Paid on Capital Debt | (32,431) |
| Service Charges Paid on Capital Debt | (1,095) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (236,724) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 40,274 |
| Cash and Cash Equivalents - January 1 | 416,386 |
| Cash and Cash Equivalents - December 31 | \$ 456,660 |
| <u>Reconciliation of Operating Income to Net Cash Provided</u> | |
| <u>(Used) by Operating Activities:</u> | |
| Operating Income (Loss) | \$ 198,788 |
| <u>Adjustments to Reconcile Operating Income (Loss) to</u> | |
| <u>Net Cash Provided (Used) by Operating Activities:</u> | |
| Depreciation Expense | 91,865 |
| Increase (Decrease) in Accounts Payable | (7,287) |
| Increase (Decrease) in Salaries & Benefits Payable | 497 |
| Increase (Decrease) in Interest Payable | (375) |
| Increase (Decrease) in Deferred Income | (7,024) |
| Increase (Decrease) in Compensated Absences | 534 |
| Total Adjustments | 78,210 |
| Net Cash Provided (Used) by Operating Activities | \$ 276,998 |

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mandan Parks and Recreation District, Mandan, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Park District's financial statements include all accounts of the Park District's operations. The criteria for including organizations as component units within the Park District's reporting entity included whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Park District holds the corporate powers of the organization
- the Park District appoints a voting majority of the organization's board
- the Park District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Park District
- there is a fiscal dependency by the organization on the Park District

Based on these criteria, there are no component units of Mandan Parks and Recreation District.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the primary government, Mandan Parks and Recreation District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Park District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Park District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

The fund financial statements provide information about the Park District's funds. Separate statements for each fund category-*governmental and proprietary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Park District reports the following major governmental funds:

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

Park's Share of Special Assessments. This debt service fund accounts for the financial resources collected to pay the Park District's share of specials assessed by the City as well as the expenditures for the assessed specials.

Capital Improvements Fund. This fund accounts for financial resources used for major capital projects of the Park District.

Construction Fund. This fund was established to account for the financial resources to be used for current and future projects that will take place.

Vision Fund. This fund was established to designate restricted funds for future long-term repairs to Park District Facilities. These funds will be dedicated to a specific facility or project that required board approval prior to expending the funds.

The Park District reports the following major enterprise fund:

Raging Rivers Waterpark Fund. This fund accounts for activities of the Raging Rivers Waterpark. This includes the operations and debt service functions.

C. Measurement Focus/Basis of Accounting

Government-wide and Proprietary Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Park District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Under the terms of grant agreements, the Park District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Park District's policy to first apply cost-reimbursement grant resources to such programs, and then to general revenues.

Private-sector standards of accounting and financial reporting issues generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, savings accounts and highly liquid short-term investments with original maturities of three months or less.

E. Investments

Investments are recorded at market value. North Dakota state statute authorizes Park District's 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, instrumentalities, 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 Federal Deposit Insurance Corporation of the state, d) obligations of the state.

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The consumption method is used for accounting for inventories. Under the consumption method, expenditures are recognized as the goods are used.

G. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the Park District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

| Assets | Years |
|-------------------------|--------------|
| Buildings | 50 |
| Building Improvements | 20 |
| Land Improvements | 30 |
| Furniture and Equipment | 5 |
| Vehicles and Machinery | 5 |

H. Compensated Absences

Full-time employees are entitled to annual vacation benefits at the start of their employment. Vacation benefits are earned from eight to eighteen hours per month depending on tenure with the Park District. Employees are allowed to carryover 96 to 216 hours into a new calendar year depending on tenure with the Park District. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Vested or accumulated leave for governmental funds is reported as a liability in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisitions, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as operating transfers.

L. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. 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 – non-current receivables and prepaids; 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 Park District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Park District removed 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 Park District’s “intent” to be used for special purposes but are neither restricted nor committed. The park board and 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 Park District’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

N. Deferred Inflows of Resources

Deferred inflows of resources in the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include uncollected taxes and deferred revenue.

NOTE 2 DEPOSITS – CASH AND INVESTMENTS

In accordance with North Dakota Statutes, the Park District maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 2 DEPOSITS – CASH AND INVESTMENTS – CONTINUED

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2020, the Park District's carrying amount of deposits was \$4,519,138 and the bank balance was \$4,588,860. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$3,838,860 was collateralized with securities held by the pledging financial institutions' agent not in the Park District's name. During the fiscal year ended December 31, 2020, the board reviewed the pledge of securities semi-annually.

As of December 31, 2020, the Park District pooled funds included certificates of deposit in the amount of \$250,000, which are all considered deposits.

Concentration of Credit Risk: The Park District does not have a limit on the amount the Park District may invest in any one issuer.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the Park District for rental fees and reimbursements. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 4 PROPERTY TAX

Under state law, the Park District is limited in its ability to levy property taxes. All Park District tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. The first installment is due by March 1 and the second installment is due by October 15. After the due dates, the bill becomes delinquent and penalties and interest are assessed. Taxes are collected by the county and remitted monthly to the Park District.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable represents the past four years of delinquent uncollected taxes.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 DUE FROM COUNTY TREASURER

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 6 CAPITAL ASSETS

| <u>Governmental Activities:</u> | <u>Balance</u> <u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>December 31</u> |
|--|------------------------------------|--------------------|------------------|--------------------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 4,819,135 | \$ - | \$ - | \$ 4,819,135 |
| Construction in Progress | - | <u>53,946</u> | - | <u>53,946</u> |
| Total Capital Assets Not Being Depreciated | 4,819,135 | 53,946 | - | 4,873,081 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land Improvements | 9,886,184 | 1,035,378 | - | 10,921,562 |
| Buildings | 28,500,252 | - | - | 28,500,252 |
| Building Improvements | 2,173,516 | - | - | 2,173,516 |
| Furniture and Equipment | 2,223,443 | 59,832 | 45,500 | 2,237,775 |
| Vehicles and Machinery | 2,339,620 | 101,578 | 65,000 | 2,376,198 |
| Other Assets | <u>81,875</u> | - | - | <u>81,875</u> |
| Total Capital Assets Being Depreciated | 45,204,890 | 1,196,788 | 110,500 | 46,291,178 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | 4,508,791 | 388,931 | - | 4,897,722 |
| Buildings | 3,063,811 | 583,973 | - | 3,647,784 |
| Building Improvements | 354,330 | 97,352 | - | 451,682 |
| Furniture and Equipment | 1,976,773 | 98,556 | 45,500 | 2,029,829 |
| Vehicles and Machinery | 1,717,556 | 156,118 | 23,000 | 1,850,674 |
| Other Assets | <u>50,625</u> | <u>6,848</u> | - | <u>57,473</u> |
| Total Accumulated Depreciation | <u>11,671,886</u> | <u>1,331,778</u> | <u>68,500</u> | <u>12,935,164</u> |
| Total Capital Assets Being Depreciated, Net | <u>33,533,004</u> | <u>(134,990)</u> | <u>42,000</u> | <u>33,356,014</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 38,352,139</u> | <u>\$ (81,044)</u> | <u>\$ 42,000</u> | <u>\$ 38,229,095</u> |

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 6 CAPITAL ASSETS – CONTINUED

| <u>Enterprise Activities:</u> | Balance January 1 | Increases | Decreases | Balance December 31 |
|--|----------------------|-------------------|-------------------|------------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 653,400 | \$ - | \$ - | \$ 653,400 |
| Construction in Progress | 100,300 | 60,830 | 161,130 | - |
| Total Capital Assets Not Being Depreciated | 753,700 | 60,830 | 161,130 | 653,400 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land Improvements | - | 161,130 | - | 161,130 |
| Buildings | 1,574,721 | - | - | 1,574,721 |
| Building Improvements | 1,207,881 | - | - | 1,207,881 |
| Vehicles & Machinery | 11,620 | - | - | 11,620 |
| Total Capital Assets Being Depreciated | 2,794,222 | 161,130 | - | 2,955,352 |
| <i>Less accumulated depreciation for:</i> | | | | |
| Land Improvements | - | 2,686 | - | 2,686 |
| Buildings | 346,436 | 31,494 | - | 377,930 |
| Building Improvements | 365,574 | 57,685 | - | 423,259 |
| Vehicles & Machinery | 11,620 | - | - | 11,620 |
| Total Accumulated Depreciation | 723,630 | 91,865 | - | 815,495 |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>2,070,592</u> | <u>69,265</u> | <u>-</u> | <u>2,139,857</u> |
| Enterprise Activities Capital Assets, Net | <u>\$ 2,824,292</u> | <u>\$ 130,095</u> | <u>\$ 161,130</u> | <u>\$ 2,793,257</u> |

Depreciation expense was charged to functions/programs of the Park District as follows:

| | |
|---|--------------|
| <u>Governmental Activities:</u> Culture and Recreation | \$ 1,331,778 |
|---|--------------|

| | |
|---|-----------|
| <u>Enterprise Activities:</u> Culture and Recreation | \$ 91,865 |
|---|-----------|

NOTE 7 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2020 and chargeable to the appropriations for the years then ended but paid for subsequent to that date.

NOTE 8 SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consist of amounts earned by employees for services rendered prior to December 31, 2020 but paid subsequent to that date. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from employees' wages as of December 31.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 9 DEFERRED REVENUES

Deferred revenues consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Included in deferred revenues is \$846,294 from the Mandan Public School District for the use of the sports complex from 2020-2027.

NOTE 10 LEASES

Operating Leases

Lower Heart River Water Resource District: The Park District is committed under a lease with the Lower Heart River Water Resource District for land for a golf course. This lease is considered for accounting purposes to be an operating lease. Lease expenditures were \$3,800. The lease expires on September 30, 2089.

Future minimum lease payments are as follows:

| Year Ending December 31 | Lower Heart River Water |
|----------------------------|----------------------------|
| 2021 | \$ 3,800 |
| 2022 | 3,800 |
| 2023 | 3,800 |
| 2024 | 3,800 |
| 2025 | 3,800 |
| Thereafter | <u>239,400</u> |
| Total | <u>\$ 258,400</u> |

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 11 LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities.

| | Balance | | | Balance | | Due Within |
|---------------------------------|---------------------|---------------------|-------------------|---------------------|-------------------|------------|
| <u>Governmental Activities:</u> | <u>January 1</u> | <u>Additions</u> | <u>Reductions</u> | <u>December 31</u> | <u>One Year</u> | |
| Compensated Absences * | \$ 100,466 | \$ - | \$ 12,515 | \$ 87,951 | \$ - | |
| Notes Payable | 1,140,327 | - | 238,275 | 902,052 | 244,894 | |
| Special Assessment Payable | <u>436,048</u> | <u>1,089,300</u> | <u>110,511</u> | <u>1,414,837</u> | <u>108,107</u> | |
| Total Governmental Activities | <u>\$ 1,676,841</u> | <u>\$ 1,089,300</u> | <u>\$ 361,301</u> | <u>\$ 2,404,840</u> | <u>\$ 353,001</u> | |

| | Balance | | | Balance | | Due Within |
|----------------------------------|---------------------|------------------|-------------------|---------------------|-------------------|------------|
| <u>Business-type Activities:</u> | <u>January 1</u> | <u>Additions</u> | <u>Reductions</u> | <u>December 31</u> | <u>One Year</u> | |
| Compensated Absences * | \$ 1,159 | \$ 534 | \$ - | \$ 1,693 | \$ - | |
| Notes Payable | 273,703 | - | 88,737 | 184,966 | 91,212 | |
| Revenue Bonds Payable | <u>1,265,000</u> | <u>-</u> | <u>150,000</u> | <u>1,115,000</u> | <u>150,000</u> | |
| Total Business-type Activities | <u>\$ 1,539,862</u> | <u>\$ 534</u> | <u>\$ 238,737</u> | <u>\$ 1,301,659</u> | <u>\$ 241,212</u> | |

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

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 11 LONG-TERM LIABILITIES – CONTINUED

Outstanding debt (excluding compensated absences) at December 31, 2020 consists of the following issues:

Governmental Activities:

Notes Payable:

| | |
|--|------------|
| \$700,000 Note dated January 31, 2013 for a new sprinkler system at Prairie West Golf Course, due in annual payments of \$81,227, which includes interest at 2.95% through October 1, 2022. | \$ 155,473 |
| \$313,363 Note dated February 1, 2012 for major repairs to the Mandan Community Center Pool Area, due in annual payments of \$23,844, which includes interest at 1.7% through February 1, 2026. | 134,922 |
| \$700,000 Note dated April 6, 2016 for the purchase of land to be used for the Starion Sports Complex, due in annual payments of \$98,417, which includes interest at 2.65% through February 10, 2024. | 368,213 |
| \$300,000 Note dated December 1, 2019 for the purchase of golf equipment, due in annual payments of \$65,400, which includes interest at 2.90% through December 2, 2024 | 243,444 |
| TOTAL | \$ 902,052 |

Special Assessments:

| | |
|--|--------------|
| Special assessments dated over various years from 1999 to 2018. The maturities vary per issue and extend through 2039. The interest rates vary from 0.00 to 4.37%. | \$ 1,414,837 |
|--|--------------|

Business-type Activities:

Notes Payable:

| | |
|---|------------|
| \$690,000 Note dated March 4, 2015 for improvements to the Raging Rivers Facility, due in annual payments of \$96,369, which includes interest at 2.75% through October 10, 2022. | \$ 184,966 |
|---|------------|

Revenue Bonds:

| | |
|---|--------------|
| \$1,695,000 Revenue Refunding Bonds of 2016 due in annual installments of \$140,000 to \$170,000 through May 1, 2027; interest at 0.85% to 2.60%. | 1,115,000 |
| TOTAL | \$ 1,299,966 |

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 11 LONG-TERM LIABILITIES – CONTINUED

The annual requirements to amortize the outstanding debt are as follows:

| Year | Governmental Activities | | | | Business-Type Activities | | | |
|--------------|-------------------------|------------------|---------------------|-------------------|--------------------------|------------------|-------------------|-----------------|
| | Notes Payable | | Special Assessments | | Revenue Bonds | | Notes Payable | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 244,895 | \$ 23,994 | \$ 108,107 | \$ 48,540 | \$ 150,000 | \$ 22,925 | \$ 91,212 | \$ 5,157 |
| 2022 | 251,434 | 17,246 | 107,971 | 44,970 | 155,000 | 20,328 | 93,754 | 2,615 |
| 2023 | 177,351 | 10,310 | 107,787 | 41,403 | 155,000 | 17,382 | - | - |
| 2024 | 181,639 | 5,620 | 107,787 | 37,846 | 160,000 | 14,110 | - | - |
| 2025 | 23,053 | 790 | 107,787 | 34,288 | 160,000 | 10,510 | - | - |
| 2026-2030 | 23,680 | 399 | 385,066 | 121,608 | 335,000 | 8,775 | - | - |
| 2031-2035 | - | - | 272,475 | 66,726 | - | - | - | - |
| 2036-2040 | - | - | 217,857 | 19,063 | - | - | - | - |
| TOTAL | <u>\$ 902,052</u> | <u>\$ 58,359</u> | <u>\$ 1,414,837</u> | <u>\$ 414,444</u> | <u>\$ 1,115,000</u> | <u>\$ 94,030</u> | <u>\$ 184,966</u> | <u>\$ 7,772</u> |

NOTE 12 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

| Funds | Transfers In | Transfers Out |
|---|--------------|---------------|
| General Fund | \$ 65,401 | |
| Capital Improvement | | \$ 65,401 |
| <i>Transfer funds for loan payment</i> | | |
| Raging Rivers | 96,369 | |
| General Fund | | 96,369 |
| <i>Transfer for loan payment</i> | | |
| General Fund | 6,972 | |
| Vision Fund | 20,817 | |
| Baseball Boosters Fund | | 27,789 |
| <i>Transfer of funding</i> | | |
| Construction Fund | 337,548 | |
| General Fund | | 337,548 |
| <i>Transfer funding for Faris Field development \$333,000, close out Memorial Ballpark \$2,840, cost share on Sports Complex study \$1,708.</i> | | |

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 13 RISK MANAGEMENT

Mandan Parks and Recreation District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Mandan Parks and Recreation District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability and automobile and \$2,706,850 for inland marine.

Mandan Parks and Recreation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The park district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Park District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Mandan Parks and Recreation District has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 14 PENSION PLAN

Mandan Parks and Recreation District participates in the City of Mandan pension plan, which provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Effective January 1, 2014, employees are eligible to participate after reaching age 19 and may enroll immediately upon hire. City ordinance requires that the employee contribute at least 2% of the employee's base salary each month. These employee contributions are invested in the City of Mandan Deferred Compensation Plan. Participating employees are immediately 100% vested in the employee's contributions. The Park District's contribution of 8% for each participating employee is invested in the City of Mandan North Dakota Retirement Plan and Trust. Participating employees vest in the employer contributions made on the employee's behalf as follows:

Upon completion of one year of service – 25%

Upon completion of two years of service – 50%

Upon completion of three years of service – 75%

Upon completion of four years of service – 100%

Employees are entitled to their vested account balance. Employees may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution. The Park District's contributions and related interest forfeited by employees who leave employment before becoming fully vested are allocated to eligible plan participants who are employed on the last day of the plan year.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 14 PENSION PLAN – CONTINUED

The Park District’s required and actual contributions for the years ended December 31, 2020, 2019 and 2018, were \$101,372, \$100,181, and \$99,179, respectively.

The Park District’s employee contributions for the years ended December 31, 2020, 2019 and 2018 were \$127,495, \$127,553, and \$100,658, respectively.

The City of Mandan issues a publicly available financial report that includes financial information and the required supplementary information for the City’s pension plan. That report can be obtained by writing to the City of Mandan, 205 2nd Ave. NW, Mandan, North Dakota 58554.

NOTE 15 LEGAL CLAIMS

An incident in June 2008 at the Mandan Community Center may result in a lawsuit or give rise to a claim. The Mandan Community Center is insured by the North Dakota Insurance Reserve Fund and any claim brought will be vigorously defended. Upon closure of the facility, the Mandan Park District will be continuing to monitor this incident.

NOTE 16 BUDGET AMENDMENTS

The board of Park District commissioners approved the following amendments to the Park District budget:

For the Year Ended December 31, 2020:

| Fund | EXPENDITURES AND OTHER FINANCING USES | | |
|---------------|--|------------|-------------------|
| | Original Budget | Amendment | Amended Budget |
| General Fund | \$ 4,766,300 | \$ 622,279 | \$ 5,388,579 |
| Raging Rivers | \$ 693,390 | \$ 67,030 | \$ 760,420 |

NOTE 17 TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments to the citizens of those governments.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 17 TAX ABATEMENTS - CONTINUED

Mandan Parks and Recreation District and political subdivisions within Morton County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Morton County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2020.

The District will state individually the parties who received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business

Allows for incentive in the form of property tax exemption, payments in lieu of taxes, or a combination of both to qualifying business. (N.D.C.C.Ch. 40-57-1)

Property Tax Exemption

Certain single family, condominium, & townhouse residential properties, (N.D.C.C. Ch.57-02-08 (35)&(42)), allows for newly constructed homes, excluding land, to be exempt for up to two years, up to a maximum of \$75,000 of the home's value.

Property Tax Exemption for Improvements

Improvements made to existing commercial and residential buildings, (N.D.C.C. Ch.57-02.2), allows for value added resulting from the improvements made to the property to be exempt from assessment and taxation for up to five years from the date of the commencement of making the improvements.

Tax Increment Financing

Allows for providing a property tax exemption to provide assistance in a development or urban renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight, (N.D.C.C 40-58-20).

Renaissance Zone Property Tax Exemption

This incentive is to encourage the purchase, lease, rehabilitation, or historical preservation or renovation of properties within the zone. Allows commercial and residential properties located within a renaissance zone to be exempt for up to five years (N.D.C.C. Ch. 40-63).

Religious Organization Exemption

All buildings owned by any religious corporation or organization and used exclusively for religious purposes of the organization that meet state requirements of (N.D.C.C. 57-02-09) are eligible for property tax incentives.

Mandan Parks and Recreation District
Notes to Basic Financial Statements
December 31, 2020

NOTE 17 TAX ABATEMENTS – CONTINUED

Public Charity Exemption

Public charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licenses pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property is exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

Blind Exemption

Residential homes owned and occupied by an individual who is blind shall be exempt up to \$160,000 of the building value. Homes that are owned by a spouse of a blind person shall also be exempt within the limits of this exemption as long as the blind person resides in the home.

Wheelchair Exemption

Residential homes owned and occupied by a permanently and total disabled person who is permanently confined to use of a wheelchair is eligible for an exemption of up to \$100,000 of the true and full value of fixtures, buildings, and improvements. Land is taxable.

The total reduction in property tax revenue due to tax abatements is as follows:

| <u>Program</u> | <u>Reduction in Property Tax Revenue</u> |
|----------------------------|--|
| New and Expanding Business | \$ 7,213 |
| New Construction | 15,120 |
| Renaissance Zone | 16,358 |
| Other | 2,430 |
| Total Exemptions | <u>\$ 41,121</u> |

No party received a benefit of the reduction in taxes that exceeded 20% of the total exemptions listed above.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

MANDAN PARKS AND RECREATION DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended December 31, 2020

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Budget Favorable (Unfavorable)</u> |
|--|------------------------|---------------------|---------------------|---|
| REVENUES: | | | | |
| Taxes | \$ 1,930,500 | \$ 1,930,500 | \$ 2,122,314 | \$ 191,814 |
| Intergovernmental | 460,000 | 460,000 | 542,442 | 82,442 |
| Charges for Services | 1,756,400 | 1,756,400 | 1,775,488 | 19,088 |
| Interest | 20,000 | 20,000 | 26,130 | 6,130 |
| Miscellaneous | <u>456,000</u> | <u>456,000</u> | <u>666,000</u> | <u>210,000</u> |
| Total Revenues | <u>4,622,900</u> | <u>4,622,900</u> | <u>5,132,374</u> | <u>509,474</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Culture and Recreation | 4,311,110 | 4,372,046 | 4,044,190 | 327,856 |
| Capital Outlay | 14,500 | 53,400 | 110,447 | (57,047) |
| Debt Service: | | | | |
| Principal | 337,115 | 337,115 | 238,275 | 98,840 |
| Interest | <u>33,575</u> | <u>33,575</u> | <u>30,615</u> | <u>2,960</u> |
| Total Expenditures | <u>4,696,300</u> | <u>4,796,136</u> | <u>4,423,527</u> | <u>372,609</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | <u>(73,400)</u> | <u>(173,236)</u> | <u>708,847</u> | <u>882,083</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds on Sale of Equipment | - | - | 58,000 | 58,000 |
| Transfers In (Out) | <u>70,000</u> | <u>(257,736)</u> | <u>(361,544)</u> | <u>(103,808)</u> |
| Total Other Financing Sources (Uses) | <u>70,000</u> | <u>(257,736)</u> | <u>(303,544)</u> | <u>(45,808)</u> |
| NET CHANGE IN FUND BALANCES | (3,400) | (430,972) | 405,303 | 836,275 |
| FUND BALANCES - January 1, 2020 | <u>1,498,037</u> | <u>1,498,037</u> | <u>1,498,037</u> | <u>-</u> |
| FUND BALANCES - December 31, 2020 | <u>\$ 1,494,637</u> | <u>\$ 1,067,065</u> | <u>\$ 1,903,340</u> | <u>\$ 836,275</u> |

Mandan Parks and Recreation District
Notes to Required Supplementary Information
December 31, 2020

NOTE 1 BUDGETS

The park board adopts a budget on the modified accrual basis, which is generally accepted in the United States of America. The budget is presented for the general fund and major special revenue funds. The board is required to present the adopted and final amended budgeted receipts and disbursements for the fund.

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

- On or before August 10th of the preceding fiscal year, the Park District prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The final budget must be submitted to the county auditor no later than October 10th.
- The governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

The actual expenditures were over budget on certain line items but, as a whole, actual expenditures were less than budgeted expenditures and no remedial action is anticipated.

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*

Park Board
Mandan Parks and Recreation District
Mandan, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Mandan Parks and Recreation District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated June 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandan Parks and Recreation 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 Mandan Parks and Recreation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mandan Parks and Recreation District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2020-001 described in the accompanying schedule of findings to be material weaknesses.

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. We consider deficiency 2020-002 described in the accompanying schedule of findings to be a significant deficiency.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandan Parks and Recreation 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*.

Mandan Parks and Recreation District's Response to Findings

Mandan Parks and Recreation District's responses to the findings identified in our audit are described in the accompanying schedule of findings. Mandan Parks and Recreation District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Haga Kommer, Ltd.

Haga Kommer, Ltd
Mandan, North Dakota
June 14, 2021

MANDAN PARKS AND RECREATION DISTRICT
Schedule of Findings
For the Year Ended December 31, 2020

Finding 2020-001: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the Park District’s auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the Park District to prepare the financial statements in the format required by generally accepted accounting principles.

Effect – An increased risk of material misstatement in the Park District’s financial statements.

Recommendation – The board should review the financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management’s Response – The Park District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Park District.

Finding 2020-002: Segregation of Duties

Condition – The Park District has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has access to a transaction from inception to completion.

Cause – There are a limited number of staff members available for these duties.

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

Recommendation –The most effective controls lie in the board’s knowledge of matters relating to the Park District’s operations. Board members should periodically review documentation supporting individual transactions. Regarding Raging Rivers, there are several individuals who have access to cash and inventory and it is important that management adhere to the internal control procedures established.

Management’s Response – The Park District is aware of the limitations and will add controls where feasible.