

**CITY OF MINOT PARK DISTRICT
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 4 |
| Statement of Activities | 5 |
| Governmental Fund Financial Statements | |
| Balance Sheet | 6 |
| Reconciliation of Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | 8 |
| Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance with the Government-Wide Statement of Activities | 9 |
| Notes to the Financial Statements | 10 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule - General Fund | 42 |
| Schedules of Employer's Proportionate Share of Net Pension Liability | 43 |
| Schedules of Employer's Proportionate Share of Net OPEB Liability | 43 |
| Schedules of Employer Contributions - Pensions | 44 |
| Schedules of Employer Contributions – OPEB | 44 |
| Notes to the Required Supplementary Information | 45 |
| SUPPLEMENTARY INFORMATION | |
| Tax Levies and Uncollected Taxes | 48 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 49 |
| Schedule of Findings and Responses | 51 |
| Schedule of Prior Audit Findings | 52 |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Minot Park District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The tax levies and uncollected taxes, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Great Falls, Montana
September 10, 2021

**CITY OF MINOT PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

| | |
|---|---------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 7,767,738 |
| Due from county | 82,632 |
| Due from state | 127,222 |
| Taxes receivable | 348,607 |
| Other receivables | 144 |
| Total current assets | 8,326,343 |
| CAPITAL ASSETS | |
| Construction in progress | 3,521,833 |
| Nondepreciable capital assets | 9,553,030 |
| Depreciable capital assets, net | 50,050,382 |
| Total capital assets | 63,125,245 |
| RESTRICTED ASSETS | |
| Foundation cash and cash equivalents | 66,142 |
| Foundation investments | 748,667 |
| Total restricted assets | 814,809 |
| Total assets | 72,266,397 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost-sharing defined benefit plans - pensions | 4,015,370 |
| Cost-sharing defined benefit plans - OPEB | 72,957 |
| Total deferred outflows of resources | 4,088,327 |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 536,544 |
| Accrued payroll | 61,568 |
| Accrued payroll taxes and other withholding | 67,778 |
| Retainage payable | 161,180 |
| Accrued compensated absences | 72,438 |
| Accrued interest payable | 107,153 |
| Current portion of long-term debt | 2,024,743 |
| Unearned revenue | 7,105 |
| Total current liabilities | 3,038,509 |
| NON-CURRENT LIABILITIES | |
| Net pension liability | 8,862,155 |
| Net OPEB liability | 83,497 |
| Unamortized premiums / discounts | 357,328 |
| Long-term debt, net of current portion and unamortized premiums / discounts | 18,357,540 |
| Total non-current liabilities | 27,660,520 |
| Total liabilities | 30,699,029 |
| DEFERRED INFLOWS OF RESOURCES | |
| Cost-sharing defined benefit plans - pension | 854,837 |
| Cost-sharing defined benefit plans - OPEB | 2,002 |
| Total deferred inflows of resources | 856,839 |
| NET POSITION | |
| Net investment in capital assets | 42,224,454 |
| Restricted for: | |
| Park District Foundation | 798,056 |
| Debt service | 1,089,957 |
| Capital projects | 260,923 |
| Unrestricted | 425,466 |
| Total net position | \$ 44,798,856 |

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Expenses | Program Revenues | | | Net (Expense) |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Governmental Activities |
| Governmental Activities | | | | | |
| Park operations | \$ 10,577,039 | \$ 2,060,881 | \$ 1,260,882 | \$ 161,934 | \$ (7,093,342) |
| Recreation | 1,745,926 | 197,525 | - | - | (1,548,401) |
| Interest on long-term debt | 525,428 | - | - | - | (525,428) |
| Total governmental activities | \$ 12,848,393 | \$ 2,258,406 | \$ 1,260,882 | \$ 161,934 | (9,167,171) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 8,930,262 |
| State revenue not restricted for a specific purpose | | | | | 518,048 |
| Investment earnings (loss) | | | | | 99,991 |
| Miscellaneous | | | | | 96,634 |
| Total general revenues and special items | | | | | <u>9,644,935</u> |
| Change in net position | | | | | 477,764 |
| Net position - beginning of year | | | | | <u>44,321,092</u> |
| Net position - end of year | | | | | <u>\$ 44,798,856</u> |

See Notes to the Financial Statements

**CITY OF MINOT PARK DISTRICT
BALANCE SHEET
DECEMBER 31, 2020**

| | General Fund | General Obligation Bonds, 2020A | Total Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------------|--|--------------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 7,207,943 | \$ - | \$ 559,795 | \$ 7,767,738 |
| Due from county | 67,310 | - | 15,322 | 82,632 |
| Due from state | 127,222 | - | - | 127,222 |
| Due from other funds | - | 348,620 | 588,323 | 936,943 |
| Taxes receivable | 283,090 | - | 65,517 | 348,607 |
| Other receivables | 144 | - | - | 144 |
| Total current assets | <u>7,685,709</u> | <u>348,620</u> | <u>1,228,957</u> | <u>9,263,286</u> |
| RESTRICTED ASSETS | | | | |
| Foundation cash and cash equivalents | - | - | 66,142 | 66,142 |
| Foundation investments | - | - | 748,667 | 748,667 |
| Total restricted assets | <u>-</u> | <u>-</u> | <u>814,809</u> | <u>814,809</u> |
| Total assets | <u>\$ 7,685,709</u> | <u>\$ 348,620</u> | <u>\$ 2,043,766</u> | <u>\$ 10,078,095</u> |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 519,791 | \$ - | \$ 16,753 | \$ 536,544 |
| Accrued payroll | 61,568 | - | - | 61,568 |
| Accrued payroll taxes and other withholding | 67,778 | - | - | 67,778 |
| Retainage payable | - | 161,180 | - | 161,180 |
| Unearned revenue | 7,105 | - | - | 7,105 |
| Due to other funds | 936,943 | - | - | 936,943 |
| Total current liabilities | <u>1,593,185</u> | <u>161,180</u> | <u>16,753</u> | <u>1,771,118</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows - taxes | <u>283,090</u> | <u>-</u> | <u>65,517</u> | <u>348,607</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Park District Foundation | - | - | 798,056 | 798,056 |
| Debt service | - | - | 1,089,957 | 1,089,957 |
| Capital projects | - | 187,440 | 73,483 | 260,923 |
| Unassigned | 5,809,434 | - | - | 5,809,434 |
| Total fund balances | <u>5,809,434</u> | <u>187,440</u> | <u>1,961,496</u> | <u>7,958,370</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,685,709</u> | <u>\$ 348,620</u> | <u>\$ 2,043,766</u> | <u>\$ 10,078,095</u> |

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | | |
|---|--------------|---------------|
| Total Governmental Funds Balance | | \$ 7,958,370 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | | 63,125,245 |
| Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds. | | 348,607 |
| Deferred outflows relating to the cost-sharing defined benefit plans in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds. | | 4,088,327 |
| Bond premiums and discounts are reported as other financing sources and uses in the governmental fund financial statements, but are deferred and amortized in the government wide financial statements. | | (357,328) |
| Long-term liabilities are not due and payable in the current period and therefore are not included in the funds. | | |
| Accrued compensated absences | (72,438) | |
| Accrued interest payable | (107,153) | |
| Long-term debt | (20,382,283) | |
| Net pension liability | (8,862,155) | |
| Net OPEB liability | (83,497) | |
| Total | (29,507,526) | |
| Deferred inflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds. | | (856,839) |
| Net Position of Governmental Activities | | \$ 44,798,856 |

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

| | General Fund | General Obligation Bonds, 2020A | Total Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------------|--|--------------------------------|
| REVENUES | | | | |
| Local property taxes | \$ 7,350,737 | \$ - | \$ 1,543,236 | \$ 8,893,973 |
| Charges for services | 2,258,400 | - | - | 2,258,400 |
| State revenue | 518,048 | - | - | 518,048 |
| Grants and contributions | 1,260,882 | - | 161,934 | 1,422,816 |
| Investment income | 62,332 | - | 37,659 | 99,991 |
| Miscellaneous | 96,634 | - | - | 96,634 |
| Total revenues | <u>11,547,033</u> | <u>-</u> | <u>1,742,829</u> | <u>13,289,862</u> |
| EXPENDITURES | | | | |
| Park operations | 7,136,413 | - | 334,147 | 7,470,560 |
| Recreation | 1,675,491 | - | - | 1,675,491 |
| Capital outlay | 1,590,141 | 3,095,209 | 63,802 | 4,749,152 |
| Debt Service: | | | - | - |
| Principal payments | 516,587 | - | 1,355,000 | 1,871,587 |
| Interest | 318,606 | - | 213,339 | 531,945 |
| Issuance costs | - | 87,096 | - | 87,096 |
| Total expenditures | <u>11,237,238</u> | <u>3,182,305</u> | <u>1,966,288</u> | <u>16,385,831</u> |
| Excess revenues over (under) expenditures | <u>309,795</u> | <u>(3,182,305)</u> | <u>(223,459)</u> | <u>(3,095,969)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from issuance of bonds | - | 3,280,000 | - | 3,280,000 |
| Issuance of capital lease | 25,044 | - | - | 25,044 |
| Proceeds from sale of capital assets | - | - | - | - |
| Bond premium (discount) | - | 89,745 | - | 89,745 |
| Operating transfers in | - | - | 44,669 | 44,669 |
| Operating transfers out | (44,669) | - | - | (44,669) |
| Total other financing sources (uses) | <u>(19,625)</u> | <u>3,369,745</u> | <u>44,669</u> | <u>3,394,789</u> |
| Net change in fund balances | <u>290,170</u> | <u>187,440</u> | <u>(178,790)</u> | <u>298,820</u> |
| Fund balances - beginning of year | 5,519,264 | - | 2,140,286 | 7,659,550 |
| Fund balances - end of year | <u>\$ 5,809,434</u> | <u>\$ 187,440</u> | <u>\$ 1,961,496</u> | <u>\$ 7,958,370</u> |

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balance - governmental funds \$ 298,820

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense. This is the amount by which capital outlays exceeded
depreciation in the current period.

| | | |
|---------------------------|-------------|-----------|
| Capital asset additions | 4,749,152 | |
| Current year depreciation | (2,107,256) | |
| Total | 2,641,896 | 2,641,896 |

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. This
consists of delinquent property taxes. 36,289

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

| | | |
|---|-------------|-------------|
| Net increase in accrued compensated absences | (36,295) | |
| Amortization of premium/discount on bond issues | (49,819) | |
| Net decrease in accrued interest payable | (33,409) | |
| Net increase in net pension liability | (2,711,708) | |
| Net increase in net OPEB liability | (48,811) | |
| Total | (2,880,042) | (2,880,042) |

Changes in deferred outflows relating to cost-sharing defined benefit plans 2,305,045

Changes in deferred inflows relating to cost-sharing defined benefit plans (490,787)

Long-term debt proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the Statement of
Net Position. (3,305,044)

Repayment on long-term debt consumes the current financial resources of the
governmental funds. However, there is no effect on net position. 1,871,587

Change in net position of governmental activities \$ 477,764

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 GOVERNING BOARD AND REPORTING ENTITY

The affairs of the City of Minot Park District (“District”) are administered by an elected board made up of a president and four commissioners. Appointed officials are a clerk, attorney, and director of parks. The officials of the District as of December 31, 2020, are as follows:

| | <u>Office</u> | <u>Monthly Compensation</u> |
|------------------|-------------------|---------------------------------|
| Perry Olson | President | \$ 300 |
| Mike Schmitt | Vice President | 300 |
| Cliff Hovda | Commissioner | 300 |
| Chuck Emery | Commissioner | 300 |
| Ken Kitzman | Commissioner | 300 |
| Ron Merritt | Director of Parks | 11,235 |
| Pete Hankla | Attorney | - |
| Elly DesLauriers | Clerk | 200 |

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Presentation

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

General Obligation Bonds, Series 2020 A - a capital projects fund that accounts for the bond proceeds and construction costs related to construction and improvements to Polaris Park, Roosevelt Waterslide, Leach Park, Woodland Trail parking and zoo and Oak park trails.

Measurement Focus/Basis of Accounting

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

Governmental fund financial statements are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Park District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and Cash Equivalents

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

Investments

North Dakota state statute authorizes government entities to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation, d) Obligations of the state, and e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two annually recognized rating agencies and matures in two hundred seventy days or less. Investments are carried at fair value.

Due from County

The amount due from county consists of cash on hand at the county for taxes collected but not yet remitted to the District at December 31, 2020.

Due from State

The amount due from state consists of cash on hand at the state for taxes collected but not yet remitted to the District at December 31, 2020.

Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31, 2020, and are recorded as deferred inflows of resources in the governmental funds and recognized as revenue in the government-wide financial statements.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost).

The assets are updated for additions and retirements during the Park District's fiscal year. The Park District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their acquisition value at the date received. Improvements that significantly extend the useful life of the asset are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

| | |
|-----------------------------|-------------|
| Buildings and Improvements | 20-60 years |
| Equipment | 5-15 years |
| Vehicles | 5-10 years |
| Tractors, Trailers & Mowers | 5-10 years |
| Zoo | 30-60 years |

Collections include statues and sculptures. No depreciation is taken on collections as these items are held for public service rather than financial gain and the items are cared for and preserved.

Compensated Absences

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

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums/Discounts

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minot City Employee Pension Plan (CEPP) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from CEPP's and NDPERS' fiduciary net position have been determined on the same basis as they are reported by CEPP and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications

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

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

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

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

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

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

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

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

Net Position

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

Interfund Transactions

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

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

Deferred Outflows/Inflows of Resources

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Revenue Recognition - Property Taxes

Taxes receivable consists of current and delinquent uncollected taxes at December 31, 2020. Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 1 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the Park District.

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

Use of Estimates

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

NOTE 3 DEPOSITS

Custodial Credit Risk

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

The District maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC or NCUA up to \$250,000 at each institution. At December 31, 2020, the District had approximately \$7.1 million in excess of the FDIC and NCUA limits on deposit. Deposits in excess of the FDIC and NCUA limits were covered by pledged securities that exceed 110% of the uninsured values.

NOTE 4 INVESTMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

losses arising from future changes in interest rates. None of the investments held by the Foundation are debt securities that would be subject to a change in interest rates.

Credit Risk

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

At December 31, 2020, the City's investments were as follows:

| Investment Type | Total Fair Value | Less Than 1 Year | 1-6 Years | 6-10 Years | More Than 10 Years |
|---|-------------------|-------------------|-------------|-------------|--------------------|
| Mutual Funds | \$ 748,667 | <u>\$ 748,667</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments not subject to categorization | | | | | |
| Money Market Funds | 66,142 | | | | |
| | <u>\$ 814,809</u> | | | | |

Fair Value Measurements

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

- Level 1: Valuation is based upon quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balances of investments measured at fair value on a recurring basis as of December 31, 2020.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

| | Assets Measured at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|----------------------------|----------------------------------|---|--|--|
| Mutual Funds | | | | |
| Fixed Income Securities | \$ 376,781 | \$ 376,781 | \$ - | \$ - |
| Alternative Securities | 125,488 | 125,488 | - | - |
| Equity Mutual Fund | 246,398 | 246,398 | - | - |
| Total assets at fair value | <u>\$ 748,667</u> | <u>\$ 748,667</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTE 5 DUE TO/DUE FROM BALANCES

Due to and due from balances as of December 31, 2020 are as follows:

| Fund | Due From | Due To |
|---------------------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 936,943 |
| General Obligation Bonds, 2020A | 348,620 | - |
| Non-Major Funds | 588,323 | - |
| | <u>\$ 936,943</u> | <u>\$ 936,943</u> |

These advances were made to cover general expenditures before the fund could collect fees to cover the expenditures. The fund will repay these advances as funds become available.

NOTE 6 CAPITAL ASSETS

The following is a summary of equipment held under capital leases at December 31, 2020. Accumulated amortization is included in depreciation on the government wide financial statements.

| | |
|--------------------------------|------------------|
| Golf Course Equipment | \$ 47,432 |
| Less: Accumulated Depreciation | (3,453) |
| | <u>\$ 43,979</u> |

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Balance 1/1/2020 | Additions | Deletions | Transfers | Balance 12/31/20 |
|---|----------------------|---------------------|------------------|----------------|----------------------|
| Construction in Progress | \$ 688,104 | \$ 3,238,033 | \$ - | \$ (404,304) | \$ 3,521,833 |
| Capital Assets Not Being Depreciated: | | | | | |
| Land and Special Assessments | \$ 8,962,162 | \$ - | \$ - | \$ - | \$ 8,962,162 |
| Collectibles | 590,868 | - | - | - | 590,868 |
| Total Capital Assets Not Being Depreciated | <u>\$ 9,553,030</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,553,030</u> |
| Capital Assets Being Depreciated | | | | | |
| Buildings | \$ 6,832,585 | \$ - | \$ - | \$ - | \$ 6,832,585 |
| Golf Course | 2,366,392 | - | - | 368,297 | 2,734,689 |
| Maysa | 21,875,760 | 781,372 | - | 30,763 | 22,687,895 |
| Equipment | 1,690,431 | 67,305 | (129,515) | - | 1,628,221 |
| Vehicles | 1,268,359 | 99,830 | (33,856) | - | 1,334,333 |
| Zoo | 6,365,623 | - | - | - | 6,365,623 |
| Other Park Assets | 23,204,477 | 480,628 | - | 5,244 | 23,690,349 |
| Other Recreation Assets | 1,047,384 | 81,984 | - | - | 1,129,368 |
| Total Capital Assets Being Depreciated | <u>64,651,011</u> | <u>1,511,119</u> | <u>(163,371)</u> | <u>404,304</u> | <u>66,403,063</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 1,479,045 | 116,490 | - | - | 1,595,535 |
| Golf Course | 1,210,808 | 81,766 | - | - | 1,292,574 |
| Maysa | 4,116,295 | 693,823 | - | - | 4,810,118 |
| Equipment | 1,095,278 | 112,785 | (129,515) | - | 1,078,548 |
| Vehicles | 831,528 | 77,145 | (33,856) | - | 874,817 |
| Zoo | 1,302,194 | 122,544 | - | - | 1,424,738 |
| Other Park Assets | 3,790,322 | 848,337 | - | - | 4,638,659 |
| Other Recreation Assets | 583,326 | 54,366 | - | - | 637,692 |
| Total Accumulated Depreciation | <u>14,408,796</u> | <u>2,107,256</u> | <u>(163,371)</u> | <u>-</u> | <u>16,352,681</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 50,242,215</u> | <u>\$ 2,641,896</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 50,050,382</u> |
| Governmental Capital Assets, Net | <u>\$ 60,483,349</u> | <u>\$ 5,879,929</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,125,245</u> |

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

| | |
|-----------------|---------------------|
| Park Operations | \$ 2,036,821 |
| Recreation | 70,435 |
| | <u>\$ 2,107,256</u> |

NOTE 7 LONG-TERM LIABILITIES

General Obligation Bonds

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

The District has two general obligation bonds outstanding at December 31, 2020. The bonds are for flood restoration projects related to the flood of 2011 and construction and improvement of park facilities. Information on these bonds at December 31, 2020 is as follows:

| | |
|--|---------------------|
| <p>General Obligation Bond, issued November 1, 2012, principal due annually beginning May 1, 2013 through May 1, 2027. Interest due May 1 and November 1 of each year, interest at 2.00%. Payments are made by the associated debt service fund.</p> | \$ 1,790,000 |
| <p>General Obligation Bond, issued May 19, 2020 principal and interest due annually beginning May 1, 2021 through May 1, 2040. Interest rate of 2.00%. Payments are made by the associated debt service fund.</p> | <u>3,280,000</u> |
| <p>Total General Obligation Bonds</p> | <u>\$ 5,070,000</u> |

Special Assessment Bonds

Special assessment bonds are issued for debt obligations on various parcels of land and other projects. They are direct obligations and pledge the full faith and credit of the District. These bonds are paid through the debt service fund by a mill levy sufficient to meet the current year's principal and interest payments. Special assessments as of December 31, 2020 are as follows:

| | |
|--|--------------|
| <p>Refunding Improvement Bond, issued October 30, 2014, principal due annually beginning May 1, 2015 through May 1, 2029. Interest due May 1 and November 1 of each year, interest at 3.00%.</p> | \$ 1,280,000 |
| <p>Refunding Improvement Bond, issued August 17, 2015, principal due annually beginning May 1, 2016 through May 1, 2025. Interest due May 1 and November 1 of each year, interest varies from 2.00% to 2.25%.</p> | 790,000 |
| <p>General Obligation Special Assessment Prepayment Bond, issued August 19, 2015, principal due annually beginning May 1, 2016 through May 1, 2023. Interest due May 1 and November 1 of each year, interest at 2.00%.</p> | 875,000 |
| <p>Refunding Improvement Bond, issued March 8, 2016, principal due annually beginning May 1, 2017 through May 1, 2026. Interest due May 1 and November 1 of each year, interest varies from 1.20% to 1.50%.</p> | 1,265,000 |

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

General Obligation Special Assessment Prepayment Bond,
issued February 11, 2016, principal due annually beginning May 1, 2017
through May 1, 2024. Interest due May 1 and November 1 of each
year, interest at 2.00%.

\$ 750,000

Refunding Improvement Bond, issued August 15, 2018,
principal due annually beginning May 1, 2019 through May 1, 2038.
Interest due May 1 and November 1 of each year, interest
varies from 3.00 to 3.50%.

1,835,000

Total Special Assessment Debt

\$ 6,795,000

Revenue Bonds

The District has gross revenue bonds outstanding for the purchase of land, costs of the MAYSA arena expansion, and to pay off a notes payable with a financial institution and to finance construction of two new exhibits at Roosevelt Park Zoo. Information on these bonds at December 31, 2020 is as follows:

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

\$ 5,410,000

Gross Facilities Revenue Bond, issued August 15, 2018,
principal due annually beginning December 1, 2019 through
December 1, 2038. Interest due June 1 and December 1
of each year, interest varies from 2.00% to 3.75%. Payments
are made by the General fund.

2,070,000

Total Gross Revenue Bonds Payable

\$ 7,480,000

Contract for Deed

The District has a contract for deed outstanding for the purchase of MAYSA land. Information on this deed at December 31, 2020 is as follows:

Contract for Deed dated August 1, 2019, principal and interest
due annually beginning September 1, 2020 through September 1,
2030, interest at 4.25%. Payments are made by the General Fund.

\$ 1,009,437

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Capital Leases

The District has capital leases for a vehicle and several golf equipment items. Capital leases as of December 31, 2020 are as follows.

Capital lease for Greenspro Roller Toro issued May 9, 2018, principal and interest due annually beginning May 9, 2018 through May 9, 2022, interest at 5.33%. Payments are made by the General fund. \$ 4,894

Capital lease for Utility Vehicle, issued June 24, 2019, principal and interest due annually beginning June 24, 2019 through June 24, 2022, interest at 5.30%. Payments are made by the General fund. 3,427

Capital lease for Toro 2500 Topdresser, issued March 3, 2020, principal and interest due annually beginning March 3, 2020 through March 3, 2024, interest at 5.10%. Payments are made by the General fund. 9,763

Capital lease for Toro Topdresser, issued April 24, 2020, principal and interest due annually beginning April 24, 2020 through April 24, 2024, interest at 5.10%. Payments are made by the General fund. 9,762

Total Capital Lease Payable \$ 27,846

Future Maturities

The anticipated annual requirements to pay existing debt as of December 31, 2020 is as follows:

| | G.O. Bonds | | Special Assessment Bonds | | Revenue Bonds | |
|-----------|---------------------|-------------------|--------------------------|-------------------|---------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 380,000 | \$ 93,351 | \$ 1,115,000 | \$ 152,533 | \$ 425,000 | \$ 235,443 |
| 2022 | 380,000 | 91,350 | 1,110,000 | 129,748 | 440,000 | 223,367 |
| 2023 | 390,000 | 83,700 | 940,000 | 108,599 | 450,000 | 210,843 |
| 2024 | 400,000 | 75,850 | 770,000 | 90,411 | 460,000 | 197,865 |
| 2025 | 405,000 | 67,800 | 605,000 | 75,200 | 480,000 | 184,445 |
| 2026-2030 | 1,315,000 | 238,000 | 1,310,000 | 237,405 | 2,250,000 | 713,750 |
| 2031-2035 | 860,000 | 146,300 | 560,000 | 115,534 | 2,540,000 | 345,543 |
| 2036-2040 | 940,000 | 57,100 | 385,000 | 20,387 | 435,000 | 32,999 |
| Total | <u>\$ 5,070,000</u> | <u>\$ 853,451</u> | <u>\$ 6,795,000</u> | <u>\$ 929,817</u> | <u>\$ 7,480,000</u> | <u>\$ 2,144,255</u> |

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

| | Contract for Deed | | Capital Leases | | Total | |
|-----------|---------------------|-------------------|------------------|-----------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$ 94,412 | \$ 42,901 | \$ 10,331 | \$ 1,454 | \$ 2,024,743 | \$ 525,682 |
| 2022 | 98,425 | 38,888 | 7,267 | 904 | 2,035,692 | 484,257 |
| 2023 | 102,608 | 34,705 | 4,996 | 522 | 1,887,604 | 438,369 |
| 2024 | 106,968 | 30,345 | 5,252 | 268 | 1,742,220 | 394,739 |
| 2025 | 111,515 | 25,798 | - | - | 1,601,515 | 353,243 |
| 2026-2030 | 495,509 | 191,056 | - | - | 5,370,509 | 1,380,211 |
| 2031-2035 | - | - | - | - | 3,960,000 | 607,377 |
| 2036-2040 | - | - | - | - | 1,760,000 | 110,486 |
| Total | <u>\$ 1,009,437</u> | <u>\$ 363,693</u> | <u>\$ 27,846</u> | <u>\$ 3,148</u> | <u>\$ 20,382,283</u> | <u>\$ 4,294,364</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

| | Balance 1/1/20 | Additions | Reductions | Balance 12/31/20 | Due Within One Year |
|--------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Net pension liability * | \$ 6,150,447 | \$ 2,711,708 | \$ - | \$ 8,862,155 | \$ - |
| Net OPEB liability ** | 34,686 | 48,811 | - | 83,497 | - |
| Long-term debt: | | | | | |
| General obligation bonds | 2,025,000 | 3,280,000 | (235,000) | 5,070,000 | 380,000 |
| Special assessment bonds | 7,915,000 | - | (1,120,000) | 6,795,000 | 1,115,000 |
| Gross revenue bond | 7,895,000 | - | (415,000) | 7,480,000 | 425,000 |
| Contract for deed | 1,100,000 | - | (90,563) | 1,009,437 | 94,412 |
| Capital lease | 13,826 | 25,044 | (11,024) | 27,846 | 10,331 |
| Total long-term debt | <u>18,948,826</u> | <u>3,305,044</u> | <u>(1,871,587)</u> | <u>20,382,283</u> | <u>2,024,743</u> |
| Unamortized premium / discount | 307,509 | 89,745 | (39,926) | 357,328 | - |
| Total long-term liabilities | <u>\$ 25,441,468</u> | <u>\$ 6,155,308</u> | <u>\$ (1,911,513)</u> | <u>\$ 29,685,263</u> | <u>\$ 2,024,743</u> |

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

**See Note 9 for more information regarding the net OPEB liability.

The Park District had a line of credit available of \$1,500,000. There was nothing outstanding as of December 31, 2020. The line of credit matures on February 1, 2025 and carries an interest rate of 4.50 percent.

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

DEFINED BENEFIT PLANS

City Employee Pension Plan (CEPP)

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Plan Description

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

Plan Administration

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

Benefits Provided

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

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

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

Supplemental Benefits Provided

Employees who retire under the City of Minot Employee's Pension Plan before January 1, 2004 and annually provide proof of health insurance coverage receive a monthly healthcare supplement equal to the City's portion of the group-blended premium for an active employee

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

with single coverage. Employees who retire under the City of Minot Pension Plan after December 31, 2004 and employees hired before July 6, 2010 receive a monthly healthcare supplement equal to \$7.50 per year of service. Employees hired after July 5, 2010 do not receive any retiree healthcare supplement. These supplements are accounted for in the pension plan valuation because they are not restricted to the payment of health insurance.

Contributions Required and Contributions Made

The actuary does not determine the pension contribution rates; rather it is done by employer recommendations within the limits established by state statute. The employees contributed 14.74 percent and the employer 29.44 percent of covered payroll. The employer contributions to the plans are to be made through an annual tax levy or other budgeted sources. Based on an actuarial valuation, contributions are providing for a closed amortization period of 30 years (24 years remaining as of January 1, 2020) respectively on the unfunded liability at January 1, 2020.

Summary of Significant Accounting Policies and Plan Asset Matters

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

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

The following was the Board's adopted asset allocation policy as of December 31, 2020:

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

The long-term expected rate of return of 7.50 percent on plan investments was determined using official rates of return under the Global Investment Performance Standards in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Rate of Return. For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.6 and 23.41 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

| <u>Assumption</u> | |
|----------------------------------|--|
| Valuation date | January 1, 2020 |
| Measurement date | January 1, 2020 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar amount |
| Remaining amortization period | 30 year closed period (24 years remain as of 1/1/20) |
| Asset valuation method-smoothing | 5 years gains and losses |
| Investment rate of return | 7.50% |
| Project salary increases | 0-4 years of service 7% |
| | 5-12 years of service 4.5% |
| | 13+ years of service 4% |
| Cost of living adjustments | 1% after age 65 |
| Marriage rate | 85% |
| Spouse age differential | Males 3 years older than female spouses |
| Mortality rate | RP-2000 mortality table with projected future improvements to the valuation date |

Pension Costs. At December 31, 2020 the Park District reported a liability of \$5,635,092 for its proportionate share of the CEPP's net pension liability. The net pension liability was measured as of January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on its present value of future payroll relative to the total present value of payroll for all participating employers. At January 1, 2020, the Park District's proportionate share was 9.024249 percent which was a decrease of 1.029848 percent from its proportion measured as of January 1, 2019.

For the year ended December 31, 2020, the Park District recognized pension expense of \$762,414 for its proportionate share of the CEPP's pension expense.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

At December 31, 2020, the Park District reported the following amounts and sources for deferred outflows of resources and deferred inflows of resources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 180,104 | \$ (1,739) |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | (345,665) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 528,029 | (57,918) |
| Employer contributions subsequent to measurement date | <u>524,636</u> | <u>-</u> |
| Total | <u>\$ 1,232,769</u> | <u>\$ (405,322)</u> |

\$524,636 reported as deferred outflows of resource related to pension resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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

| | |
|--------------------------|-------------------|
| Year ending December 31: | |
| 2021 | \$ (5,416) |
| 2022 | 129,270 |
| 2023 | 194,313 |
| 2024 | <u>(15,356)</u> |
| | <u>\$ 302,811</u> |

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| Employer's proportionate share share of the net pension liability | \$ 7,092,421 | \$ 5,635,092 | \$ 4,409,993 |

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System (Main System) (NDPERS)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00 percent multiplier was replaced with a 1.75 percent multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members'

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100 percent Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7 percent and employer contribution rates are 7.12 percent of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7 percent and employer contribution rates are 8.26 percent of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Employer reported a liability of \$3,227,063 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.102576 percent, which was an increase of 0.056248 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Employer recognized pension expense of \$818,369. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 12,560 | \$ (163,518) |
| Changes of assumptions | 1,729,909 | (285,997) |
| Net difference between projected and actual earnings on pension plan investments | 104,153 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 888,006 | - |
| Employer contributions subsequent to the measurement date | <u>47,973</u> | <u>-</u> |
| Total | <u>\$ 2,782,601</u> | <u>\$ (449,515)</u> |

\$47,973 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

| | | |
|--------------------------|----|---------|
| Year ending December 31: | | |
| 2021 | \$ | 659,658 |
| 2022 | | 603,071 |
| 2023 | | 535,828 |
| 2024 | | 486,556 |

Actuarial assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|------------------------------------|
| Inflation | 2.25% |
| Salary increases | 3.5% to 17.75% including inflation |
| Investment rate of return | 7.00%, net of investment expenses |
| Cost-of-living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic Equity | 30% | 6.30% |
| International Equity | 21% | 6.85% |
| Private Equity | 7% | 9.75% |
| Domestic Fixed Income | 23% | 1.25% |
| Global Real Assets | 19% | 5.01% |

Discount rate

For NDPERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64%) or 1-percentage-point higher (5.64%) than the current rate:

| | 1% Decrease 3.64% | Current Discount Rate 4.64% | 1% Increase 5.64% |
|---|------------------------------------|--|------------------------------------|
| Employer's proportionate share of the net pension liability | \$ 4,186,872 | \$ 3,227,063 | \$ 2,441,705 |

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

DEFINED CONTRIBUTION PLAN

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

For each enrolled employee, the employer shall contribute an amount which will equal 400 percent of the amount of the employee's contribution to the 457(e)(1)(A) plan, not to exceed 8 percent of the employee's eligible compensation. Benefit terms, including contribution requirements are established and may be amended by the City Council. For the year ended December 31, 2020, Park District employee contributions totaled \$183,364 and the Park District recognized expense of \$154,696.

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

| <u>Years of Creditable Service</u> | <u>Vested Portion</u> |
|------------------------------------|-----------------------|
| Less than 1 year | 0% |
| Less than 2 years | 20% |
| Less than 3 years | 40% |
| Less than 4 years | 60% |
| Less than 5 years | 80% |
| 5 years of more | 100% |

Non-vested contributions are forfeited following a five-year period of severance. Such forfeitures are used to make restorations for rehired participants and to reduce employer contributions or to correct errors, omissions and exclusions. For the year ended December 31, 2020, there were no forfeitures recognized by the District.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

North Dakota Public Employees Retirement System – OPEB Plan

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the Highway Patrolmen's Retirement System (HPRS), and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14 percent of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99 percent of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund (RHIC). Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020, the Employer reported a liability of \$83,497 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2020 the Employer's proportion was 0.099260 percent, which was an increase of 0.056075 percent from its proportion measured as of July 1, 2019.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

For the year ended December 31, 2020 the Employer recognized OPEB expense of \$22,540. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 1,856 | \$ (2,002) |
| Changes of assumptions | 11,195 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 2,871 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 50,186 | - |
| Employer contributions subsequent to the measurement date | 6,849 | - |
| Total | \$ 72,957 | \$ (2,002) |

\$6,914 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

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

| | | |
|--------------------------|--|-----------|
| Year ending December 31: | | |
| 2021 | | \$ 13,213 |
| 2022 | | 13,955 |
| 2023 | | 13,819 |
| 2024 | | 12,982 |
| 2025 | | 9,188 |
| 2026 | | 949 |

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Inflation | 2.50 percent |
| Salary increases | Not applicable |
| Investment rate of return | 6.50 percent, net of investment expenses |
| Cost-of-living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap Domestic Equities | 33.00% | 6.10% |
| Small Cap Domestic Equities | 6.00% | 7.00% |
| Domestic Fixed Income | 40.00% | 1.15% |
| International Equities | 21.00% | 6.45% |

Discount rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of July 1, 2019, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

| | 1% Decrease 5.50% | Current Discount Rate 6.50% | 1% Increase 7.50% |
|--|----------------------|-----------------------------------|----------------------|
| Employer's proportionate share of the net OPEB liability | \$ 109,509 | \$ 83,497 | \$ 61,501 |

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 10 INTERFUND TRANSFERS

At December 31, 2020, the general fund transferred \$44,669 to the Refunding Improvement Bonds, Series 2018A to cover deficit fund balance and close the fund.

NOTE 11 RISK MANAGEMENT

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

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

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

NOTE 12 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 13 COMMITMENTS

The District has four open project contracts related for the park pool slide, zoo paving, and Polaris park improvements totaling approximately \$2,990,000, with remaining costs to be paid of approximately \$715,000.

NOTE 14 SUBSEQUENT EVENTS

No significant events have occurred that require disclosure to the financial statements. Subsequent events have been evaluated through **XXXX XX, XXXX**, which is the date these financial statements were available to be issued.

CITY OF MINOT PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Original and Final Budget | Actual Amounts, Budgetary Basis | Variance - Favorable (Unfavorable) |
|--|------------------------------|------------------------------------|--|
| REVENUES | | | |
| Local property taxes | \$ 6,923,696 | \$ 7,315,321 | \$ 391,625 |
| State revenue | 588,211 | 543,045 | (45,166) |
| Charges for services | 2,250,600 | 2,481,856 | 231,256 |
| Grants and contributions | 95,000 | 1,260,882 | 1,165,882 |
| Investment income | 105,000 | 62,332 | (42,668) |
| Other income | 61,000 | 96,634 | 35,634 |
| Total revenues | <u>10,023,507</u> | <u>11,760,070</u> | <u>1,736,563</u> |
| EXPENDITURES | | | |
| Park operations | 10,204,720 | 7,143,998 | 3,060,722 |
| Recreation | 447,909 | 1,675,491 | (1,227,582) |
| Capital outlay | 1,006,835 | 1,590,141 | (583,306) |
| Debt service | 807,889 | 835,193 | (27,304) |
| Total expenditures | <u>12,467,353</u> | <u>11,244,823</u> | <u>1,222,530</u> |
| Excess revenue over (under) expenditures | <u>(2,443,846)</u> | <u>515,247</u> | <u>2,959,093</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of long-term debt | - | 25,044 | 25,044 |
| Operating transfers out | - | (44,669) | (44,669) |
| Total other financing sources (uses) | <u>-</u> | <u>(19,625)</u> | <u>(19,625)</u> |
| Net change in fund balances | (2,443,846) | 495,622 | 2,939,468 |
| Fund balances - beginning of year | 5,519,264 | 5,519,264 | - |
| Fund balances - end of year | <u>\$ 3,075,418</u> | <u>\$ 6,014,886</u> | <u>\$ 2,939,468</u> |

See Notes to the Required Supplementary Information

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

City Employee Pension Plan (CEPP)

| | Employer's proportion of the net pension liability | Employer's proportionate share of the net pension liability | Employer's covered- employee payroll | Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------|---|--|---|---|--|
| 2020 | 9.024249% | \$ 5,635,092 | \$ 1,319,475 | 427% | 55.89% |
| 2019 | 7.994401% | 5,607,449 | 1,080,608 | 519% | 48.79% |
| 2018 | 8.174460% | 5,015,257 | 1,156,782 | 434% | 54.11% |
| 2017 | 8.146720% | 5,319,564 | 1,211,261 | 439% | 49.47% |
| 2016 | 8.173988% | 5,280,772 | 1,724,240 | 306% | 48.63% |
| 2015 | 7.951809% | 4,570,055 | 2,133,363 | 214% | 52.51% |

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

North Dakota Public Employees Retirement System

| | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability (asset) | Employer's covered- employee payroll | Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------|--|---|---|--|--|
| 2020 | 0.102576% | \$ 3,227,063 | \$ 1,131,540 | 285.19% | 48.91% |
| 2019 | 0.046328% | 542,998 | 481,887 | 112.68% | 71.66% |

^The District joined NDPERS Main System and RHIC plans effective January 1, 2019.

**SCHEDULE OF EMPLOYER' S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS^**

| | Employer's proportion of the net OPEB liability (asset) | Employer's proportionate share of the net OPEB liability (asset) | Employer's covered- employee payroll | Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|------|--|--|---|---|---|
| 2020 | 0.099260% | \$ 83,497 | \$ 1,131,540 | 7.38% | 63.38% |
| 2019 | 0.043185% | 34,686 | 481,887 | 7.20% | 63.13% |

^The District joined NDPERS Main System and RHIC plans effective January 1, 2019.

See Notes to the Required Supplementary Information

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

City Employee Pension Plan (CEPP)

| | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Employer's covered- employee payroll | Contributions as a percentage of covered- employee payroll |
|------|---|--|--|---|---|
| 2020 | \$ 524,523 | \$ (524,636) | \$ (113) | \$ 1,398,729 | 37.51% |
| 2019 | 494,803 | (494,550) | 253 | 1,319,475 | 37.48% |
| 2018 | 226,928 | (227,789) | (861) | 1,080,608 | 21.08% |
| 2017 | 424,170 | (240,961) | 183,209 | 1,156,782 | 20.83% |
| 2016 | 414,209 | (264,662) | 149,547 | 1,211,261 | 21.85% |
| 2015 | 385,974 | (257,153) | 128,821 | 1,724,240 | 14.91% |

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

North Dakota Public Employees Retirement System

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered- employee payroll | Contributions as a percentage of covered-employee payroll |
|------|---|---|--|---|--|
| 2020 | \$ 91,269 | \$ (91,269) | \$ - | \$ 1,270,378 | 7.18% |
| 2019 | 36,723 | (36,723) | - | 515,771 | 7.12% |

^The District joined NDPERS Main System and RHIC plans effective January 1, 2019

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS^**

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Contribution deficiency (excess) | Employer's covered- employee payroll | Contributions as a percentage of covered-employee payroll |
|------|---|---|--|---|--|
| 2020 | \$ 13,665 | \$ (13,665) | \$ - | \$ 1,198,657 | 1.14% |
| 2019 | 5,880 | (5,880) | - | 515,771 | 1.14% |

^The District joined NDPERS Main System and RHIC plans effective January 1, 2019

See Notes to the Required Supplementary Information

CITY OF MINOT PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

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

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

Budgeted Inflows and Outflows

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

Sources / Inflows of Resources

| | |
|---|----------------------|
| Actual revenues (budgetary basis) presented on the Budgetary Comparison Schedule. | \$ 11,760,070 |
| Differences - budget to GAAP: | |
| Net effect of December 31, 2019 and 2020 revenue recorded when measurable and available on the revenue statement but not recorded as revenue on the budget statement until collected. | <u>(213,037)</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund | <u>\$ 11,547,033</u> |

CITY OF MINOT PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2020

Uses / Outflows of Resources

| | |
|--|----------------------|
| Actual expenditures (budgetary basis) presented on the Budgetary Comparison Schedule | \$ 11,244,823 |
| Differences - budget to GAAP: | |
| Net effect of December 31, 2019 and 2020 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid. | <u>(7,585)</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund | <u>\$ 11,237,238</u> |

NOTE 3 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Pension

Changes of benefit terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019

CITY OF MINOT PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2020

OPEB

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25 percent to 6.50 percent

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

CITY OF MINOT PARK DISTRICT
TAX LEVIES AND UNCOLLECTED TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Year of Levy | Amount of Levy | Uncollected | Percent Uncollected |
|-------------------|-----------------|----------------|-------------------|------------------------|
| General Fund | 2018 | 5,244,796 | \$ 73,104 | 1.39% |
| | 2019 | 5,244,796 | 206,957 | 3.95% |
| | | | <u>280,061</u> | |
| Debt Service Fund | 2018 | 1,282,163 | 16,856 | 1.31% |
| | 2019 | 1,315,532 | 36,625 | 2.78% |
| | | | <u>53,481</u> | |
| Flood Bond Fund | 2018 | 299,585 | 3,524 | 1.18% |
| | 2019 | 275,100 | 7,674 | 2.79% |
| | | | <u>11,198</u> | |
| | | | <u>\$ 344,740</u> | |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Minot Park District (the District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as item #2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Minot Park District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Anderson ZurMuehlen & Co., P.C.

Great Falls, Montana
September 10, 2021

CITY OF MINOT PARK DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2020

Finding #2020-001

Criteria: Generally, a system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition: There is not a system in place for accounting duties to be properly segregated between custody, record keeping and reconciliation.

Cause: The size of the District in addition to budget constraints limit the number of personnel within the accounting department.

Effect: The design of internal control over financial reporting could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The control structure should be reviewed periodically and consideration given on how to improve the District's segregation of duties. Compensating controls over the underlying financial information may be obtained by hiring additional personnel and/or oversight by the Park Board.

Management Response: At this time, it would not be cost effective to bring on another employee to allow for proper segregation of duties, but if growth continues and more of a need is presented, it will be reviewed again at that time.

CITY OF MINOT PARK DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2020

Previously noted deficiencies of the City of Minot Park District, and their current status, are as follows:

Finding #2019-001

Segregation of duties – Not implemented – See current year finding on page 51