

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bismarck Parks and Recreation District, as of and for the year ended December 31, 2016, 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 Bismarck Parks and Recreation District, as of December 31, 2016, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, Bismarck Parks and Recreation District adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bismarck Parks and Recreation District's basic financial statements. The combining non-major fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements 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 combining non-major fund financial statements 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 June 30, 2017 on our consideration of the Bismarck Parks and Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bismarck Parks and Recreation District's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
Bismarck, North Dakota

June 30, 2017

**BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

This section of the Bismarck Parks and Recreation District's (the District) annual financial report presents a discussion and analysis of the District's financial performance for the year ended December 31, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers are encouraged to review the District's basic financial statements, which follow this section, to enhance their understanding of the District's financial performance.

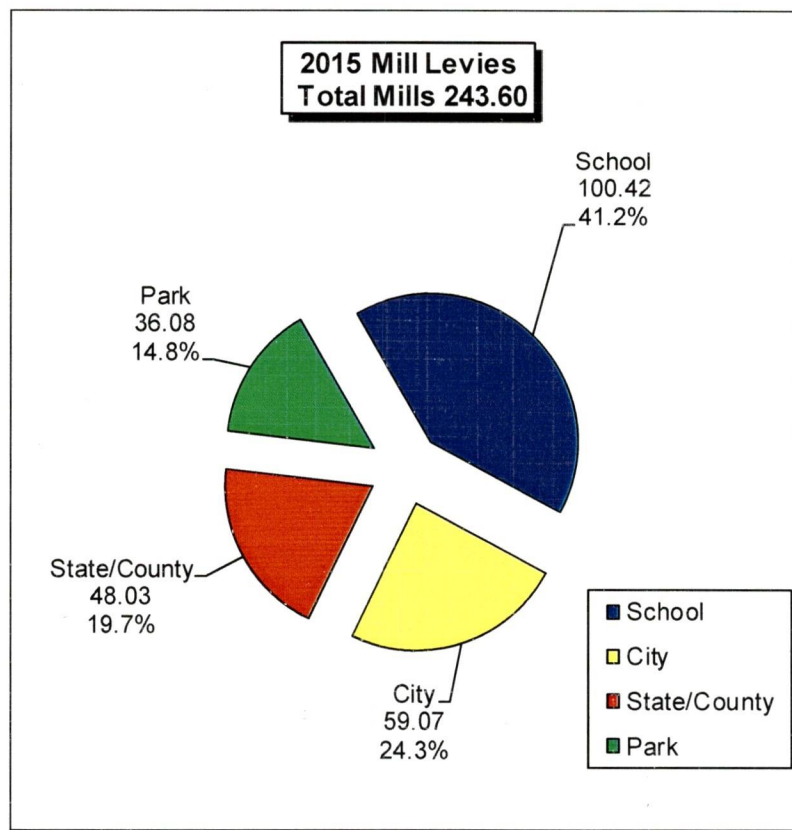
- *The vision statement of the Bismarck Parks and Recreation District is "To be the leader and premier provider of public parks, programs, facilities and leisure services."*
- *The mission statement of the Bismarck Parks and Recreation District is "To work with the community to provide residents and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

Financial Highlights

1. The total assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at December 31, 2016 by \$33,186,092. Of this amount, \$3,198,960 is unrestricted in governmental activities and may be used to meet the District's ongoing obligations. \$2,460,382 is restricted by constraints imposed on resources either externally or imposed by law and \$27,526,750 is invested in capital assets.
2. The District's total net position increased by \$5,434,568 during the year ended December 31, 2016.
3. At December 31, 2016, the District's governmental funds reported combined ending fund balances of \$13,016,114, an increase of \$6,296,374 in comparison with the 2015 year. The increase is mainly due to the capital lease proceeds obtained to finance the construction of the Capital Ice Complex improvements.
4. The District had \$14,628,628 in general fund revenue and \$893,012 in other financing sources. General fund expenditures were \$13,564,551 and other uses of \$1,740,000. Local taxes contributed to 48% of the general fund revenue. Revenues and other sources exceeded expenditures and other uses by \$217,089.
5. At December 31, 2016, the general fund unassigned fund balance was \$2,305,377 or 15% of total general fund expenditures and transfers out.
6. The District's long-term financing debt increased by \$4,680,667 (16 percent) during the 2016 year. Capital lease proceeds in the amount of \$7,000,000 were obtained to finance the construction of the Capital Ice Complex improvements.

BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

The District receives property tax revenue through the mill levy process. The District's mill levy for 2015 due January 2016 was 36.08 or 14.8% of the total mills levied. The general fund mill levy was 22.11 mills. The following chart indicates the allocation of property tax funds to the major governmental entities.

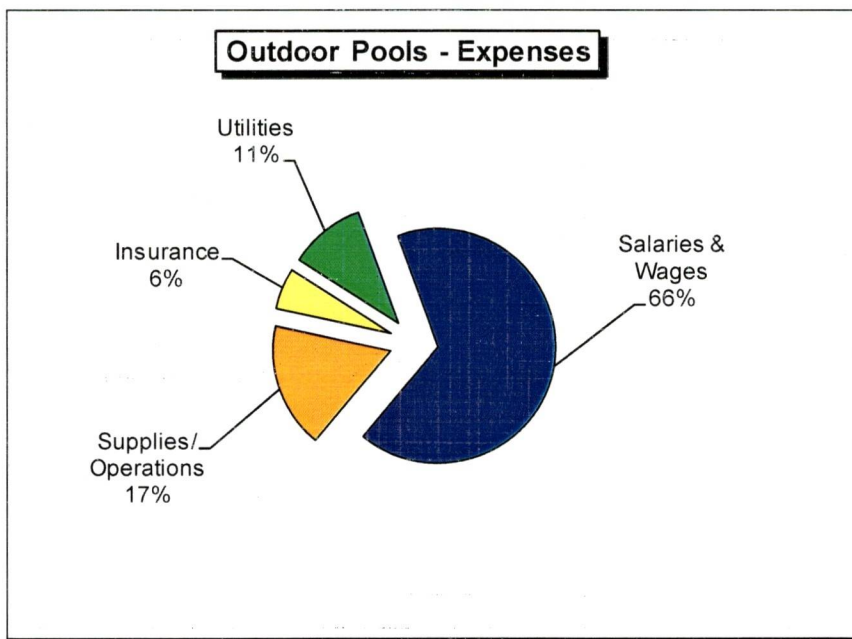
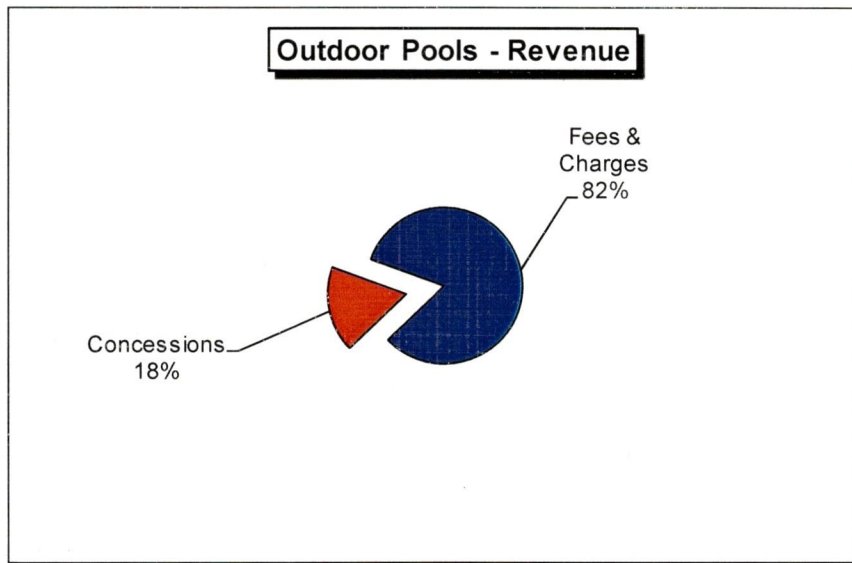


BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Facility Division - Outdoor Swimming Pools

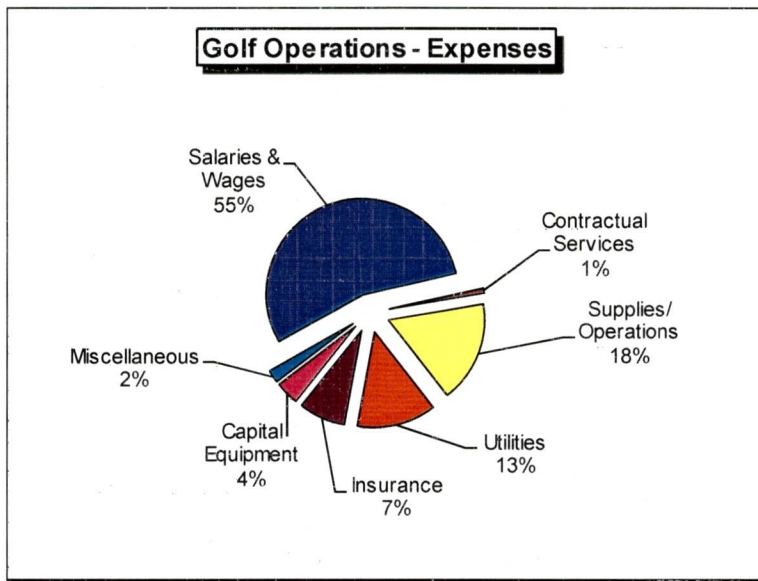
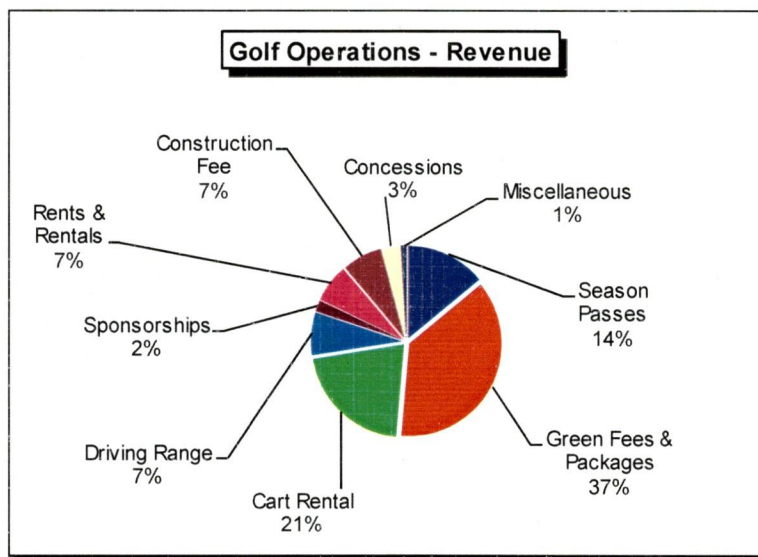
- The District operates three swimming pools – Elks Aquatic Center, Hillside Aquatic Complex and Wachter Aquatic Complex. The daily attendance at the three pools was 46,145, for the entire 2016 year, a decrease of 5,148 from 2015.
- 52% of operating costs of the pools were covered by non-tax revenue.



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Golf Operations Division

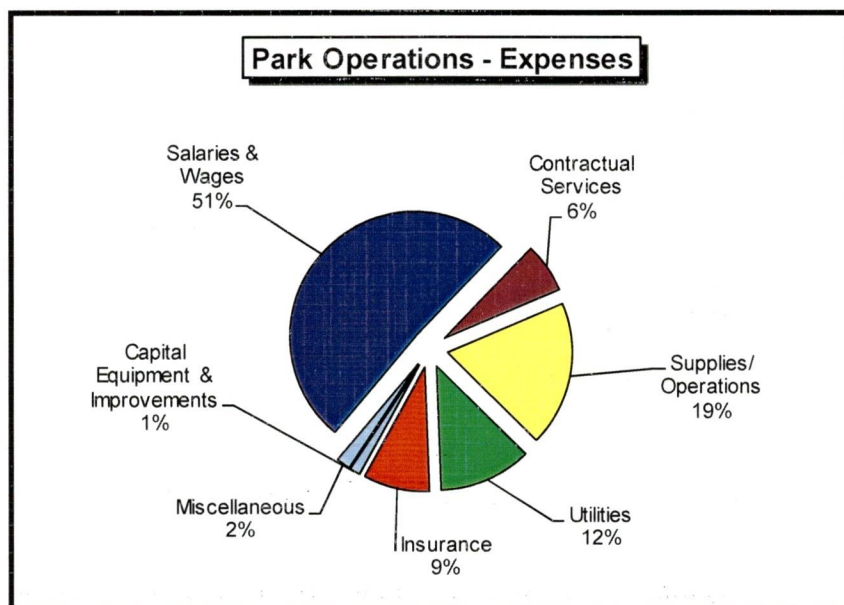
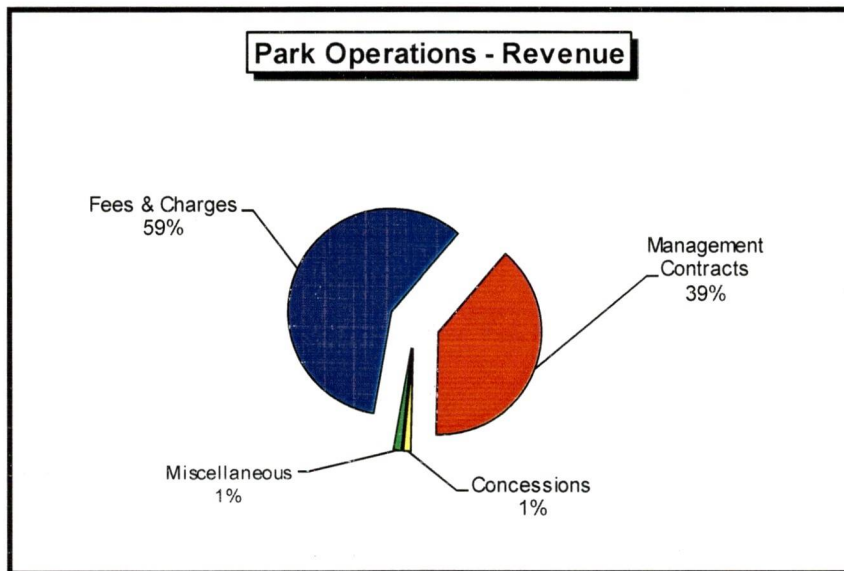
- The Golf Operations Division operates three golf courses – Riverwood, Tom O'Leary and the Fore Seasons Center.
- The golf courses had 74,853 rounds of golf during 2016. This was 5,318 less than 2015.
- 77% of operating costs were covered by non-tax revenue.
- *The following is a graphic presentation of revenue and expenses related to Golf Operations:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Park Operations Division

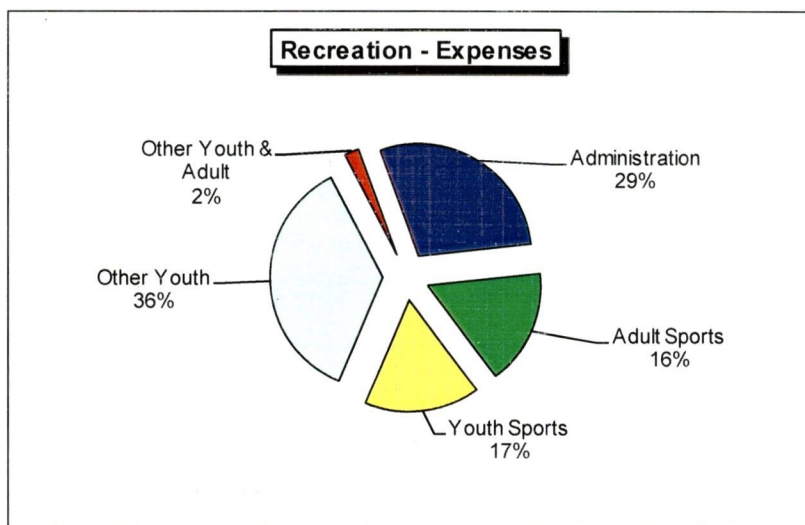
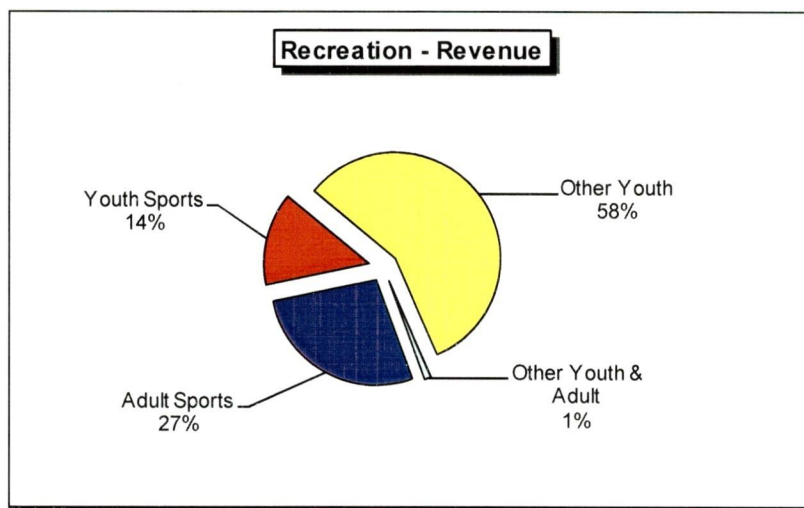
- Park Operations provides general maintenance and service to the District. In addition, Parks Operations manages Eagles Park, General Sibley Park, McDowell Dam, and Burleigh County Parks.
- Park Operations had 2,624 shelter reservations in 2016, a decrease of 65 from 2015.
- The Bismarck Forestry department continued to provide forestry services for the District under an agreement with the City of Bismarck.
- *The following is a graphic presentation of revenue and expenses related to Park Operations, Eagles Park, General Sibley Park, McDowell Dam and Burleigh County Parks:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Recreation Division

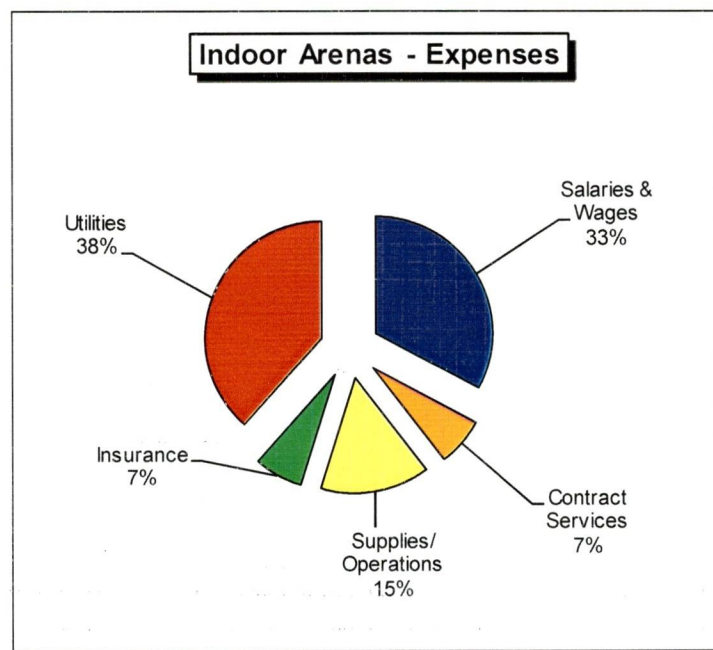
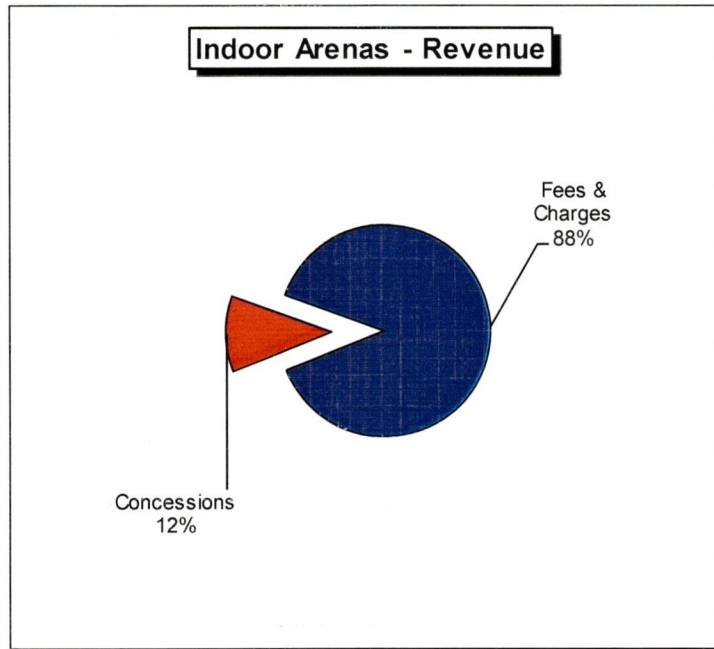
- The District manages a wide variety of youth and adult programs. Some of the programs include BLAST (656 participants), adult volleyball (7,282), activity centers (641), and open gym (9,722).
- 77% of operating costs were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to the various recreational activities:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Indoor Arenas (VFW Sports Center Rinks 1 & 2, Schaumberg Arena)

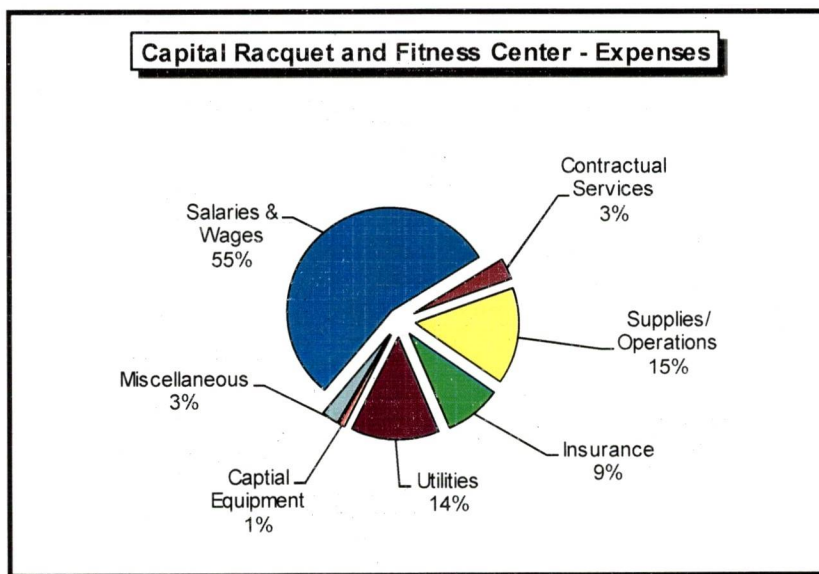
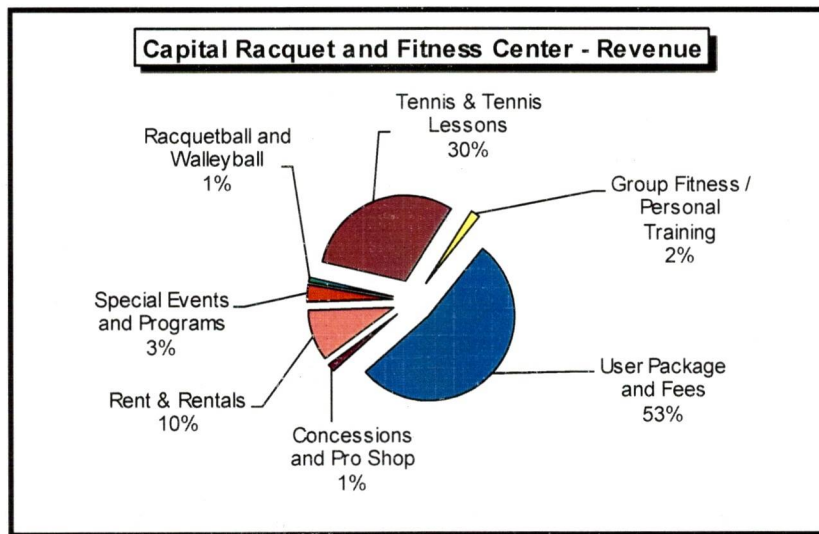
- 55% of operating costs were covered by non-tax revenue.
- Rental agreements with youth and adult organizations, schools and Junior hockey account for 85% of non-tax revenue in arena operations
- *The following is a graphic presentation of revenue and expenses related to the Indoor Arenas:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Capital Racquet and Fitness Center

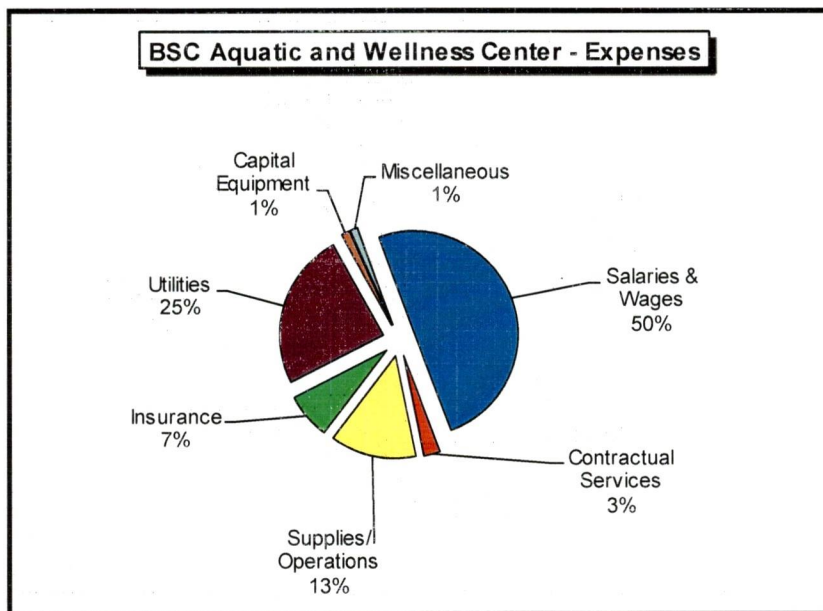
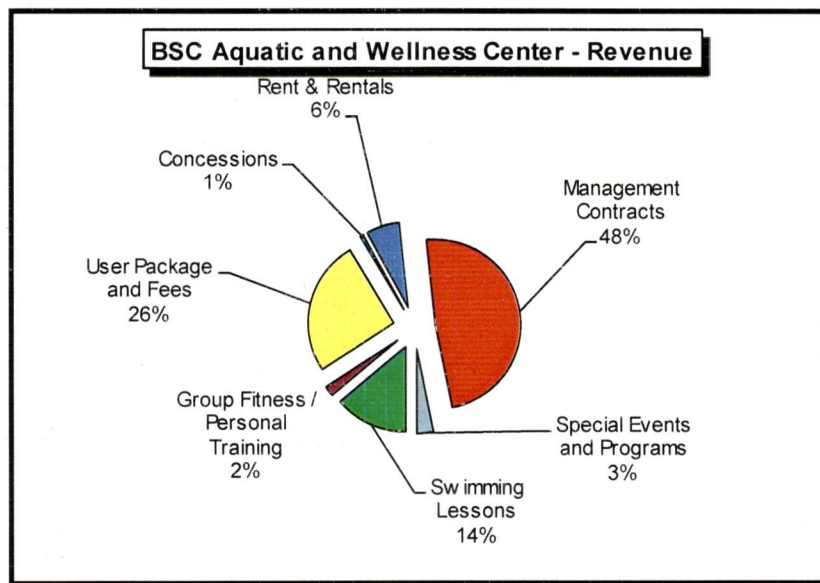
- Monthly membership's usage was 34,111 in 2016 compared to 36,404 in 2015.
- There were 7,280 tennis court hours in 2016 compared to 6,972 in 2015.
- 80% of operating costs of Capital Racquet and Fitness Center were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to Capital Racquet and Fitness Center:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

BSC Aquatic and Wellness Center

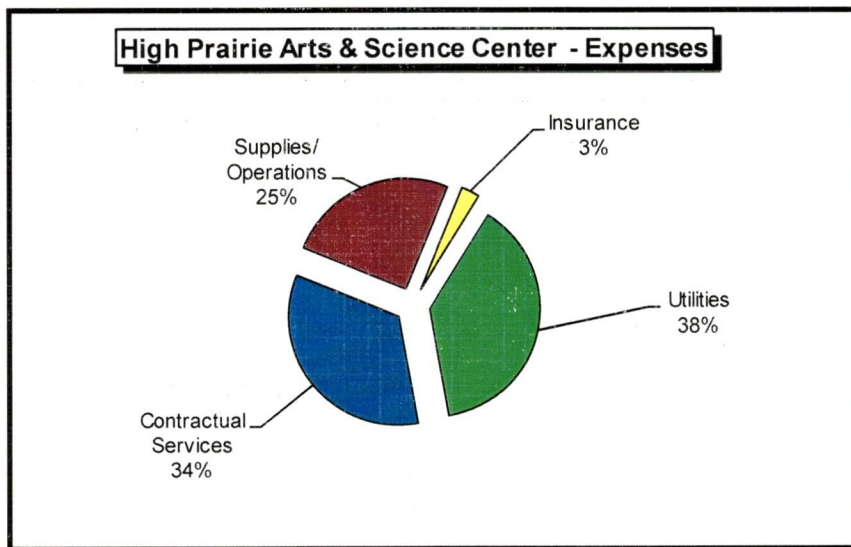
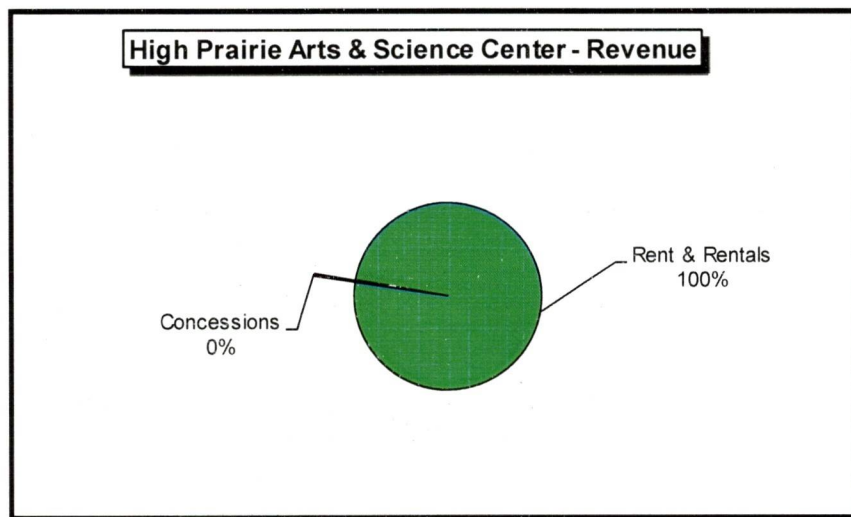
- The number of individuals taking swimming lessons increased by 273 in 2016 with 2,355 compared to 2,082 in 2015.
- There were 6,889 participants in group exercise during 2016 compared to 8,869 in 2015.
- 80% of operating costs of BSC Aquatic and Wellness Center were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to BSC Aquatic and Wellness Center:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Frances Leach High Prairie Arts & Science Complex

- 42% of operating costs of the Frances Leach High Prairie Arts & Science Complex were covered by non-tax revenue.
- The High Prairie Arts & Science Complex is home to four BPRD partners: Central Dakota Children's Choir, Gateway to Science, Shade Tree Players/Dakota Stage and Theo Art School.
- *The following is a graphic presentation of expenses related to the Frances Leach High Prairie Arts & Science Complex:*



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

The Bismarck Parks and Recreation District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Special Assessment Fund, and Park Improvement Fund which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,186,092 at December 31, 2016.

The largest part of the District's net position (83 percent) reflects its investment in capital assets (land, construction in progress, building and building improvements, machinery and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

The following is a summary of net position as of December 31, 2016 and 2015:

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 14,479,280	\$ 7,595,772
Capital Assets	54,987,582	51,247,469
Total Assets	<u>\$ 69,466,862</u>	<u>\$ 58,843,241</u>
Deferred Outflows of Resources	\$ 966,099	\$ 852,471
Current Liabilities	5,089,713	4,003,827
Long-Term Liabilities	31,912,196	27,573,783
Total Liabilities	<u>\$ 37,001,909</u>	<u>\$ 31,577,610</u>
Deferred Inflows of Resources	\$ 244,960	\$ 366,578
Net Position:		
Net Investment in Capital Assets	27,526,750	22,428,230
Restricted	2,460,382	2,569,715
Unrestricted	3,198,960	2,753,579
Total Net Position	<u><u>\$ 33,186,092</u></u>	<u><u>\$ 27,751,524</u></u>

The restricted net position classification is required by GASB Statement No. 54. It includes amounts that can be spent only for the specific purposes stipulated by external resource providers or through enabling legislation. The increase is mainly due to the capital lease proceeds obtained to finance the construction of the Capital Ice Complex improvements.

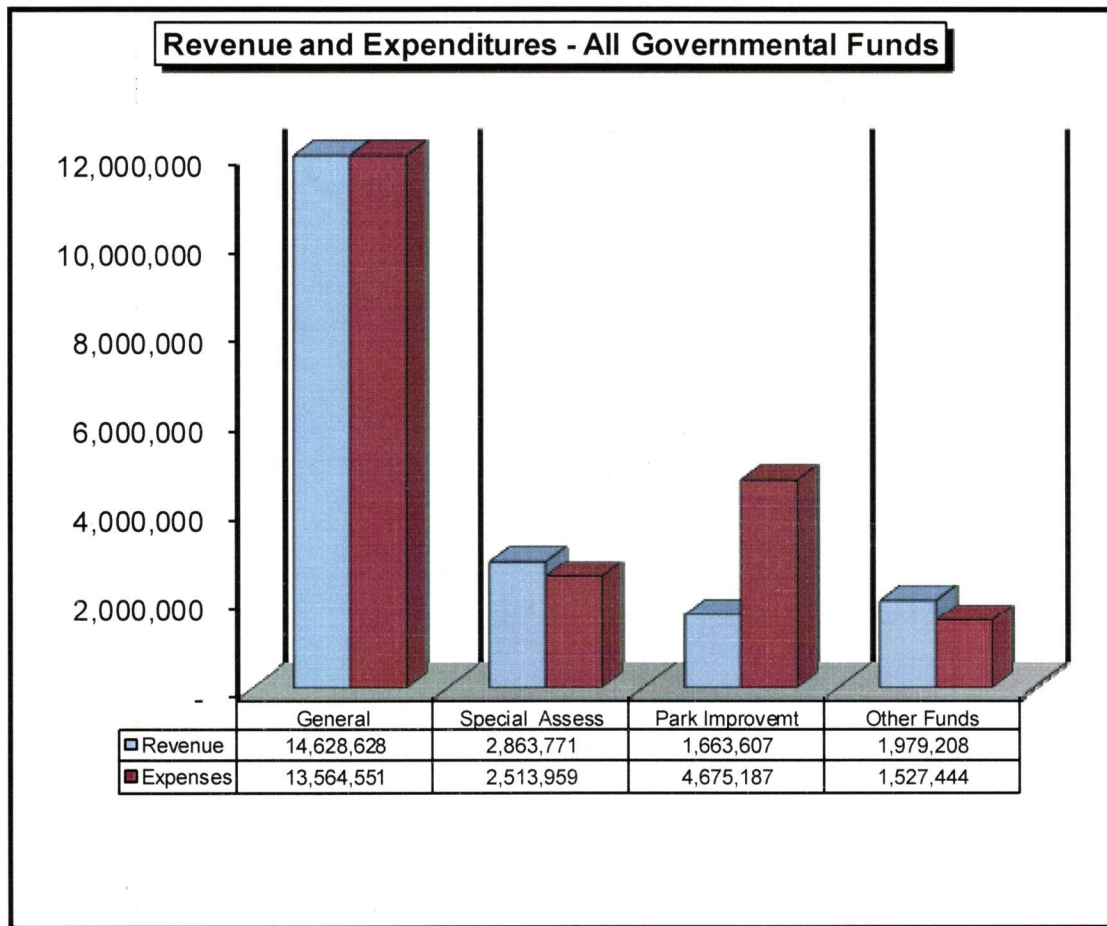
BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

The following is a summary of changes in net position for the years ended December 31, 2016 and 2015:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<u>Revenues:</u>		
<u>Program Revenues:</u>		
Charges for Services	\$ 5,978,750	\$ 5,814,995
Operating Grants and Contributions	350,887	620,640
Total Program Revenues	<u>\$ 6,329,637</u>	<u>\$ 6,435,635</u>
<u>General Revenues:</u>		
Property Tax	11,542,244	10,538,772
Grants and entitlements not restricted	1,340,727	1,692,142
Investment Earnings	20,610	17,674
Lease	427,746	427,572
Donations	1,324,357	543,229
Other	117,954	49,433
Total General Revenues	<u>\$ 14,773,638</u>	<u>\$ 13,268,822</u>
Total Revenues	<u>\$ 21,103,275</u>	<u>\$ 19,704,457</u>
<u>Expenses:</u>		
Park District Operations	5,942,454	5,905,429
Facilities / Recreation	8,951,266	9,081,745
Interest on Long-Term Debt	774,987	838,862
Total Expenses	<u>\$ 15,668,707</u>	<u>\$ 15,826,036</u>
Increase in Net Position	<u>\$ 5,434,568</u>	<u>\$ 3,878,421</u>
Net Position - January 1, as previously reported	<u>\$ 27,751,524</u>	\$ 23,992,651
GASB 68 and 71 adjustment		(119,548)
Net Position, January 1, as restated		<u>\$ 23,873,103</u>
Net Position - December 31	<u>\$ 33,186,092</u>	<u>\$ 27,751,524</u>

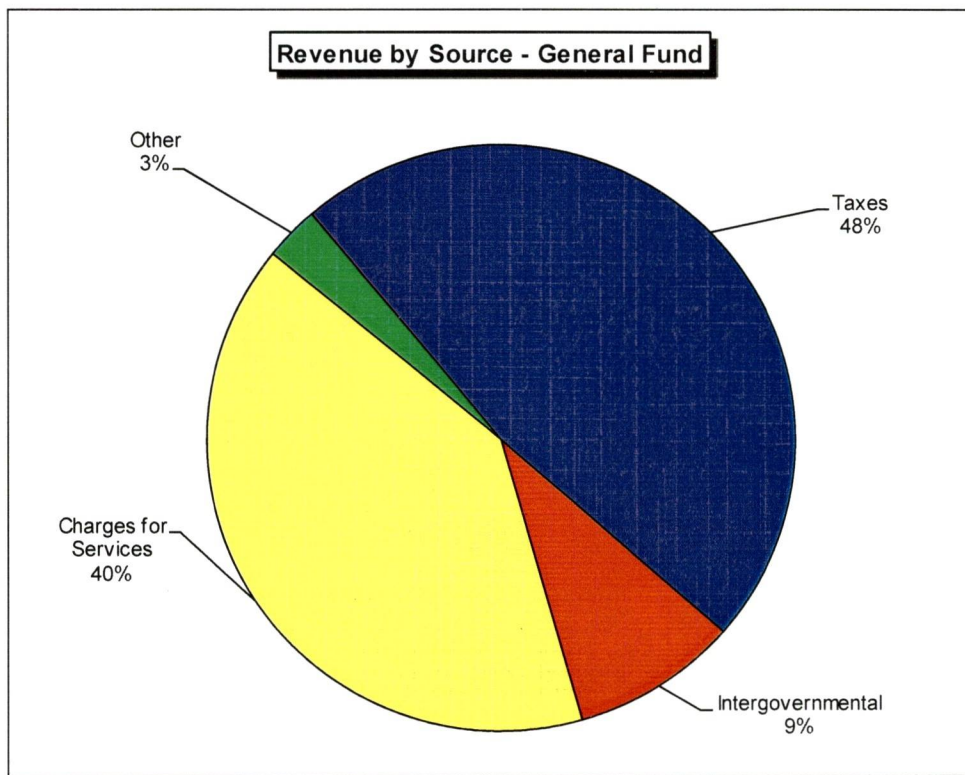
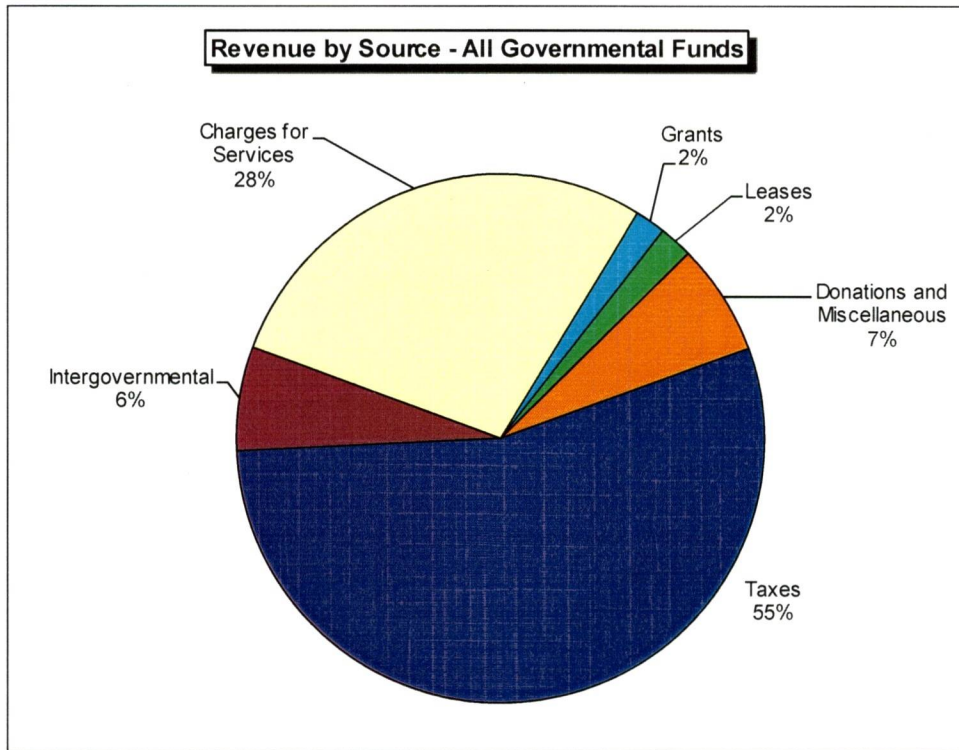
BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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



BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

Financial Analysis of the Government's Funds

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Bismarck Parks and Recreation District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District's governmental funds reported combined ending fund balances of \$13,016,114 an increase of \$6,296,374 from 2015. The increase is mainly due to the capital lease proceeds obtained to finance the construction of the Capital Ice Complex improvements.

The general fund is the primary operating fund of the Bismarck Parks and Recreation District and reported an ending fund balance of \$2,529,377. Of this amount \$224,000 is committed. During the year, revenues and other financing sources exceeded expenditures and other uses in the general fund by \$217,089.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Park Commissioners approved the 2016 annual budget at the September 10, 2015 board meeting. The annual budget addresses funding from other sources as well as detailing how each fund should be expended. The 2016 general fund budget appropriation was \$15,292,150.

During 2016, actual revenues exceeded budgetary estimates by \$232,478, approximately 1.6%. The final budget exceeded the actual expenditures by \$1,727,599 or 11.3% percent.

Capital Assets

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

Major capital asset events during the year were:

- South Meadows Park Land for \$231,339.
- South Meadows Park for \$520,482.
- Sunrise Park for \$270,746.
- Haaland Field Lights for \$219,299.
- Normandy Park for \$365,561.
- Northrup/Sunrise Trail for \$245,789.
- Lions Park Warming House addition and Remodel for \$185,655.
- Administration Building Entrance Remodel for \$143,144.
- Heritage Park for \$342,331.
- Nishu Bowmen Building Addition for \$363,003.
- VFW Ice System Replacement for \$108,766.
- Capital Ice Complex Ice Addition for \$1,277,798.
- Wachter Park Site Improvements for \$872,487.

BISMARCK PARKS AND RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

A schedule of capital assets, net of depreciation, for the years ended December 31, 2016 and 2015 is as follows:

Asset Type	Governmental Activities	
	2016	2015
Land	\$ 5,922,147	\$ 5,315,808
Construction in progress	2,458,146	339,178
Buildings and improvements	41,129,435	40,356,765
Machinery and equipment	993,669	970,118
Infrastructure	4,484,185	4,265,600
Total	<u>\$ 54,987,582</u>	<u>\$ 51,247,469</u>

Long Term Debt

Major long-term debt events during the year were:

- Issuance of \$7,000,000 in capital leases for the Capital Ice Complex improvements.
- Special Assessments added by the City of Bismarck in the amount of \$442,301.

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

A schedule of long-term liabilities for the years ended December 31, 2016 and 2015 is as follows:

	Governmental Activities	
	2016	2015
Long-Term Liabilities		
Compensated Leave Balances	\$ 556,116	\$ 564,157
Net Pension Liability	1,315,443	1,167,823
Revenue Bonds Payable	10,550,000	11,235,000
Capital Leases	8,531,526	1,903,382
Special Assessments Debt	14,418,380	15,680,857
Total	<u>\$ 35,371,465</u>	<u>\$ 30,551,219</u>

Requests for Information

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

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS:

Current assets:

Cash and cash equivalents	\$ 985,581
Cash and cash equivalents - board designated	2,082,681
Investments	1,928,238
Investments - board designated	224,000
Taxes receivable	101,112
Accounts receivable	522,891

Restricted assets:

Cash and cash equivalents	5,334,777
Investments	<u>3,300,000</u>

Total current assets	<u>14,479,280</u>
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Non-current assets:

Capital assets (net of accumulated depreciation):

Land	5,922,147
Construction in progress	2,458,146
Building and improvements	41,129,435
Machinery and equipment	993,669
Infrastructure	<u>4,484,185</u>

Total non-current assets:	<u>54,987,582</u>
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Total assets	<u>69,466,862</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflow - pension	<u>966,099</u>
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LIABILITIES:

Current liabilities

Accounts payable	1,189,712
Accrued expenses	187,731
Interest payable	253,001
Compensated absences, current portion	216,600
Bonds and notes payable, current portion	<u>3,242,669</u>

Total current liabilities:	<u>5,089,713</u>
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Non-current liabilities:

Compensated absences, non-current portion	339,516
Bonds and notes payable, non-current portion	30,257,237
Net pension liability	<u>1,315,443</u>

Total non-current liabilities:	<u>31,912,196</u>
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Total liabilities	<u>37,001,909</u>
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DEFERRED INFLOWS OF RESOURCES:

Deferred inflow - pension	<u>244,960</u>
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NET POSITION:

Net investment in capital assets	27,526,750
Restricted:	
Debt Service	1,061,567
Special Assessments	1,398,815
Unrestricted	<u>3,198,960</u>

Total net position	<u>\$33,186,092</u>
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See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Total
Governmental Activities:				
District operations	\$ 5,942,454	\$ 93,698	\$ 350,887	\$ (5,497,869)
Facilities / recreation	8,951,266	5,885,052	-	(3,066,214)
Interest on long-term debt	774,987	-	-	(774,987)
Total Governmental Activities	<u>\$ 15,668,707</u>	<u>\$ 5,978,750</u>	<u>\$ 350,887</u>	<u>(9,339,070)</u>
General Revenues				
Property taxes				11,542,244
Grants and entitlements not restricted to specific programs				1,340,727
Investment earnings				20,610
Lease				427,746
Donations				1,324,357
Miscellaneous				<u>117,954</u>
Total general revenues				<u>14,773,638</u>
Change in net position				5,434,568
Total net position, beginning of year				<u>27,751,524</u>
Net position - end of year				<u>\$ 33,186,092</u>

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Special Assessment Fund	Park Improvement Fund	Non-major Governmental Funds	Total
Assets:					
Cash and cash equivalents	\$ 811,417	\$ -	\$ -	\$ 174,164	\$ 985,581
Cash and cash equivalents - board designated	-	-	2,082,681	-	2,082,681
Cash and cash equivalents - restricted	-	784,136	4,539,074	11,567	5,334,777
Investments	1,278,238	-	-	650,000	1,928,238
Investments - board designated	224,000	-	-	-	224,000
Investments - restricted	-	750,000	1,500,000	1,050,000	3,300,000
Taxes receivable	62,084	25,086	-	13,942	101,112
Accounts receivable	511,626	-	85	11,180	522,891
Total assets	\$ 2,887,365	\$ 1,559,222	\$ 8,121,840	\$ 1,910,853	\$ 14,479,280
Liabilities:					
Accounts payable	\$ 117,623	\$ 12,401	\$ 992,385	\$ 67,303	\$ 1,189,712
Accrued expenses	187,731	-	-	-	187,731
Total liabilities	305,354	12,401	992,385	67,303	1,377,443
Deferred inflows of resources:					
Delinquent property taxes	52,634	21,269	-	11,820	85,723
Fund balances:					
Restricted	-	1,525,552	6,039,074	1,061,567	8,626,193
Committed	224,000	-	-	-	224,000
Assigned	-	-	1,090,381	770,163	1,860,544
Unassigned	2,305,377	-	-	-	2,305,377
Total fund balances	2,529,377	1,525,552	7,129,455	1,831,730	13,016,114
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,887,365	\$ 1,559,222	\$ 8,121,840	\$ 1,910,853	\$ 14,479,280

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Governmental Funds Balance		\$13,016,114
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.		54,987,582
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.		
Delinquent property taxes		85,723
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.		966,099
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:		
Compensated absences	(556,116)	
Accrued interest on long-term liabilities	(253,001)	
Revenue bonds payable	(10,550,000)	
Capital leases	(8,531,526)	
Special assessments debt	(14,418,380)	
Net pension liability	<u>(1,315,443)</u>	
Total		(35,624,466)
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.		<u>(244,960)</u>
Net position of governmental activities		<u><u>\$33,186,092</u></u>

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Special Assessment Fund	Park Improvement Fund	Non-major Governmental Funds	Total
Revenues:					
Taxes	\$ 6,947,086	\$ 2,863,646	\$ -	\$ 1,704,309	\$ 11,515,041
Licenses and permits	93,698	-	-	-	93,698
Intergovernmental	1,340,727	-	-	-	1,340,727
Charges for services	5,902,339	-	-	-	5,902,339
Investment earnings	16,625	-	681	3,559	20,865
Grants	80,949	-	164,538	147,000	392,487
Leases	119,329	-	308,417	-	427,746
Donations	18,801	-	1,181,216	124,340	1,324,357
Miscellaneous	109,074	125	8,755	-	117,954
Total revenues	14,628,628	2,863,771	1,663,607	1,979,208	21,135,214
Expenditures:					
Current:					
General government	1,670,604	-	-	-	1,670,604
General maintenance	2,439,703	-	-	-	2,439,703
Golf	1,671,929	-	-	-	1,671,929
Capital Racquet Fitness Center	477,127	-	-	-	477,127
Aquatic Wellness Center	1,102,214	-	-	-	1,102,214
Pools	721,449	-	-	-	721,449
Ice arenas	603,279	-	-	-	603,279
Forestry	160,505	-	-	-	160,505
Memorial Building	149,053	-	-	-	149,053
Sibley Park	285,650	-	-	-	285,650
County parks	141,954	-	-	-	141,954
McDowell Dam	161,315	-	-	-	161,315
High Prairie Arts and Science Complex	104,513	-	-	-	104,513
Other recreational activities	2,329,389	-	-	-	2,329,389
Capital outlay	405,272	442,301	4,395,993	1,375,530	6,619,096
Capital outlay less than \$5,000	89,411	-	-	-	89,411
Debt service:					
Principal retirement	685,000	1,704,779	247,774	124,081	2,761,634
Interest and fiscal charges	366,184	366,879	31,420	27,833	792,316
Total expenditures	13,564,551	2,513,959	4,675,187	1,527,444	22,281,141
Excess of revenues over (under) expenditures	1,064,077	349,812	(3,011,580)	451,764	(1,145,927)
Other financing sources (uses):					
Proceeds from special assessments debt	-	442,301	-	-	442,301
Proceeds from capital lease	-	-	7,000,000	-	7,000,000
Transfers in	893,012	-	1,975,249	-	2,868,261
Transfers out	(1,740,000)	(125,000)	-	(1,003,261)	(2,868,261)
Total other financing sources (uses)	(846,988)	317,301	8,975,249	(1,003,261)	7,442,301
Excess of revenues and other sources over expenditures	217,089	667,113	5,963,669	(551,497)	6,296,374
Fund balance - January 1	2,312,288	858,439	1,165,786	2,383,227	6,719,740
Fund balance - December 31 (Note 12)	\$ 2,529,377	\$ 1,525,552	\$ 7,129,455	\$ 1,831,730	\$ 13,016,114

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Total Governmental Funds \$ 6,296,374

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense. This is the amount by which capital outlays exceeded
depreciation in the current period.

Capital asset additions	6,619,096	
Current year depreciation	<u>(2,878,983)</u>	
Total		3,740,113

Based on receipt dates, some revenues are not considered available
revenue and are unavailable in the governmental funds.

Delinquent property taxes	27,203	
Charges for services	(17,287)	
Miscellaneous	(255)	
Operating grants and contributions	<u>(41,600)</u>	
Total		(31,939)

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.

Overpayment of operating expenses	(2,309)	
Net decrease in compensated absences	8,041	
Net decrease in interest payable	17,329	
Net increase in pension liability	<u>(147,620)</u>	
Total		(124,559)

Changes in deferred inflows and outflows relating to net pension liability 235,246

Special assessment proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term
liabilities in the statement of net position. (442,301)

Capital lease payable proceeds provide current financial resources
to governmental funds, but issuing debt increases long-term
liabilities in the statement of net position. (7,000,000)

Repayment of principal on long-term debt consumes the current
financial resources of the governmental funds. However, there is
no effect on net position. The following are principal payments on
long-term debt during the year ended December 31, 2014:

Principal payment on revenue bonds payable	685,000	
Principal payment on capital leases	371,856	
Principal payment on special assessment debt	<u>1,704,778</u>	
Total		<u>2,761,634</u>

Change in net position \$ 5,434,568

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Based upon the criteria set by the Government Accounting Standards Board, the Bismarck Park District Building Authority is a component unit. All board members of the Building Authority are board members or management of the District. These financial statements include the financial information of the District and its component unit, the Bismarck Park District Building Authority.

Basis of Presentation

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segments. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurements focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the District.

The government reports the following major governmental funds:

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

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

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

Governmental Fund Types

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

Cash and Cash Equivalents

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

Investments

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. During the year ended December 31, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and financial derivative instruments and disclosures related to all fair value measurements. The District's implementation of this statement required no adjustment to prior periods; however it expanded the disclosure requirements for items carried at fair value.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days. There is no allowance for doubtful accounts receivable as of December 31, 2016, as management considers all receivables collectible.

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Taxes Receivable

The taxes receivable consist of uncollected and collected but not remitted, property taxes as of December 31, 2016 for both current and prior years. No allowance has been established for estimated uncollectible taxes since amounts are considered unavailable and therefore have not met revenue recognition requirements and an offsetting deferred inflow account has been established for uncollected taxes.

Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7-25
Machinery and equipment	5-10
Infrastructure	25

Compensated Absences

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Early Retirement Payment

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

From age 62 to 65 of the employee, the District will pay a portion of the health insurance dependent upon the number of years of service by the employee.

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance Classifications

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

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

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

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

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

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item reported as a deferred outflow of resources on the statement of net position, deferred outflow - pension, which represents the actuarial differences within the Bismarck City Employee Pension Plan (BCEPP). See Note 13 for further details.

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item reported as a deferred inflow of resources on the statement of net position, deferred inflow - pension, which represents the actuarial differences within the BCEPP. See Note 13 for further details. The governmental funds report delinquent property taxes as a deferred inflow of resources since these amounts are unavailable and are recognized as an inflow of resources in the period that the amounts become available.

Interfund Transactions

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

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

Pension

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

Revenue Recognition - Property Taxes

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Grant Revenue Recognition

The governmental grants received by the District are recognized as revenue at the time eligible expenditures are incurred. The grants are accounted for as exchange transactions due to the government's solicitation of proposals, approval of allowable expenditures and eligibility requirements. Grant funds received prior to expenditure are recorded as refundable advances on the statement of net position. These funds are to be repaid to the grantor if they are not used on eligible expenditures.

Use of Estimates

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

The District maintains cash on deposit at various financial institutions. The amounts on deposit are insured by the FDIC up to \$250,000 per financial institution. At December 31, 2016, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$8,936,120 of the District's deposits are covered by pledged securities held in the District's name.

NOTE 3 BOARD DESIGNATIONS OF CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Fund

The Board designated \$224,000 to cover the difference between the cash value that the Golf Dome is insured for and its estimated replacement value as of December 31, 2016. This is shown as investments – board designated on the statement of net position and balance sheet of governmental funds.

Park Improvement Fund

The Board has designated \$2,082,681 for the Capital Ice Complex, VFW floor/ice replacement, General Sibley trail, and CRFC tile work. These amounts are included in cash and cash equivalents - board designated on the statement of net position and balance sheet of governmental funds.

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 4 RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Special Assessment Fund

The special assessment fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for District wide improvements. The outstanding balance at December 31, 2016 was \$1,534,136.

Debt Service Fund

The December 1, 2013 and January 15, 2014 Park District Revenue Bonds require a Reserve Fund Deposit. Withdrawals from the Reserve Fund Deposit may be only for the payment of the principal and interest of the bonds. The outstanding balance at December 31, 2016 was \$1,061,567.

Park Improvement Fund

The park improvement fund has restricted amounts for remaining unspent bond and lease proceeds. The outstanding balance at December 31, 2016 was \$6,039,074.

NOTE 5 INVESTMENTS

The District maintains investments at those institutions, in accordance with state statutes, authorized by the Commission. The District participates in the Mandan-Bismarck-Burleigh-Morton (MBBM) Joint Investment Pool. The investment of the pool is handled by Wells Fargo of North Dakota. The pool invests in U.S. Treasury bills, notes and Wells Fargo Treasury Fund. The District maintains a cash pool that is available for use by all funds. The pool invests in short-term certificates of deposit. The pool provides the District the ability to maximize earnings by investing larger amounts of idle cash for longer periods of time. Interest earnings and fees are allocated to funds based upon their prior month's cash balance.

Interest Rate Risk

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

At December 31, 2016, the District's investments were as follows:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 6 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>
Government bonds	\$ 3,890,070	<u>\$ 66,214</u>	<u>\$ 3,823,856</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to categorization:					
Certificates of deposit	1,374,796				
Money market	<u>187,372</u>				
Total investments	<u>\$ 5,452,238</u>				

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk.

At December 31, 2016, the credit ratings of the District's investments were as follows:

<u>S&P Credit Rating</u>	<u>Government Bonds</u>	<u>Total Fair Value</u>
AA+	\$ 2,558,265	\$ 2,558,265
NR	1,331,805	1,331,805
Total debt securities	<u>\$ 3,890,070</u>	<u>\$ 3,890,070</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 quote prices for similar assets in active markets, quote prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumption are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumption reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balances of investments measured at fair value on a recurring basis as of December 31, 2016.

	<u>Total</u>	<u>Quoted Prices in Active Markets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
ASSETS				
Government mortgage backed	<u>\$ 3,890,070</u>	<u>\$ -</u>	<u>\$ 3,890,070</u>	<u>\$ -</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 6 CAPITAL ASSETS

The following schedule is a summary of the capital asset activity for the year ended December 31, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,315,808	\$ 606,339	\$ -	\$ 5,922,147
Construction in progress	339,178	2,404,946	(285,978)	2,458,146
Total capital assets not being depreciated	<u>5,654,986</u>	<u>3,011,285</u>	<u>(285,978)</u>	<u>8,380,293</u>
Capital assets, being depreciated:				
Buildings and improvements	67,325,462	3,137,875	-	70,463,337
Machinery and equipment	5,859,146	313,613	(7,000)	6,165,759
Infrastructure	5,481,983	442,301	-	5,924,284
Total capital assets being depreciated	<u>78,666,591</u>	<u>3,893,789</u>	<u>(7,000)</u>	<u>82,553,380</u>
Less accumulated depreciation for:				
Buildings and improvements	26,968,697	2,365,205	-	29,333,902
Machinery and equipment	4,889,028	290,062	(7,000)	5,172,090
Infrastructure	1,216,383	223,716	-	1,440,099
Total accumulated depreciation	<u>33,074,108</u>	<u>2,878,983</u>	<u>(7,000)</u>	<u>35,946,091</u>
Total capital assets being depreciated, net	<u>45,592,483</u>	<u>1,014,806</u>	<u>-</u>	<u>46,607,289</u>
Governmental capital assets, net	<u>\$ 51,247,469</u>	<u>\$ 4,026,091</u>	<u>\$ (285,978)</u>	<u>\$ 54,987,582</u>

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

Capitalized leased buildings and improvements	\$ 2,787,670
Construction in progress	960,926
Less: accumulated amortization	(910,082)
	<u>\$ 2,838,514</u>

Amortization expense for the year ended December 31, 2016 was \$111,507, and is included in depreciation expense. Depreciation expense was charged to the functions/programs of the primary government as follows:

Governmental Activities:	
Park Operations	\$ 1,715,424
Facilities / Recreation	1,163,559
Total depreciation expense - Governmental Activities	<u>\$ 2,878,983</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 7 LONG-TERM DEBT

Debt Outstanding

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

	Outstanding <u>12/31/16</u>
Revenue Bonds Payable:	
\$8,630,000 bonds dated December 1, 2013 to refund 2006 revenue bonds and purchase the Aquatic Center. The bonds are payable in variable annual principal and semi-annual interest payments at 0.45% to 4.75% through April 1, 2033. Payments are to be made from the Debt Service Fund.	\$ 7,390,000
\$3,455,000 bonds dated January 15, 2014 to purchase the Aquatic Center. The bonds are payable in variable annual principal and semi-annual interest payments at 0.25% to 4.50% through April 1, 2033. Payments are to be made from the Debt Service Fund.	<u>3,160,000</u>
	<u>\$ 10,550,000</u>
Special Assessments Debt:	
The special assessments are dated from 2002 through 2016. The maturity varies per issue, but extends through 2031. The interest rates are from 2.56% to 8.00%. Payments are to be made from the Special Revenue Fund.	\$ 3,168,380
\$1,400,000 bonds dated August 1, 2010 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.4% to 3.6% through May 1, 2025. The bonds are callable on May 1, 2016 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Capital Projects Fund.	920,000
\$750,000 bonds dated September 15, 2011 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.15% to 3.25% through May 1, 2026. The bonds are callable on May 1, 2017 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Special Revenue Fund.	545,000
\$1,060,000 bonds dated March 1, 2012 to refund 2003 and 2005 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.45% to 1.00% through May 1, 2017. Payments are to be made from the Special Revenue Fund.	130,000
\$2,700,000 bonds dated October 1, 2012 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.55% to 2.75% through May 1, 2027. Payments are to be made from the Special Revenue Fund.	2,020,000
\$3,730,000 bonds dated April 18, 2013 to refund 2008 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.30% to 1.90% through May 1, 2023. Payments are to be made from the Debt Service Fund.	2,670,000
\$3,500,000 bonds dated October 1, 2014 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.40% to 2.50% through May 1, 2026. Payments are to be made from the Debt Service Fund.	3,060,000
\$2,120,000 bonds dated April 1, 2015 to refund 2009 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.60% to 2.20% through May 1, 2024. Payments are to be made from the Debt Service Fund.	<u>1,905,000</u>
	<u>\$14,418,380</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Capital Leases:

\$1,200,000 lease dated January 1, 2005 for the purchase of the Masonic Lodge. Due in four annual principal and interest payments of \$106,263 at 3.87% interest until November 5, 2008, with one final payment of principal and interest for \$973,883 due November 5, 2009. Payments are to be made from the Capital Projects Fund. This lease was refinanced on November 5, 2009 with principal and interest payments of \$106,263 due annually until November 5, 2013, with one final payment of principal and interest for \$693,438 due November 5, 2014. The District refinanced the lease for a second time on November 5, 2014 for the amount of the last principal and interest payment of \$693,438, which requires a first annual principal and interest payment of \$106,600 and five subsequent annual payments of \$128,990.	\$363,265
\$150,000 lease dated May 11, 2007 for the purchase of the Nishu Bowman Archery building. Due in twenty-four quarterly principal and interest payments of \$4,822 at 5.16% interest until April 30, 2013, with one final payment of principal and interest for \$70,211 due July 31, 2014. Payments are to be made from the Capital Projects Fund. This lease was refinanced on July 25, 2013 in the amount of the final principal and interest payment, with quarterly payments of interest and principal until April 25, 2017.	9,296
\$450,000 lease dated December 22, 2009 for the purchase of the Aquatic Wellness Center Bio Mass heating system. Due in ten semi-annual principal and interest payments of \$28,230 at 4.53% interest until December 22, 2014, with one final payment of principal and interest for \$251,054 due January 22, 2015. This lease was refinanced on January 20, 2015. New lease terms require ten semi-annual principal and interest payments of \$26,989 until January 22, 2019. The terms of the re-financed lease are presented in the following debt notes. Payments are to be made from the Construction Fund.	153,003
\$400,000 lease dated December 22, 2009 for the purchase of the Aquatic Wellness Center lockers, bleachers and equipment. Due in ten semi-annual principal and interest payments of \$25,100 at 4.536% interest until December 22, 2014, with one final payment of principal and interest for \$223,189 due January 22, 2015. This lease was refinanced on January 20, 2015. New lease terms require ten semi-annual principal and interest payments of \$23,968 until January 22, 2019. The terms of the re-financed lease are presented in the following debt notes. Payments are to be made from the Construction Fund.	135,877
\$650,000 lease dated October 11, 2010 for the construction of a building to house the biomass heating unit at the Aquatic Wellness Center. Due in ten semi-annual principal and interest payments of \$23,553 at 3.898% interest until October 11, 2015, with one final payment of principal and interest for \$532,859 due November 11, 2015. This lease was refinanced on November 5, 2015. New lease terms require ten semi-annual principal and interest payments of \$25,000 at 3.070% until November 5, 2020, with one final payment of principal and interest for \$352,311 due December 5, 2020. Payments are to be made from the Park Improvement Fund.	498,753
\$600,000 lease dated July 22, 2014 for the Bismarck Municipal Baseball Park. Due in ten semi-annual principal and interest payments of \$65,406 until July 22, 2019. Payments are to be made from the Park Improvement Fund.	371,332
\$2,500,000 lease dated December 1, 2016 for the Schaumburg Ice Arena. Due in six annual principal and interest payments of \$434,000 and semi-annual interest payments until June 30, 2022. Payments are to be made from the Park Improvement Fund.	2,500,000
\$4,500,000 lease dated December 1, 2016 for the Schaumburg Ice Arena. Due in nine annual principal and interest payments of \$334,664 and semi-annual interest payments until December 31, 2026, at which time one final payment of principal and interest of \$1,939,983 is due. Payments are to be made from the Park Improvement Fund.	4,500,000
	<u>\$8,531,526</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in liabilities reported in the Statement of Net Position:

	Balance - January 1	Additions	Reductions	Balance - December 31	Due Within One Year
Compensated Absences	\$ 564,157	\$ 274,689	\$ 282,730	\$ 556,116	\$ 216,600
Net Pension Liability	1,167,823	147,620	-	1,315,443	-
Bonds and notes payable					
Revenue Bonds Payable	11,235,000	-	685,000	10,550,000	690,000
Special Assessments Debt	15,680,857	442,301	1,704,778	14,418,380	1,774,825
Capital Leases	1,903,382	7,000,000	371,856	8,531,526	777,844
Total bonds and notes payable	<u>28,819,239</u>	<u>7,442,301</u>	<u>2,761,634</u>	<u>33,499,906</u>	<u>3,242,669</u>
Total long-term liabilities	<u>\$30,551,219</u>	<u>\$ 7,864,610</u>	<u>\$ 3,044,364</u>	<u>\$35,371,465</u>	<u>\$3,459,269</u>

Assets of the General Fund are used to pay compensated absences. See Note 13 for more information on the net pension liability.

Debt Service Requirements

Annual requirements to amortize outstanding debt at December 31, 2016 are as follows:

	Revenue Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2017	\$ 690,000	\$ 356,846	\$ 1,774,825	\$ 322,418
2018	705,000	343,283	1,640,073	305,627
2019	720,000	326,663	1,634,747	267,762
2020	730,000	310,983	1,639,625	229,976
2021	750,000	292,335	1,662,333	190,966
2022 - 2026	2,155,000	1,244,554	5,693,798	396,346
2027 - 2031	2,565,000	803,668	372,979	17,307
2032 - 2036	2,235,000	129,511	-	-
Totals	<u>\$ 10,550,000</u>	<u>\$ 3,807,843</u>	<u>\$ 14,418,380</u>	<u>\$ 1,730,402</u>

	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2017	\$ 777,844	\$ 231,377	\$ 3,242,669	\$ 910,641
2018	1,058,539	200,504	3,403,612	849,414
2019	1,079,293	171,102	3,434,040	765,527
2020	1,089,260	143,875	3,458,885	684,834
2021	707,406	113,648	3,119,739	596,949
2022 - 2026	3,819,184	377,081	11,667,982	2,017,981
2027 - 2031	-	-	2,937,979	820,975
2032 - 2036	-	-	2,235,000	129,511
Totals	<u>\$ 8,531,526</u>	<u>\$ 1,237,587</u>	<u>\$ 33,499,906</u>	<u>\$ 6,775,832</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 8 CHARGES FOR SERVICES

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

Golf	\$ 1,340,431
BLAST and activity centers	964,543
Aquatic Center	876,290
Adult activities	592,461
Ice arenas	444,036
Capital Racquet Fitness Center	379,028
Youth activities	228,309
Sibley Park	324,954
County parks	142,798
Pools	252,688
McDowell Dam	155,625
Other recreational activities	127,235
High Prairie Arts and Science Complex	45,675
Memorial Building	10,979
Licenses and permits	93,698
Total charges for services	<u><u>\$ 5,978,750</u></u>

NOTE 9 FACILITY AGREEMENTS

The District has many agreements with various organizations for use of the District's facilities. Revenue terms differ by organization depending upon the organization's needs. Revenue is charged differently to the organizations as follows: fees paid are dependent upon the number of participants or the number of games, seasonal rental, monthly rental or rental based upon the organization's sales. The agreements terminate between February 2017 and December 2036. The estimated rental income to be received in future periods under those agreements that are fixed fees are as follows:

2017	\$ 484,137
2018	112,789
2019	57,066
2020	37,623
2021	34,697
Thereafter	131,227
Total	<u><u>\$ 857,539</u></u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 10 PUBLIC RISK POOL

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

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

The current policy has various deductibles. The NDIRF was established during 1986 to assist state agencies and political subdivisions within the State of North Dakota in obtaining liability insurance at reasonable rates. Each participating entity is entitled to one vote per \$1,000 of annual fund contribution, provided that each entity receives at least one vote and all fractions are rounded to the nearest whole vote. The NDIRF is governed by a 9-member board of directors that is elected by the participants in such a manner to ensure a cross-section from the various types of participating entities. Currently there are approximately 2,000 participating entities. To establish the fund, each entity was required to purchase a surplus note. The note matured during 1991. The District receives conferment of benefits towards its insurance premiums as payment on the surplus note.

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

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

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

NOTE 11 TRANSFERS

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

The following is a list of transfers for the year ending December 31, 2016:

	Transfer To:			Total Transfer From
	General Fund	Park Improvement Fund	Nonmajor Governmental Funds	
Transfer from:				
General Fund	\$ -	\$ 1,740,000	\$ -	\$ 1,740,000
Special Assessment Fund	125,000	-	-	125,000
Nonmajor Governmental Funds	768,012	235,249	-	1,003,261
Total Transfer To	<u>\$ 893,012</u>	<u>\$ 1,975,249</u>	<u>\$ -</u>	<u>\$ 2,868,261</u>

The purpose of the above transfers to the general fund were for general administrative support and to transfer money to the general fund for special revenue funds that no longer had a restricted revenue stream. The purpose of the above transfers to the park improvement fund were to fund where bond payments and payments for capital improvements were made.

NOTE 12 FUND BALANCES

At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Assessment Fund	Park Improvement Fund	Non-major Governmental Funds	Total
Restricted for:					
Debt Service	\$ -	\$ -	\$ -	\$ 1,061,567	\$ 1,061,567
Capital Projects	-	-	6,039,074	-	6,039,074
Special Assessments	-	1,525,552	-	-	1,525,552
Committed to:					
Golf Dome Roof Replacement	224,000	-	-	-	224,000
Assigned to:					
Capital Projects	-	-	1,090,381	770,163	1,860,544
Unassigned	2,305,377	-	-	-	2,305,377
	<u>\$ 2,529,377</u>	<u>\$ 1,525,552</u>	<u>\$ 7,129,455</u>	<u>\$ 1,831,730</u>	<u>\$ 13,016,114</u>

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 13 BISMARCK CITY EMPLOYEE PENSION PLAN (BCEPP)

Plan Description

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

Plan Membership

Memberships begin with their hire date before December 31, 2016 and are vested after five years of service. Membership in the BCEPP on December 31, 2016 is as follows:

Retirees and beneficiaries receiving benefits	204
Terminated employees - vested	56
Active employees:	
Vested	255
Non-vested	214
Number of participating employers:	2

Plan Administration

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

Benefits Provided

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

Contributions

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

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

Investments

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

The BCEPP Board of Trustee's adopted a long-term investment horizon and asset allocation policy for the management of the fund assets. Asset allocation targets are established using an asset-liability analysis designed to determine an acceptable volatility target for the plan and an optimal asset allocation policy mix. The asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk. The following was the plans asset allocation as of December 31, 2016:

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

Long-term Expected Return on Plan Assets

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Actuarial Assumptions

Valuation date	1/1/2017
Actuarial cost method	Entry Age
	Normal
Amortization method	Level % of payroll over remaining amortization period-closed
Remaining amortization period	1
Mortality rate	Based on the 1994 group annuity mortality table
Asset valuation method	Market
Valuation method	
Inflation rate	3.00%
Investment rate of return	7.50%
Projected salary increases:	
0-9 years of service	5.00%
10+ years of service	4.00%
Post retirement cost of living adjustments	None

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share share of the net pension liability	\$ (31,251)	\$ 1,315,443	\$ 2,905,936

Proportionate Share of the Net Pension Liability

The District's portion of the net pension liability for the BCEPP was recorded at \$1,315,443 as of December 31, 2016. The calculation was determined by an actuarial valuation based on the present value of future payroll. The District's proportionate share was 13.43%, which is a 0.72% increase from the District's proportionate share as of December 31, 2015.

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Deferred Inflows and Outflows of Resources

The District recognized pension expense of \$258,038 during the year ended December 31, 2016. Deferred inflows and outflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 539,014	\$ (121,253)
Changes in assumptions	-	(123,707)
Net difference between projected and actual earnings on pension plan investments	382,045	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,040	-
Employer contributions subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 966,099</u>	<u>\$ (244,960)</u>

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

Year ended June 30:

2017	\$ 27,362
2018	214,285
2019	235,341
2020	108,313
2021	96,944
Thereafter	38,894

Pension Plan Fiduciary Net Position

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 14 COMMITMENTS

As of December 31, 2016, the District has the following outstanding commitments for on-going capital projects.

VFW Sports Center	\$ 1,904,320
Schaumburg Ice Arena	8,148,379
South Meadows Park	22,829
Wachter Park site improvements	993,297
Nishu Bowmen building additions	251,956
Heritage Park	346,129
Fore Seasons Center/Pebble Creek HVAC	184,390
Sertoma Park	28,475
	<hr/>
	\$ 11,879,775

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

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

NOTE 16 SUBSEQUENT EVENT

In February 2017, the District issued Refunding Improvement Bonds, Series 2017, for \$1,600,000. This was to finance improvements to Wachter Park. Payment of principal and interest begins May 2017 and goes through May 2026. Principal payments vary from \$130,000 to \$180,000 each year and semi-annual interest payments ranging from 0.90% to 2.25%.

The District has entered into additional commitments for capital projects totaling \$1,145,544 subsequent to year end.

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 6,840,000	\$ 6,840,000	\$ 6,947,086	\$ 107,086
Licenses and permits	80,500	80,500	93,698	13,198
Intergovernmental	1,437,600	1,437,600	1,340,727	(96,873)
Charges for services	5,600,050	5,600,050	5,902,339	302,289
Investment earnings (loss)	2,000	2,000	16,625	14,625
Leases	95,000	95,000	119,329	24,329
Donations	19,000	19,000	18,801	(199)
Miscellaneous	272,000	272,000	109,074	(162,926)
Total revenues	<u>14,396,150</u>	<u>14,396,150</u>	<u>14,628,628</u>	<u>232,478</u>
Expenditures:				
Current:				
General government	2,139,355	2,139,355	1,670,604	468,751
General maintenance	2,571,025	2,571,025	2,439,703	131,322
Golf	1,839,500	1,839,500	1,671,929	167,571
Capital Racquet Fitness Center	470,100	470,100	477,127	(7,027)
Aquatic Wellness Center	1,061,950	1,061,950	1,102,214	(40,264)
Pools	695,400	695,400	721,449	(26,049)
Ice arenas	569,500	569,500	603,279	(33,779)
Forestry	170,000	170,000	160,505	9,495
Memorial Building	153,600	153,600	149,053	4,547
Sibley Park	298,300	298,300	285,650	12,650
County parks	-	-	141,954	(141,954)
McDowell Dam	170,000	170,000	161,315	8,685
High Prairie Arts and Science Complex	99,700	99,700	104,513	(4,813)
Other recreational activities	2,337,300	2,337,300	2,329,389	7,911
Capital outlay	1,517,500	1,517,500	405,272	1,112,228
Capital outlay less than \$5,000	147,520	147,520	89,411	58,109
Debt service:				
Principal retirement	687,500	687,500	685,000	2,500
Interest and fiscal charges	363,900	363,900	366,184	(2,284)
Total expenditures	<u>15,292,150</u>	<u>15,292,150</u>	<u>13,564,551</u>	<u>1,727,599</u>
Excess of revenues under expenditures	(896,000)	(896,000)	1,064,077	1,960,077
Other financing sources:				
Transfers in/out	896,000	896,000	(846,988)	(1,742,988)
Total other financing sources	<u>896,000</u>	<u>896,000</u>	<u>(846,988)</u>	<u>(1,742,988)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	217,089	<u>\$ 217,089</u>
Fund balance - January 1			<u>2,312,288</u>	
Fund balance - December 31			<u>\$ 2,529,377</u>	

See Notes to the Required Supplementary Information

BISMARCK PARKS AND RECREATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - SPECIAL ASSESSMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,776,000	\$ 2,776,000	\$ 2,863,646	\$ 87,646
Miscellaneous	-	-	125	125
Total revenues	<u>2,776,000</u>	<u>2,776,000</u>	<u>2,863,771</u>	<u>87,771</u>
Expenditures:				
Capital outlay	590,775	590,775	442,301	148,474
Debt service:				
Principal retirement	1,710,000	1,710,000	1,704,779	5,221
Interest and fiscal charges	<u>350,225</u>	<u>350,225</u>	<u>366,879</u>	<u>(16,654)</u>
Total expenditures	<u>2,651,000</u>	<u>2,651,000</u>	<u>2,513,959</u>	<u>137,041</u>
Excess of revenues over expenditures	125,000	125,000	349,812	224,812
Other financing uses:				
Proceeds from special assessments debt	-	-	442,301	442,301
Transfers out	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing uses	<u>(125,000)</u>	<u>(125,000)</u>	<u>317,301</u>	<u>442,301</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	667,113	<u>\$ 667,113</u>
Fund balance - January 1			<u>858,439</u>	
Fund balance - December 31			<u>\$ 1,525,552</u>	

See Notes to the Required Supplementary Information

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

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	13.43%	12.71%
Employer's proportionate share of the net pension liability (asset)	\$ 1,315,443	\$ 1,167,823
Employer's covered-employee payroll	\$ 2,953,755	\$ 2,512,248
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.53%	46.49%
Plan fiduciary net position as a percentage of the total pension liability	89.86%	89.88%

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

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

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 209,905	\$ 122,820
Contributions in relation to the actuarially determined contribution	\$ (269,065)	\$ (243,218)
Contribution deficiency (excess)	\$ (59,160)	\$ (120,398)
Employer's covered-employee payroll	\$ 2,953,755	\$ 2,512,248
Contributions as a percentage of covered-employee payroll	9.11%	9.68%

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

BISMARCK PARKS AND RECREATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

BISMARCK PARKS AND RECREATION DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Capital Projects Funds			Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Construction Fund	Government Construction Fund	Total Capital Projects	Social Security Fund	Pension Fund	Total Special Revenue		
Assets:								
Cash and cash equivalents	\$ 88,175	\$ 85,989	\$ 174,164	\$ -	\$ -	\$ -	\$ -	\$ 174,164
Cash and cash equivalents - restricted	-	-	-	-	-	-	11,567	11,567
Investments	500,000	150,000	650,000	-	-	-	-	650,000
Investments - restricted	-	-	-	-	-	-	1,050,000	1,050,000
Taxes receivable	13,942	-	13,942	-	-	-	-	13,942
Accounts receivable	11,152	28	11,180	-	-	-	-	11,180
Total assets	\$ 613,269	\$ 236,017	\$ 849,286	\$ -	\$ -	\$ -	\$ 1,061,567	\$ 1,910,853
Liabilities:								
Accounts payable	\$ 50,428	\$ 16,875	\$ 67,303	\$ -	\$ -	\$ -	\$ -	\$ 67,303
Deferred inflows of resources:								
Delinquent property taxes	11,820	-	11,820	-	-	-	-	11,820
Fund balances:								
Restricted	551,021	219,142	770,163	-	-	-	1,061,567	1,061,567
Assigned	551,021	219,142	770,163	-	-	-	-	770,163
Total fund balances	\$ 613,269	\$ 236,017	\$ 849,286	\$ -	\$ -	\$ -	\$ 1,061,567	\$ 1,910,853
Total liabilities, deferred inflows of resources, and fund balances								

BISMARCK PARKS AND RECREATION DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Capital Projects Funds			Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Construction Fund	Government Construction Fund	Total Capital Projects	Social Security Fund	Pension Fund	Total Special Revenue		
Revenues:								
Taxes	\$ 1,591,283	\$ 113,026	\$ 1,704,309	\$ -	\$ -	\$ -	\$ -	\$ 1,704,309
Investment earnings	2,801	758	3,559	-	-	-	-	3,559
Grants	147,000	-	147,000	-	-	-	-	147,000
Donations	124,340	-	124,340	-	-	-	-	124,340
Total revenues	1,865,424	113,784	1,979,208	-	-	-	-	1,979,208
Expenditures:								
Capital outlay	1,324,328	51,202	1,375,530	-	-	-	-	1,375,530
Debt service:								
Principal retirement	124,081	-	124,081	-	-	-	-	124,081
Interest and fiscal charges	27,833	-	27,833	-	-	-	-	27,833
Total expenditures	1,476,242	51,202	1,527,444	-	-	-	-	1,527,444
Excess of revenues over (under) expenditures	389,182	62,582	451,764	-	-	-	-	451,764
Other financing uses:								
Transfers out	(341,249)	(30,000)	(371,249)	(358,120)	(273,892)	(632,012)	-	(1,003,261)
Excess of revenues and other uses over (under) expenditures	47,933	32,582	80,515	(358,120)	(273,892)	(632,012)	-	(551,497)
Fund balance - January 1	503,088	186,560	689,648	358,120	273,892	632,012	1,061,567	2,383,227
Fund balance - December 31 (Note 12)	\$ 551,021	\$ 219,142	\$ 770,163	\$ -	\$ -	\$ -	\$ 1,061,567	\$ 1,831,730



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bismarck Parks and Recreation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
Bismarck, North Dakota

June 30, 2017