BISMARCK PARKS AND RECREATION DISTRICT
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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BRADY MARTZ
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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of employer's proportionate share of net pension liability, schedule of employer contributions, 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 29, 2018 on our consideration of the Bismarck Parks and Recreation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bismarck Parks and Recreation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bismarck Parks and Recreation District's internal control over financial reporting and compliance.

Brady Martz

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

June 29, 2018

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, 2017. 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, 2017 by $38,294,804. Of this amount, $2,303,773 is unrestricted in governmental activities and may be used to meet the District's ongoing obligations. $2,315,592 is restricted by constraints imposed on resources either externally or imposed by law and $33,675,439 is invested in capital assets.

2. The District's total net position increased by $5,108,712 during the year ended December 31, 2017.

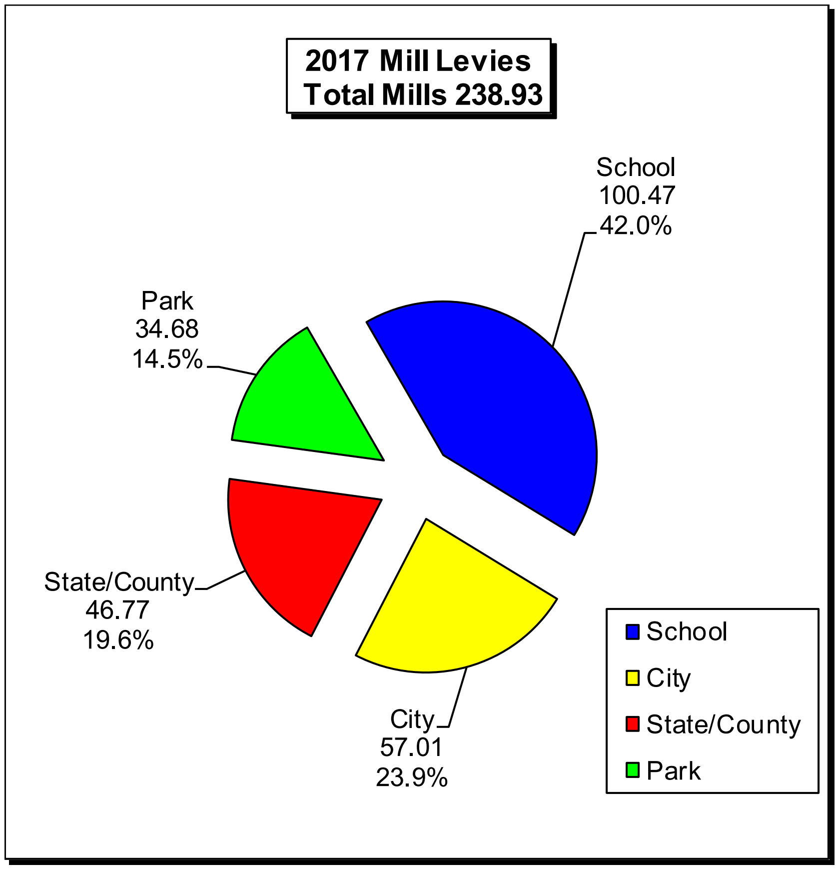
3. At December 31, 2017, the District's governmental funds reported combined ending fund balances of $6,032,373, a decrease of $6,983,741 in comparison with the 2016 year. This decrease is mainly due to payments being made to contractors for the construction of the Capital Ice Complex improvements.

4. The District had $15,357,896 in general fund revenue and $583,557 in other financing sources. General fund expenditures were $14,652,961 and $1,285,000 in other financing uses. Local taxes contributed to 49% of the general fund revenue. Revenues and other sources exceeded expenditures and other uses by $3,492.

5. At December 31, 2017, the general fund unassigned fund balance was $2,292,869 or 14.4% of total general fund expenditures and transfers out.

6. The District's long-term financing debt decreased by $1,083,469 (3 percent) during the 2017 year. Special Assessment bond proceeds in the amount of $1,600,000 were obtained to finance the construction of the Wachter Park Site improvements.

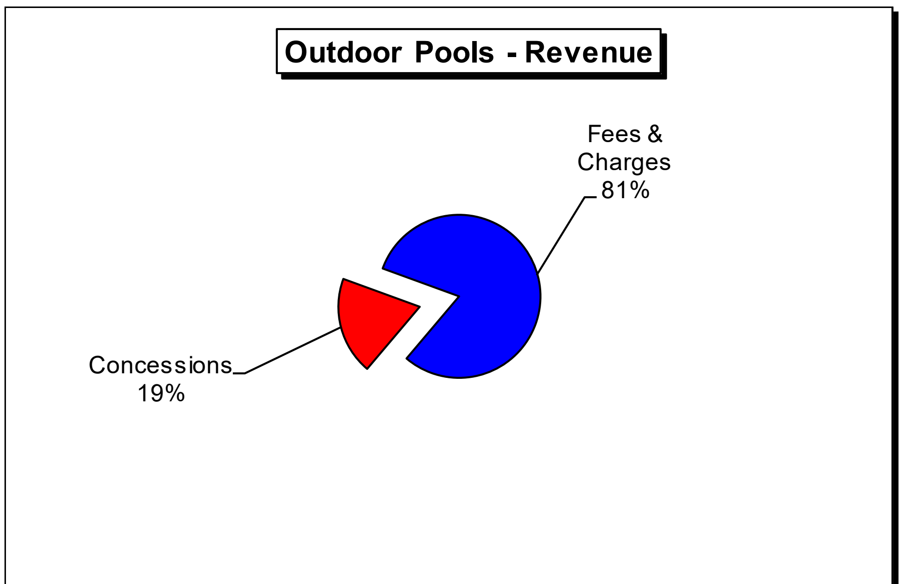
The District receives property tax revenue through the mill levy process. The District's mill levy for 2016 due January 2017 was 34.68 or 14.5% of the total mills levied. The general fund mill levy was 22.14 mills. The following chart indicates the allocation of property tax funds to the major governmental entities.

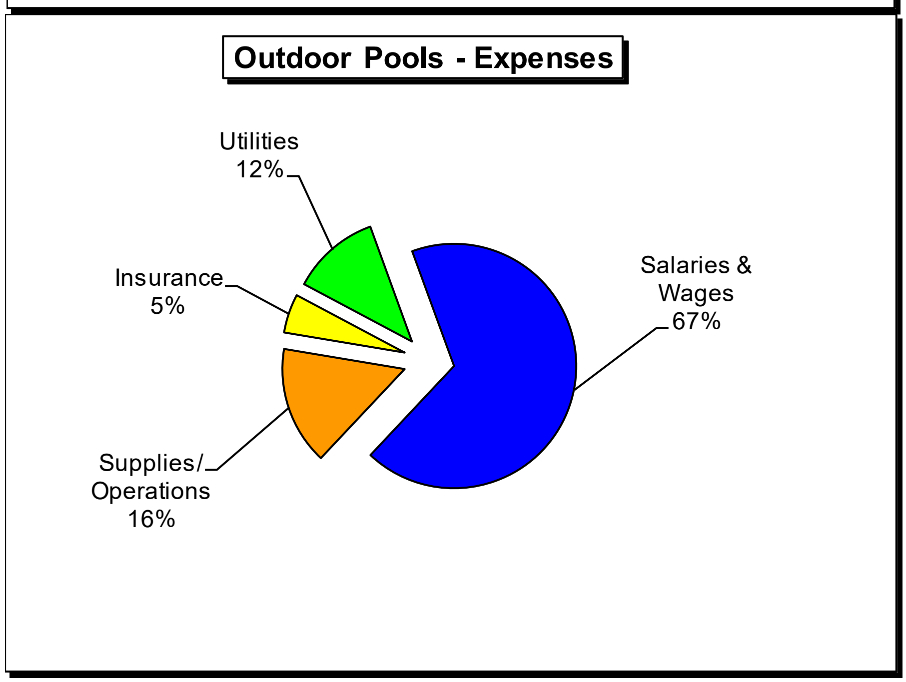


The following is a brief overview of each major operational area of the District with emphasis on financial information and statistics:

Facility Division - *Outdoor Swimming Pools*

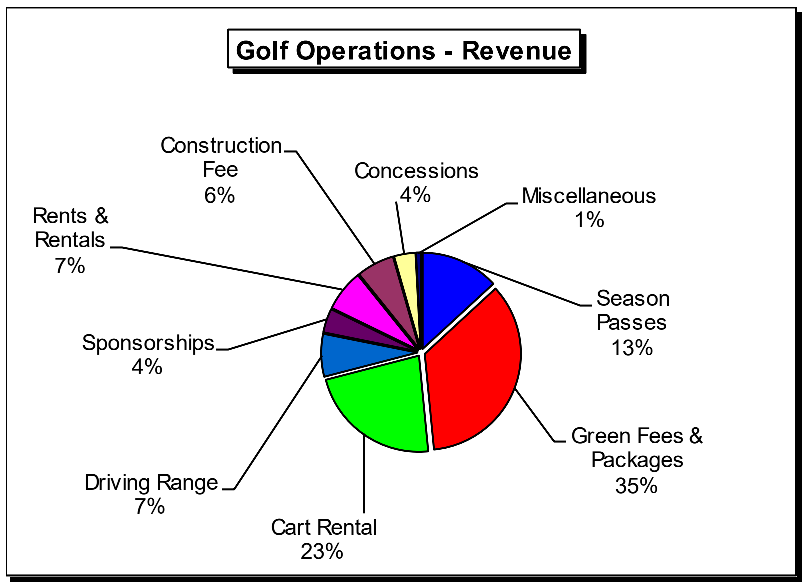
- The District operates three swimming pools – Elks Aquatic Center, Hillside Aquatic Complex and Wachter Aquatic Complex. The daily attendance at the three pools was 44,856, for the entire 2017 year, a decrease of 1,289 from 2016.
- 48% of operating costs of the pools were covered by non-tax revenue.

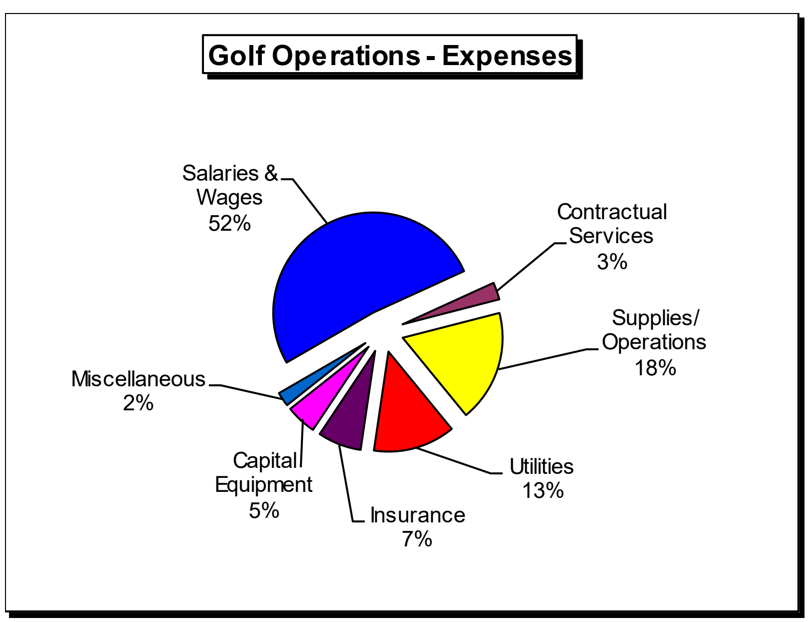




Golf Operations Division

- The Golf Operations Division operates three golf courses – Riverwood, Tom O'Leary and the Pebble Creek/Fore Seasons Center.
- The golf courses had 75,526 rounds of golf during 2017. This was 673 more than 2016.
- 80% of operating costs were covered by non-tax revenue.
- *The following is a graphic presentation of revenue and expenses related to Golf Operations:*





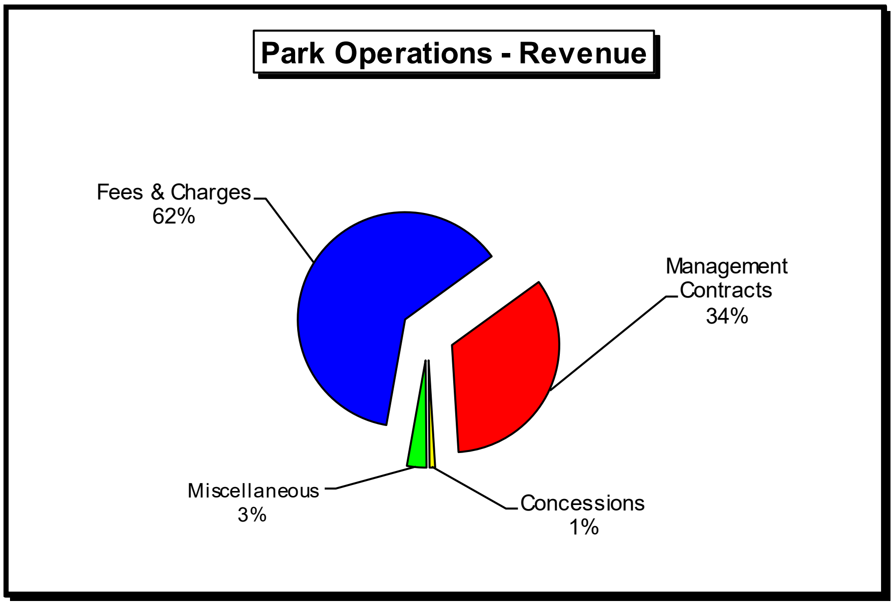
Park Operations Division

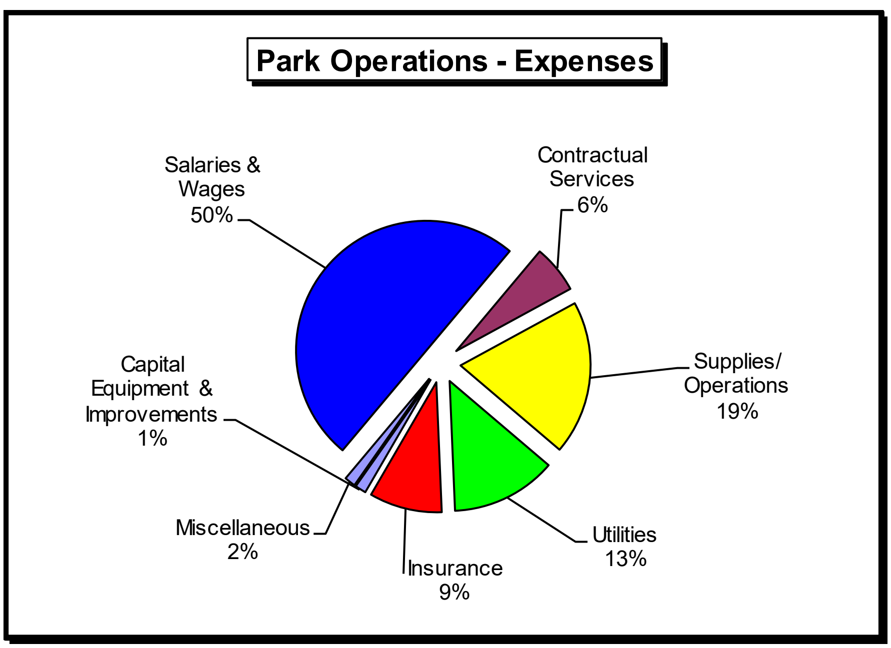
- Park Operations provides general maintenance and service to the District. In addition, Parks Operations manages Eagles Park, General Sibley Park, McDowell Dam, and Burleigh County Parks.

- Park Operations had 2,823 shelter reservations in 2017, an increase of 199 from 2016.

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

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



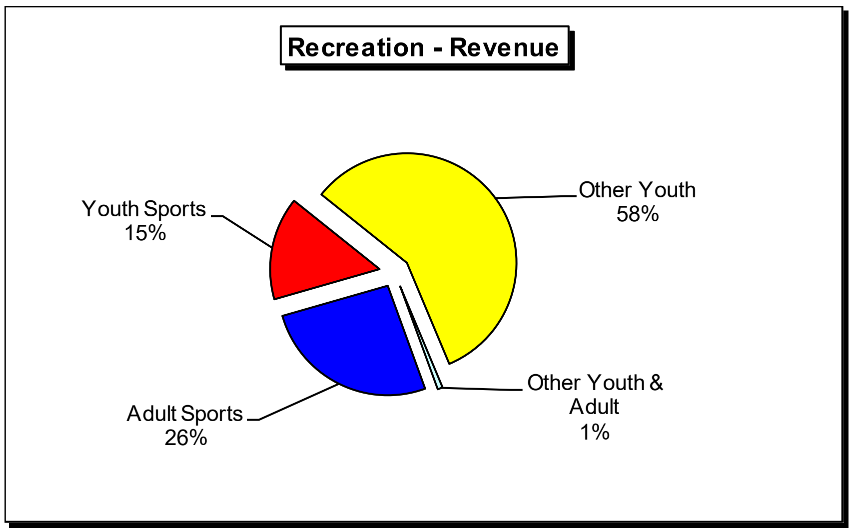


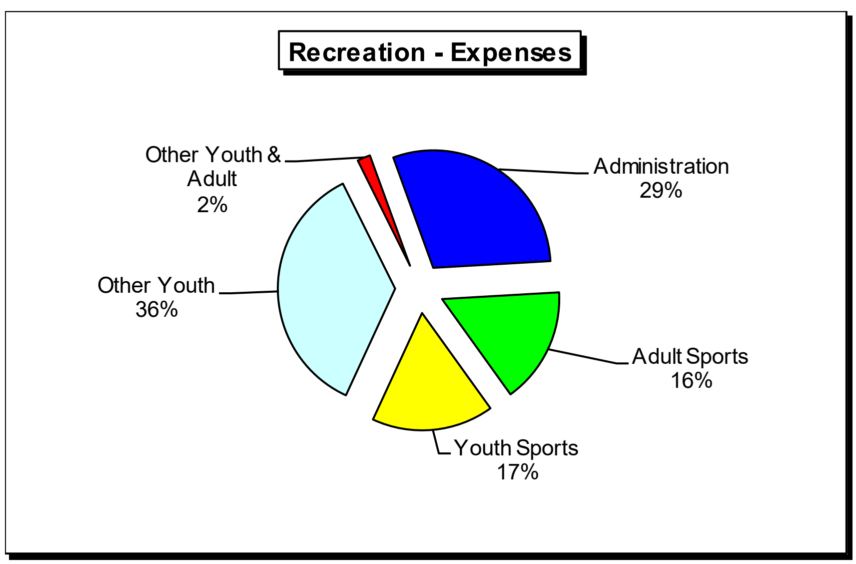
Recreation Division

- The District manages a wide variety of youth and adult programs. Some of the programs include BLAST (657 participants), adult volleyball (7,232), activity centers (626), and open gym (9,647).

- 76% of operating costs were covered by non-tax revenue.

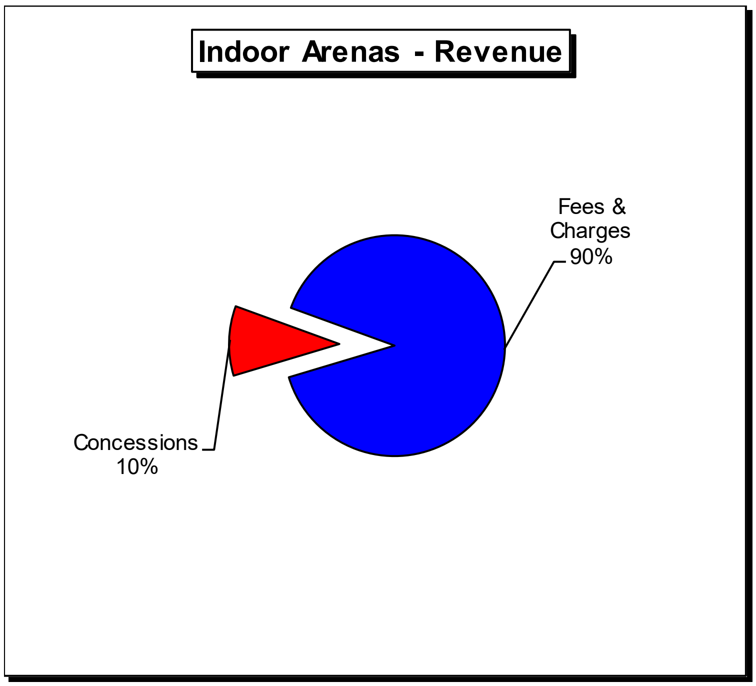
- *The following is a graphic presentation of revenue & expenses related to the various recreational activities:*

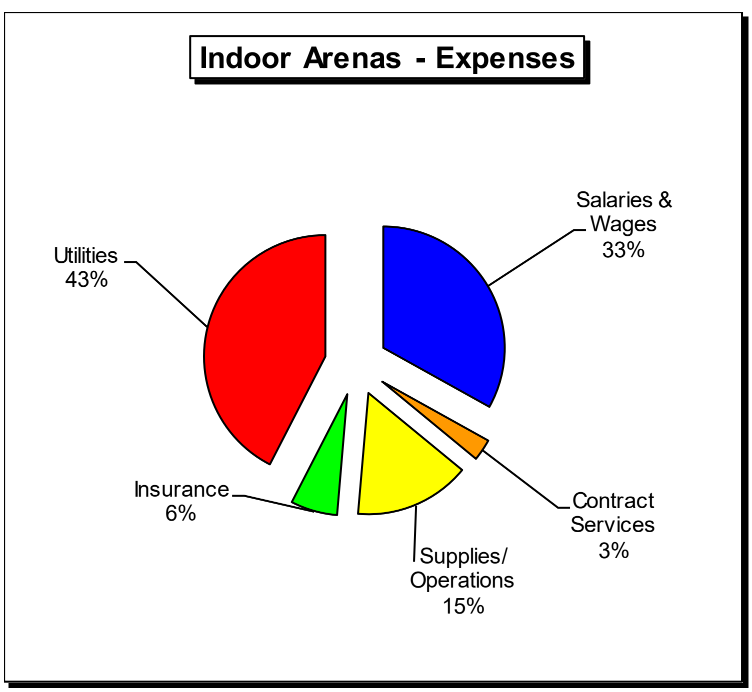




Indoor Arenas - VFW Sports Center Rinks 1 & 2; Capital Ice Complex – Schaumberg & Wachter Arenas

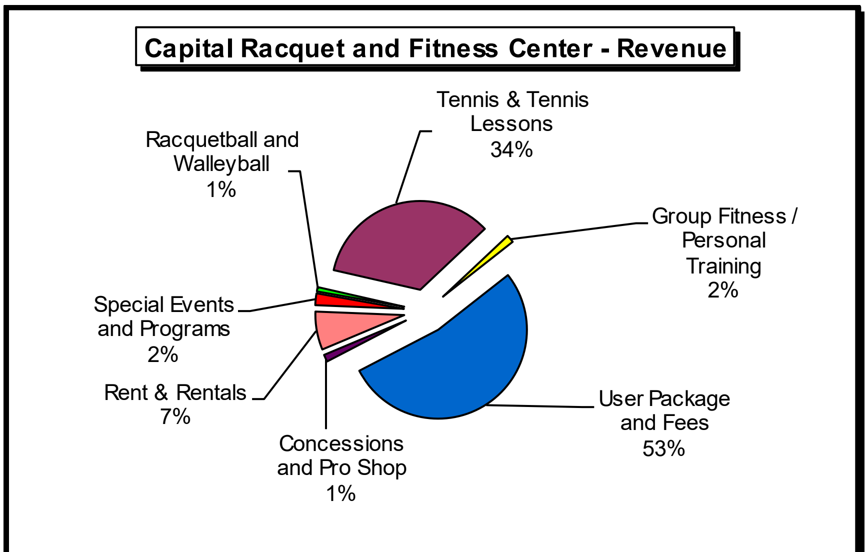
- 63% of operating costs were covered by non-tax revenue.
- Ice rental accounts for 87% of generated revenue in arena operations with most attributed to long-term agreements with youth and adult organizations, schools and Junior hockey.
- *The following is a graphic presentation of revenue and expenses related to the Indoor Arenas:*

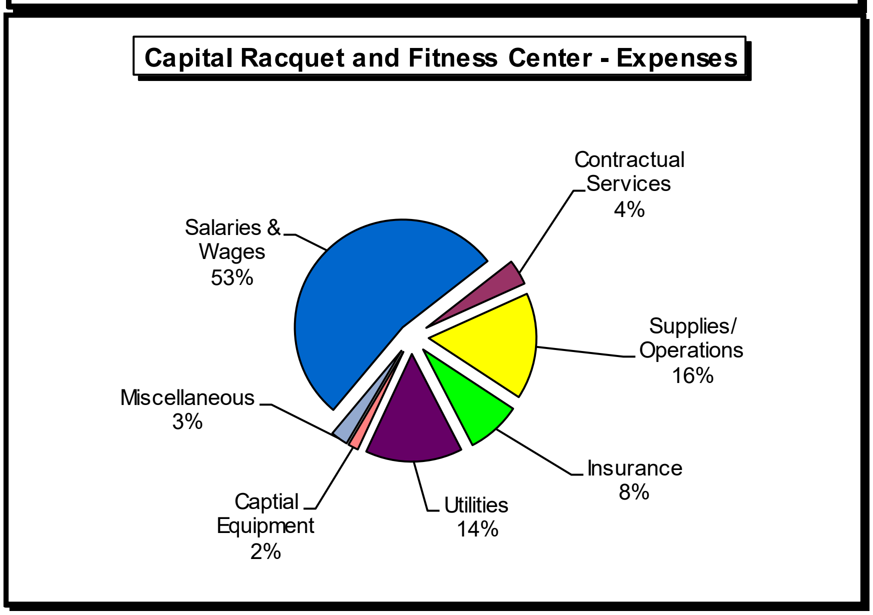




Capital Racquet and Fitness Center

- Monthly membership's usage was 31,759 in 2017 compared to 34,111 in 2016.
- There were 7,821 tennis court hours in 2017 compared to 7,280 in 2016.
- 72% of operating costs of Capital Racquet and Fitness Center were covered by non-tax revenue.
- *The following is a graphic presentation of revenue & expenses related to Capital Racquet and Fitness Center:*





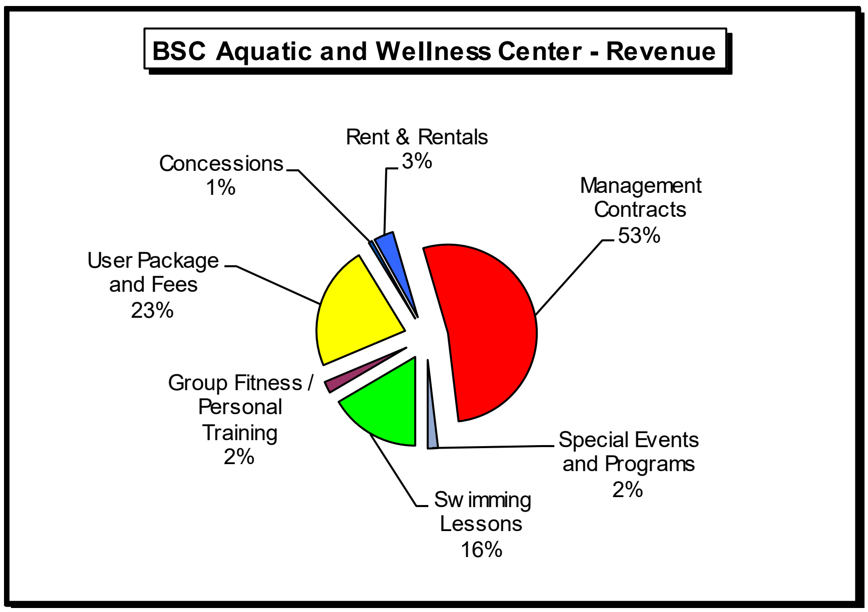
BSC Aquatic and Wellness Center

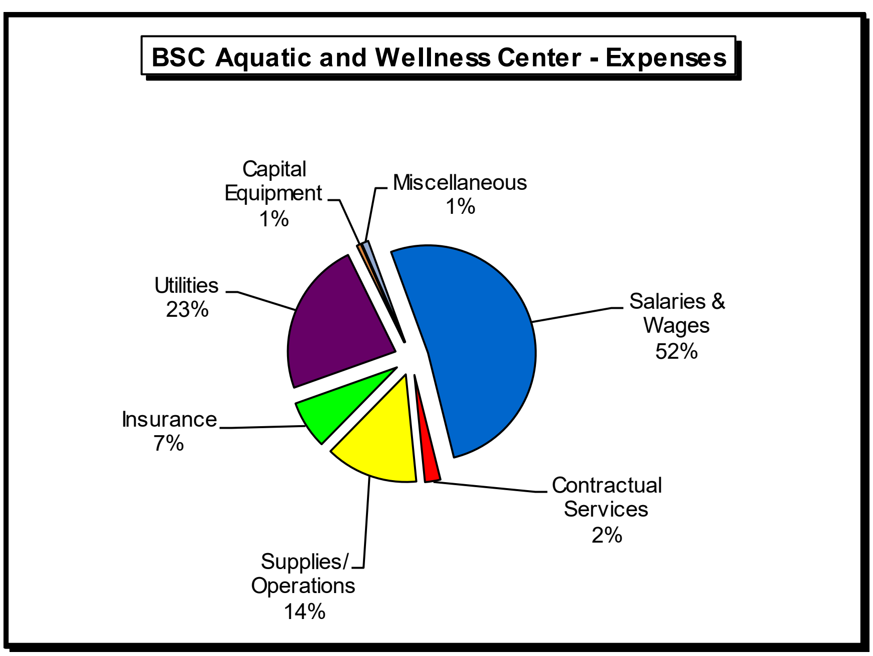
- The number of individuals taking swimming lessons increased by 395 in 2017 with 2,750 compared to 2,355 in 2016.

- There were 6,379 participants in group exercise during 2017 compared to 6,889 in 2016.

- 72% of operating costs of BSC Aquatic and Wellness Center were covered by non-tax revenue.

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



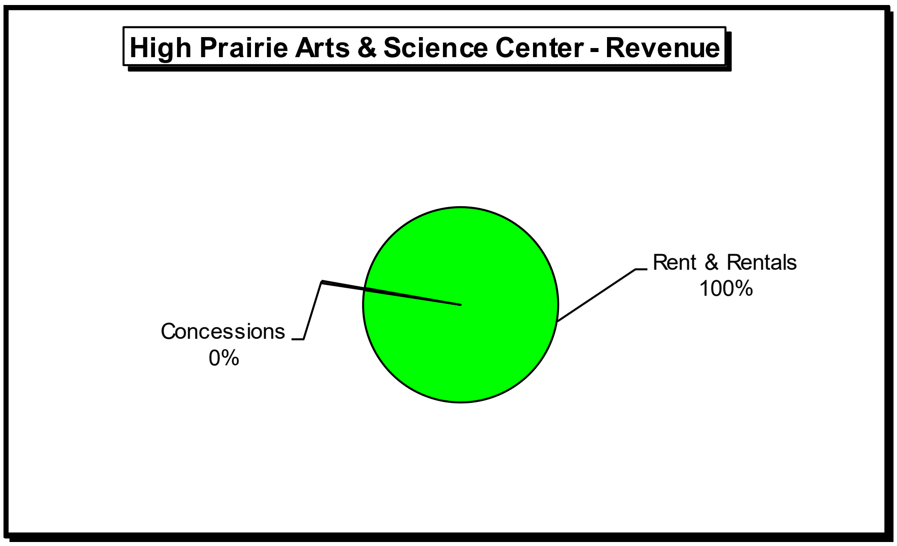


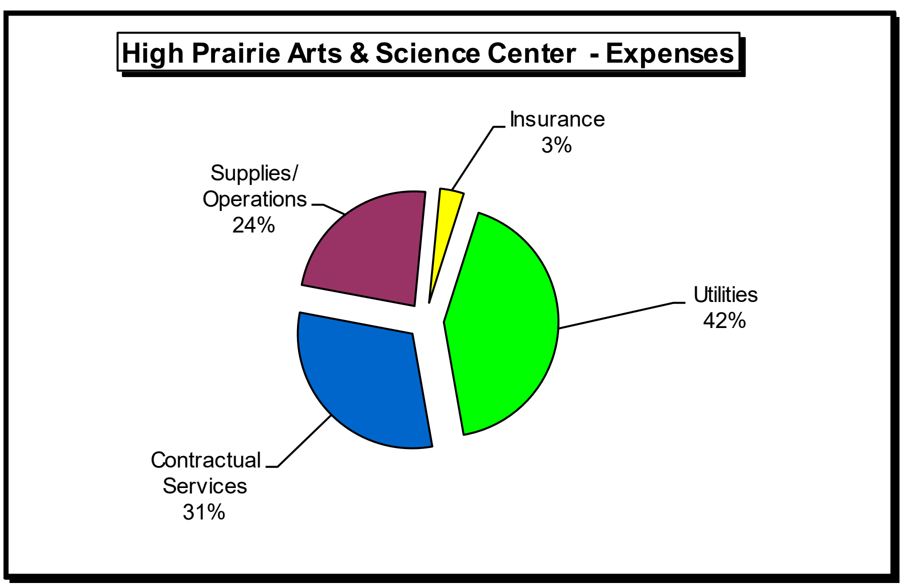
Frances Leach High Prairie Arts & Science Complex

- 48% of operating costs of the Frances Leach High Prairie Arts & Science Complex were covered by non-tax revenue.

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

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





Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The Bismarck Parks and Recreation District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Special Assessment Fund, Park Improvement Fund, and Debt Service Fund which are considered to be major funds. Data from the other two 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 $38,294,804 at December 31, 2017.

The largest part of the District's net position (88 percent) reflects its investment in capital assets (land, construction in progress, building and building improvements, machinery and equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of net position as of December 31, 2017 and 2016:

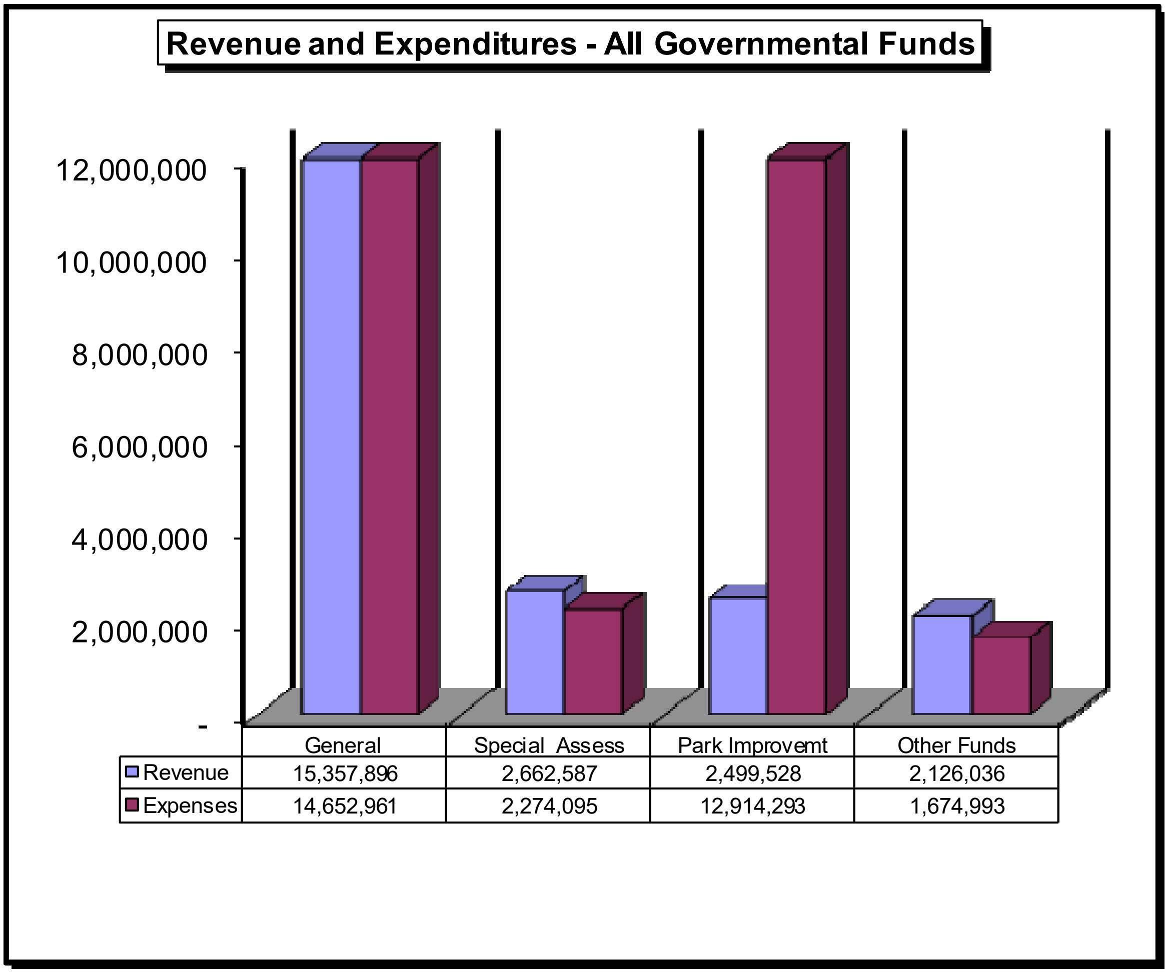
	Governmental Activities	
	2017	2016
Current and Other Assets	$ 8,962,767	$ 14,479,280
Capital Assets	66,122,291	54,987,582
Total Assets	$ 75,085,058	$ 69,466,862
Deferred Outflows of Resources	$ 1,293,705	$ 966,099
Current Liabilities	6,919,485	5,089,713
Long-Term Liabilities	30,632,085	31,912,196
Total Liabilities	$ 37,551,570	$ 37,001,909
Deferred Inflows of Resources	$ 532,389	$ 244,960
Net Position:		
Net Investment in Capital Assets	33,675,439	27,526,750
Restricted	2,315,592	2,460,382
Unrestricted	2,303,773	3,198,960
Total Net Position	$ 38,294,804	$ 33,186,092

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

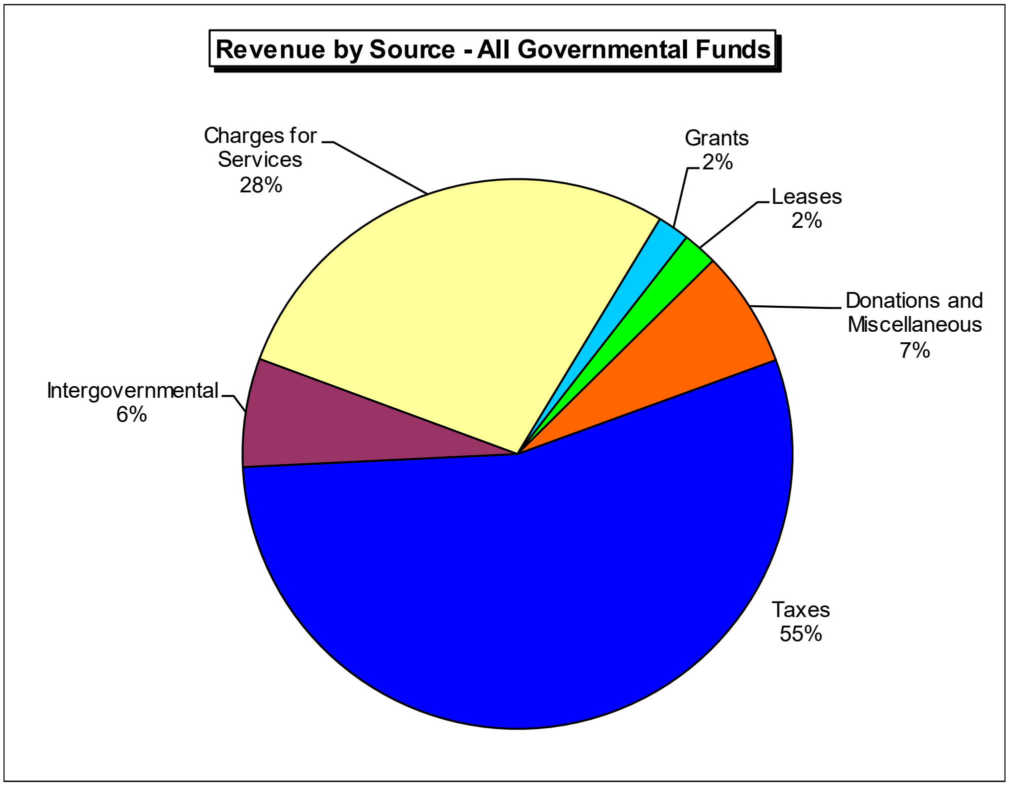
The following is a summary of changes in net position for the years ended December 31, 2017 and 2016:

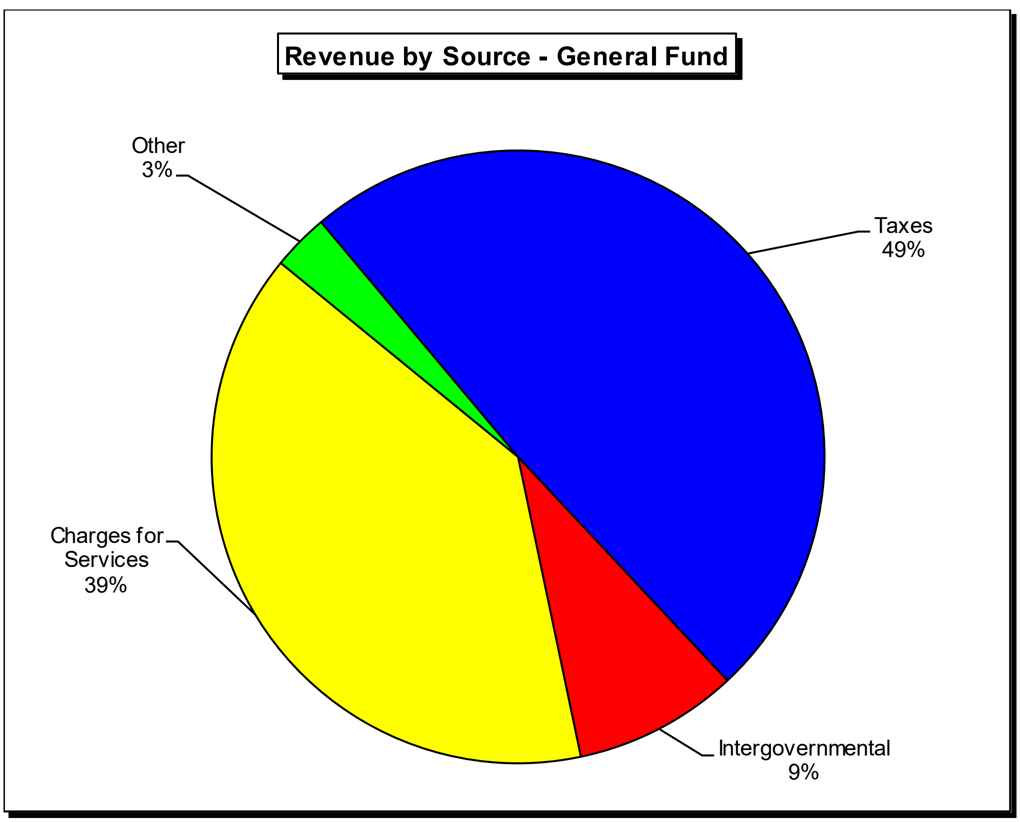
	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	$ 6,158,443	$ 5,978,750
Operating Grants and Contributions	514,822	350,887
Capital Grants and Contributions	1,237,277	-
Total Program Revenues	$ 7,910,542	$ 6,329,637
General Revenues:		
Property Tax	12,037,086	11,542,244
Grants and entitlements not restricted	2,126,556	1,340,727
Investment Earnings	96,326	20,610
Lease	449,688	427,746
Donations	-	1,324,357
Gain on sale or disposal of capital assets	161,574	-
Miscellaneous	80,979	117,954
Total General Revenues	$ 14,952,209	$ 14,773,638
Total Revenues	$ 22,862,751	$ 21,103,275
Expenses:		
Park District Operations	7,383,345	5,942,454
Facilities / Recreation	9,371,032	8,951,266
Interest on Long-Term Debt	958,548	774,987
Issuance costs on long-term debt	41,114	-
Total Expenses	$ 17,754,039	$ 15,668,707
Increase in Net Position	$ 5,108,712	$ 5,434,568
Net Position - January 1	$ 33,186,092	$ 27,751,524
Net Position - December 31	$ 38,294,804	$ 33,186,092

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.



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





Financial Analysis of the Government's Funds

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Bismarck Parks and Recreation District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District's governmental funds reported combined ending fund balances of $6,032,373 a decrease of $6,983,741 from 2016. The decrease is mainly due to the 2017 disbursement of the capital lease proceeds obtained in 2016 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 $2,532,869. Of this amount $240,000 is committed. During the year, revenues and other financing sources exceeded expenditures and other uses in the general fund by $3,492.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's Board of Park Commissioners approved the 2017 annual budget at the September 8, 2016 board meeting. The annual budget addresses funding from other sources as well as detailing how each fund should be expended. The 2017 general fund budget appropriation was $15,604,026.

During 2017, actual revenues exceeded budgetary estimates by $137,370, approximately .9%. The final budget exceeded the actual expenditures by $951,065 or 6.1% 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 additions during the year were:

- Capital Ice Complex Ice Addition for $10,294,695.
- VFW Ice System Replacement for $2,385,234.
- Wachter Park Site Improvements for $1,824,190.
- Horizon Park for $323,442.
- Sertoma Park Wet Shared Used Path Rehabilitation for $193,327.
- Ice Resurfacer for $131,219.

A schedule of capital assets, net of depreciation, for the years ended December 31, 2017 and 2016 is as follows:

	Governmental Activities	
Asset Type	2017	2016
Land	$ 5,928,948	$ 5,922,147
Construction in progress	168,734	2,458,146
Buildings and improvements	54,119,900	41,129,435
Machinery and equipment	1,303,169	993,669
Infrastructure	4,601,540	4,484,185
Total	$ 66,122,291	$ 54,987,582

Long Term Debt

Major long-term debt events during the year were:

- Issuance of $1,600,000 in special assessment bonds for the Wachter Park Site improvements.
- Special Assessments added by the City of Bismarck in the amount of $689,199.

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, 2017 and 2016 is as follows:

	Governmental Activities	
	2017	2016
Long-Term Liabilities		
Compensated Leave Balances	$ 610,331	$ 556,116
Post Retirement Benefit Obligations	134,289	-
Net Pension Liability	1,283,226	1,315,443
Unamoritized Bond Premium	30,415	-
Revenue Bonds Payable	9,860,000	10,550,000
Capital Leases	7,753,683	8,531,526
Special Assessments Debt	14,802,754	14,418,380
Total	$ 34,474,698	$ 35,371,465

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, 2017

ASSETS:	
Current assets:	
Cash and cash equivalents	$ 431,439
Investments	3,191,545
Investments - board designated	2,151,670
Taxes receivable	120,550
Accounts receivable	607,125
Restricted assets:	
Cash and cash equivalents	125,652
Investments	2,334,786
Total current assets	8,962,767
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land	5,928,948
Construction in progress	168,734
Building and improvements	54,119,900
Machinery and equipment	1,303,169
Infrastructure	4,601,540
Total non-current assets:	66,122,291
Total assets	75,085,058
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflow - pension	1,293,705
LIABILITIES:	
Current liabilities	
Accounts payable	2,608,989
Accrued expenses	206,733
Interest payable	248,113
Unearned revenue	13,037
Compensated absences, current portion	215,070
Post-retirement benefit obligations, current portion	21,797
Bonds and notes payable, current portion	3,605,746
Total current liabilities:	6,919,485
Non-current liabilities:	
Compensated absences, non-current portion	395,261
Post-retirement benefit obligations, non-current portion	112,492
Bonds and notes payable, non-current portion	28,810,691
Unamortized bond premium	30,415
Net pension liability	1,283,226
Total non-current liabilities:	30,632,085
Total liabilities	37,551,570
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflow - pension	532,389
NET POSITION:	
Net investment in capital assets	33,675,439
Restricted:	
Debt Service	1,061,567
Special Assessments	1,254,025
Unrestricted	2,303,773
Total net position	$ 38,294,804

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
District operations	$ 7,383,345	$ -	$ 493,875	$ -	$ (6,889,470)
Facilities / recreation	9,371,032	6,158,443	20,947	1,237,277	(1,954,365)
Interest on long-term debt	958,548	-	-	-	(958,548)
Issuance costs on long-term debt	41,114	-	-		(41,114)
Total Governmental Activities	$ 17,754,039	$ 6,158,443	$ 514,822	$ 1,237,277	(9,843,497)
	General Revenues				
	Property taxes				12,037,086
	Intergovernmental				2,126,556
	Investment earnings				96,326
	Lease				449,688
	Gain on sale or disposal of capital assets				161,574
	Miscellaneous				80,979
	Total general revenues				14,952,209
	Change in net position				5,108,712
	Total net position, beginning of year				33,186,092
	Net position - end of year				$ 38,294,804

See Notes to the Financial Statements

BISMARCK PARKS AND RECREATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Special Assessment Fund	Park Improvement Fund	Debt Service Fund	Non-major Governmental Funds	Total
Assets:						
Cash and cash equivalents	$ 208,306	$ -	$ 57,170	$ -	$ 165,963	$ 431,439
Cash and cash equivalents - restricted	-	125,652	-	-	-	125,652
Investments	1,976,693	-	553,934	-	660,918	3,191,545
Investments - board designated	240,000	-	1,911,670	-	-	2,151,670
Investments - restricted	-	1,273,219	-	1,061,567	-	2,334,786
Taxes receivable	76,268	27,050	-	-	17,232	120,550
Accounts receivable	448,766	-	4,293	-	154,066	607,125
Total assets	$ 2,950,033	$ 1,425,921	$ 2,527,067	$ 1,061,567	$ 998,179	$ 8,962,767
Liabilities:						
Accounts payable	$ 133,076	$ -	$ 2,333,463	$ -	$ 142,450	$ 2,608,989
Accrued expenses	206,733	-	-	-	-	206,733
Unearned revenue	13,037	-	-	-	-	13,037
Total liabilities	352,846	-	2,333,463	-	142,450	2,828,759
Deferred inflows of resources:						
Delinquent property taxes	64,318	22,794	-	-	14,523	101,635
Fund balances:						
Restricted	-	1,403,127	-	1,061,567	-	2,464,694
Committed	240,000	-	-	-	-	240,000
Assigned	-	-	193,604	-	841,206	1,034,810
Unassigned	2,292,869	-	-	-	-	2,292,869
Total fund balances	2,532,869	1,403,127	193,604	1,061,567	841,206	6,032,373
Total liabilities, deferred inflows of resources, and fund balances	$ 2,950,033	$ 1,425,921	$ 2,527,067	$ 1,061,567	$ 998,179	$ 8,962,767

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, 2017

Total Governmental Funds Balance		$ 6,032,373
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.		66,122,291
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		101,635
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and, therefore, are not reported in the governmental funds.		1,293,705
Long-term liabilities not due and payable in the current period and therefore are not included in the fund:		
Compensated absences	(610,331)	
Post-retirement benefit obligations	(134,289)	
Accrued interest on long-term liabilities	(248,113)	
Revenue bonds payable	(9,860,000)	
Capital leases	(7,753,683)	
Special assessments debt	(14,802,754)	
Unamortized bond premium	(30,415)	
Net pension liability	(1,283,226)	
Total		(34,722,811)
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.		(532,389)
Net position of governmental activities		$ 38,294,804

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, 2017

	General	Special Assessment Fund	Park Improvement Fund	Debt Service Fund	Non-major Governmental Funds	Total
Revenues:						
Taxes	$ 7,546,744	$ 2,612,587	$ -	$ -	$ 1,861,844	$ 12,021,175
Intergovernmental	1,333,540	-	1,131,129	-	-	2,464,669
Charges for services	6,158,443	-	-	-	-	6,158,443
Investment earnings	58,358	-	21,214	-	16,754	96,326
Grants	81,866	-	252,900	-	159,109	493,875
Leases	127,019	-	322,669	-	-	449,688
Donations	20,947	-	771,616	-	88,329	880,892
Miscellaneous	30,979	50,000	-	-	-	80,979
Total revenues	15,357,896	2,662,587	2,499,528	-	2,126,036	22,646,047
Expenditures:						
Current:						
General government	2,354,138	-	-	-	181,551	2,535,689
General maintenance	2,586,287	-	177,770	-	14,071	2,778,128
Golf	1,713,668	-	-	-	-	1,713,668
Capital Racquet Fitness Center	507,721	-	-	-	-	507,721
Aquatic Wellness Center	1,224,537	-	-	-	-	1,224,537
Pools	506,150	-	-	-	-	506,150
Ice arenas	831,951	-	-	-	-	831,951
Forestry	139,309	-	-	-	-	139,309
Memorial Building	137,979	-	-	-	-	137,979
Sibley Park	308,530	-	-	-	-	308,530
County parks	78,246	-	-	-	-	78,246
McDowell Dam	169,286	-	-	-	-	169,286
High Prairie Arts and Science Complex	98,750	-	-	-	-	98,750
Other recreational activities	2,392,116	-	-	-	-	2,392,116
Capital outlay	291,740	9,278	11,984,896	-	1,327,457	13,613,371
Capital outlay less than $5,000	134,107	-	-	-	-	134,107
Debt service:						
Principal retirement	690,000	1,904,825	649,722	-	128,121	3,372,668
Interest and fiscal charges	488,446	342,878	77,905	-	23,793	933,022
Issuance costs	-	17,114	24,000	-	-	41,114
Total expenditures	14,652,961	2,274,095	12,914,293	-	1,674,993	31,516,342
Excess of revenues over (under) expenditures	704,935	388,492	(10,414,765)	-	451,043	(8,870,295)
Other financing sources (uses):						
Proceeds from refunding bonds issued	-	-	1,600,000	-	-	1,600,000
Proceeds from insurance	220,275	-	-	-	-	220,275
Proceeds from sale of capital assets	-	-	66,279	-	-	66,279
Transfers in	363,282	-	1,904,917	-	-	2,268,199
Transfers out	(1,285,000)	(510,917)	(92,282)	-	(380,000)	(2,268,199)
Total other financing sources (uses)	(701,443)	(510,917)	3,478,914	-	(380,000)	1,886,554
Excess of revenues and other sources over expenditures	3,492	(122,425)	(6,935,851)	-	71,043	(6,983,741)
Fund balance - January 1	2,529,377	1,525,552	7,129,455	1,061,567	770,163	13,016,114
Fund balance - December 31 (Note 12)	$ 2,532,869	$ 1,403,127	$ 193,604	$ 1,061,567	$ 841,206	$ 6,032,373

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, 2017

Net Change in Fund Balance - Total Governmental Funds		$ (6,983,741)
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	13,613,371	
Current year depreciation	(3,082,100)	
Total		10,531,271
Governemental funds reported all proceeds from bond issued by the City of Bismarck and passed through to the Park District as intergovernmental revenue. However, a portion of the proceeds are for Park District property which the District owes the City assessments. This represents the amount of asssessments owed to the City with the associated proceeds which are shown as a liability on the statement of net position instead of revenue.		(338,113)
Governmental funds do not report donated capital assets as expenditures or revenue. However, in the statement of activities, donations of capital assets are recorded as donation revenue.		337,332
Based on receipt dates, some revenues are not considered available revenue and are unavailable in the governmental funds.		
Delinquent property taxes		15,911
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of premium/discount on bond issues	(30,415)	
Net increase in post-retirement obligations	(134,289)	
Net increase in compensated absences	(54,215)	
Net decrease in interest payable	4,888	
Net decrease in net pension liability	32,217	
Total		(181,814)
Changes in deferred inflows and outflows relating to net pension liability		40,177
Refunding bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(1,600,000)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financials resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus the change in net position differs from the change in fund balance by the cost of the asset sold.		(84,979)
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, 2017:		
Principal payment on revenue bonds payable	690,000	
Principal payment on capital leases	777,843	
Principal payment on special assessment debt	1,904,825	
Total		3,372,668
Change in net position		$ 5,108,712

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

Measurement Focus/Basis of Accounting

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

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

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

The government reports the following major governmental funds:

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

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

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

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

Governmental Fund Types

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days. There is no allowance for doubtful accounts receivable as of December 31, 2017, as management considers all receivables collectible.

Taxes Receivable

The taxes receivables consist of uncollected and collected but not remitted, property taxes as of December 31, 2017 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 acquisition value at the date of donation.

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

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

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

Compensated Absences

All full-time employees of the District are covered by a compensated absences policy including 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.

Post-Retirement Benefit Obligations

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

Long-Term Obligations

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

Net Position

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

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

Fund Balance Classifications

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

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

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

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

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

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

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

Deferred Outflows / Inflows of Resources

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

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

Interfund Transactions

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

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

Pension

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

Revenue Recognition - Property Taxes

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

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

Grant Revenue Recognition

The governmental grants received by the District are recognized as revenue at the time eligible expenditures are incurred. 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, 2017, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. Approximately $1.8 million of the District's deposits are covered by pledged securities held in the District's name as of December 31, 2017.

NOTE 3 BOARD DESIGNATIONS OF CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Fund

The Board designated $240,000 to cover the difference between the cash value that the Golf Dome is insured for and its estimated replacement value as of December 31, 2017. 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 $1,911,670 for the Capital Ice Complex, VFW floor/ice replacement, General Sibley capital improvements, and Wachter Park site improvements. These amounts are included in investments - board designated on the statement of net position and balance sheet of governmental funds.

NOTE 4 RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

Special Assessment Fund

The special assessment fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for District wide improvements. The outstanding balance at December 31, 2017 was $1,398,871.

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, 2017 was $1,061,567.

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, 2017, the District's investments were as follows:

Investment Type	Total Fair Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government bonds	$ 3,757,518	$ 751,512	$ 3,006,006	$ -	$ -
Investments not subject to categorization:					
Certificates of deposit	1,384,427				
Money market	347,102				
Insured Cash Sweep/Money Markets	2,188,954				
Total investments	$ 7,678,001				

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, 2017, the credit ratings of the District's investments were as follows:

S&P Credit Rating	Government Bonds	Total Fair Value
AA+	$ 2,248,871	$ 2,248,871
NR	1,508,647	1,508,647
Total debt securities	$ 3,757,518	$ 3,757,518

Fair Value Measurements

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

Level 1: Valuation is based upon quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quote prices for similar assets in active markets, quote prices for identical or similar assets in markets that are not active, and model-based valuation techniques for which all significant assumption are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balances of investments measured at fair value on a recurring basis as of December 31, 2017.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Government mortgage backed	$ 3,757,518	$ -	$ 3,757,518	$ -

NOTE 6 CAPITAL ASSETS

The following schedule is a summary of the capital asset activity for the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 5,922,147	$ 6,801	$ -	$ 5,928,948
Construction in progress	2,458,146	168,734	(2,458,146)	168,734
Total capital assets not being depreciated	8,380,293	175,535	(2,458,146)	6,097,682
Capital assets, being depreciated:				
Buildings and improvements	70,463,337	15,612,197	(983,972)	85,091,562
Machinery and equipment	6,165,759	661,117	(235,153)	6,591,723
Infrastructure	5,924,284	351,087	-	6,275,371
Total capital assets being depreciated	82,553,380	16,624,401	(1,219,125)	97,958,656
Less accumulated depreciation for:				
Buildings and improvements	29,333,902	2,503,066	(865,306)	30,971,662
Machinery and equipment	5,172,090	345,302	(228,838)	5,288,554
Infrastructure	1,440,099	233,732	-	1,673,831
Total accumulated depreciation	35,946,091	3,082,100	(1,094,144)	37,934,047
Total capital assets being depreciated, net	46,607,289	13,542,301	(124,981)	60,024,609
Governmental capital assets, net	$ 54,987,582	$ 13,717,836	$ (2,583,127)	$ 66,122,291

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

Capitalized leased buildings and improvements	$ 9,637,670
Less: accumulated amortization	(925,574)
	$ 8,712,096

Amortization expense for the year ended December 31, 2017 was $269,208, and is included in depreciation expense.

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

Governmental Activities:	
Park Operations	$ 1,830,143
Facilities / Recreation	1,251,957
Total depreciation expense - Governmental Activities	$ 3,082,100

NOTE 7 LONG-TERM DEBT

Debt Outstanding

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

	Outstanding 12/31/17
Revenue Bonds Payable:	
$8,630,000 bonds dated December 1, 2013 to refund 2006 revenue bonds and purchase the Aquatic Center. The bonds are payable in variable annual principal and semi-annual interest payments at 0.45% to 4.75% through April 1, 2033. Payments are to be made from the Debt Service Fund.	$ 6,835,000
$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.	3,025,000
	$ 9,860,000
Special Assessments Debt:	
The special assessments are dated from 2002 through 2017. The maturity varies per issue but extends through 2031. The interest rates are from 2.56% to 5.71%. Payments are to be made from the Special Assessment Fund.	$ 3,387,754
$1,400,000 bonds dated August 1, 2010 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.4% to 3.6% through May 1, 2025. The bonds are callable on May 1, 2016 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Special Assessment Fund.	830,000
$750,000 bonds dated September 15, 2011 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 1.15% to 3.25% through May 1, 2026. The bonds are callable on May 1, 2017 and any date thereafter, in inverse order at par plus accrued interest. Payments are to be made from the Special Assessment Fund.	500,000
$2,700,000 bonds dated October 1, 2012 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.55% to 2.75% through May 1, 2027. Payments are to be made from the Special Assessment Fund.	1,850,000
$3,730,000 bonds dated April 18, 2013 to refund 2008 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.30% to 1.90% through May 1, 2023. Payments are to be made from the Special Assessment Fund.	2,305,000
$3,500,000 bonds dated October 1, 2014 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.40% to 2.50% through May 1, 2026. Payments are to be made from the Special Assessment Fund.	2,780,000
$2,120,000 bonds dated April 1, 2015 to refund 2009 improvement bonds. The bonds are payable in variable annual principal and semi-annual interest payments at 0.60% to 2.20% through May 1, 2024. Payments are to be made from the Special Assessment Fund.	1,680,000
$1,600,000 bonds dated February 1, 2017 to finance park improvements. The bonds are payable in variable annual principal and semi-annual interest payments at 0.90% to 2.25% through May 1, 2025. Payments are to be made from the Special Assessment Fund.	1,470,000
	$14,802,754

Capital Leases:

$1,200,000 lease dated January 1, 2005 for the purchase of the Masonic Lodge. Due in four annual principal and interest payments of $106,263 at 3.87% interest until November 5, 2008, with one final payment of principal and interest for $973,883 due November 5, 2009. This lease was refinanced on November 5, 2009 with principal and interest payments of $106,263 due annually until November 5, 2013, with one final payment of principal and interest for $693,438 due November 5, 2014. The District refinanced the lease for a second time on November 5, 2014 for the amount of the last principal and interest payment of $693,438, which requires a first annual principal and interest payment of $106,600 and five subsequent annual payments of $128,990. Payments are to be made from the Capital Projects Fund.	$246,003
$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.	103,657
$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.	92,055
$650,000 lease dated October 11, 2010 for the construction of a building to house the biomass heating unit at the Aquatic Wellness Center. Due in ten semi-annual principal and interest payments of $23,553 at 3.898% interest until October 11, 2015, with one final payment of principal and interest for $532,859 due November 11, 2015. This lease was refinanced on November 5, 2015. New lease terms require ten semi-annual principal and interest payments of $25,000 at 3.070% until November 5, 2020, with one final payment of principal and interest for $352,311due December 5, 2020. Payments are to be made from the Construction Fund.	463,798
$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.	251,469
$2,500,000 lease dated December 1, 2016 for the Schaumberg Ice Arena. Due in six annual principal and interest payments of $434,000 and semi-annual interest payments until June 30, 2022. Payments are to be made from the Park Improvement Fund.	2,096,699
$4,500,000 lease dated December 1, 2016 for the Schaumberg Ice Arena. Due in nine annual principal and interest payments of $334,664 and semi-annual interest payments until December 31, 2026, at which time one final payment of principal and interest of $1,939,983 is due. Payments are to be made from the Park Improvement Fund.	4,500,000
	$7,753,681

Changes in Long-Term Liabilities

During the year ended December 31, 2017, 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	$ 556,116	$ 250,335	$ 196,120	$ 610,331	$ 215,070
Post-Retirement Benefit Obligations	-	134,289	-	134,289	21,797
Net Pension Liability	1,315,443	-	32,217	1,283,226	-
Unamortized Bond Premium	-	30,415	-	30,415	-
Bonds and notes payable					
Revenue Bonds Payable	10,550,000	-	690,000	9,860,000	705,000
Special Assessments Debt	14,418,380	2,289,199	1,904,825	14,802,754	1,842,207
Capital Leases	8,531,526	-	777,843	7,753,683	1,058,539
Total bonds and notes payable	33,499,906	2,289,199	3,372,668	32,416,437	3,605,746
Total long-term liabilities	$ 35,371,465	$ 2,704,238	$ 3,601,005	$ 34,474,698	$ 3,842,613

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, 2017 are as follows:

	Revenue Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2018	$ 705,000	$ 343,283	$ 1,842,207	$ 331,479
2019	720,000	326,663	1,842,036	316,133
2020	730,000	310,983	1,846,913	274,111
2021	750,000	292,335	1,874,622	230,588
2022	405,000	276,243	1,777,551	183,576
2023 - 2027	2,225,000	1,169,893	5,333,339	1,349,831
2028 - 2032	2,665,000	692,802	286,086	28,840
2033 - 2037	1,660,000	38,794	-	-
Totals	$ 9,860,000	$ 3,450,996	$ 14,802,754	$ 2,714,558

	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2018	$ 1,058,539	$ 200,504	$ 3,605,746	$ 875,266
2019	1,079,293	171,102	3,641,329	813,898
2020	1,089,260	143,875	3,666,173	728,969
2021	707,406	113,648	3,332,028	636,571
2022	716,274	95,800	2,898,825	555,619
2023 - 2027	3,102,911	281,281	10,661,250	2,801,005
2028 - 2032	-	-	2,951,086	721,642
2033 - 2037	-	-	1,660,000	38,794
Totals	$ 7,753,683	$ 1,006,210	$ 32,416,437	$ 7,171,764

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	$ 1,420,025
BLAST and activity centers	992,205
Aquatic Center	879,828
Adult programs	579,924
Ice arenas	521,398
Capital Racquet Fitness Center	366,990
Youth programs	251,012
Sibley Park	325,626
County parks	83,380
Pools	242,676
McDowell Dam	216,227
Other recreational activities	224,367
High Prairie Arts and Science Complex	46,527
Memorial Building	8,258
Total charges for services	$ 6,158,443

NOTE 9 FACILITY AGREEMENTS

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

2018	$ 1,088,686
2019	758,458
2020	301,875
2021	125,665
2022	111,256
Thereafter	87,426
Total	$ 2,473,366

NOTE 10 PUBLIC RISK POOL

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

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

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

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

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

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

NOTE 11 TRANSFERS

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

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

The following is a list of transfers for the year ending December 31, 2017:

	Transfer To:		
	General Fund	Park Improvement Fund	Total Transfer From
Transfer from:			
General Fund	$ -	$ 1,285,000	$ 1,285,000
Park Improvement Fund	92,282	-	92,282
Special Assessment Fund	125,000	385,917	510,917
Nonmajor Governmental Funds	146,000	234,000	380,000
Total Transfer To	$ 363,282	$ 1,904,917	$ 2,268,199

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

NOTE 12 FUND BALANCES

At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Assessment Fund	Park Improvement Fund	Debt Service Fund	Non-major Governmental Funds
Restricted for:					
Debt Service	$ -	$ -	$ -	$ 1,061,567	$ -
Special Assessments	-	1,403,127	-	-	-
Committed to:					
Golf Dome Roof Replacement	240,000	-	-	-	-
Assigned to:					
Capital Projects	-	-	193,604	-	841,206
Unassigned	2,292,869	-	-	-	-
	$ 2,532,869	$ 1,403,127	$ 193,604	$ 1,061,567	$ 841,206

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, 2017 and are vested after five years of service. Membership in the BCEPP on December 31, 2017 is as follows:

Retirees and beneficiaries receiving benefits	212
Terminated employees – vested	60
Active employees:	
Vested	267
Non-vested	203
Number of participating employers:	2

Plan Administration

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

Benefits Provided

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

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

Contributions

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

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

Investments

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

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

The BCEPP Board of Trustee's adopted a long-term investment horizon and asset allocation policy for the management of the fund assets. Asset allocation targets are established using an asset-liability analysis designed to determine an acceptable volatility target for the plan and an optimal asset allocation policy mix. The asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk. The following was the plans asset allocation as of December 31, 2017:

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

Long-term Expected Return on Plan Assets

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

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

Actuarial Assumptions

Valuation date	1/1/2018
Actuarial cost method	Entry Age Normal
Amortization method	Level % of payroll over remaining amortization period-closed
Remaining amortization period	19
Mortality rate	Based on RP-2014 generational mortality projected with Scale MP-2017
Asset valuation method	Market
Valuation method	
Inflation rate	3.00%
Investment rate of return	7.50%
Projected salary increases:	
0-9 years of service	5.00%
10+ years of service	4.00%
Post retirement cost of living adjustments	None

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share share of the net pension liability	$ (397,505)	$ 1,283,226	$ 3,288,124

Proportionate Share of the Net Pension Liability

The District's portion of the net pension liability for the BCEPP was recorded at $1,283,226 as of December 31, 2017. The calculation was determined by an actuarial valuation based on the present value of future payroll. The District's proportionate share was 14.52%, which is a 1.09% increase from the District's proportionate share as of **December 31, 2016**.

Deferred Inflows and Outflows of Resources

The District recognized pension expense of $334,160 during the year ended December 31, 2017. Deferred inflows and outflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 467,873	$ (95,421)
Changes in assumptions	744,452	(38,205)
Net difference between projected and actual earnings on pension plan investments	-	(398,763)
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,380	-
Employer contributions subsequent to measurement date	-	-
Total	$ 1,293,705	$ (532,389)

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

2018	$ 163,233
2019	185,995
2020	48,682
2021	36,393
2022	157,911
Thereafter	169,102

Pension Plan Fiduciary Net Position

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

NOTE 14 OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

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

As there are fewer than 100 plan members, the District has elected to use the alternative measurement method. The District has made assumptions on expected beginning date of benefits, mortality, turnover, and healthcare cost based on historical results the District has experienced. Marital status is assumed to be the same as the employee's current status when projecting the liability. The District has used a discount rate of 2% to arrive at a present value of the other post-employment benefit liability, which is $134,289 as of December 31, 2017.

NOTE 15 COMMITMENTS

As of December 31, 2017, the District has the following outstanding commitments for on-going capital projects.

VFW Sports Center	$ 482,413
Schaumberg Ice Arena	1,863,825
Wachter Park site improvements	169,167
Fore Season Center/Pebble Creek HVAC	1,244
Sertoma Park Horseshoe Canopy	49,176
Horizon Park	96,299
Pebble Creek Trail reconstruction/bank stabilization	105,007
South Washington Street Trail	34,589
WWMB lobby entrance remodel	24,496
Canning Center	56,553
Haaland Field restroom/concession building	29,025
New Generations Park splash pad/community building	118,632
Sleepy Hollow Park parking lot	63,100
Santa Fe Trail	40,600
Sertoma Park and Clem Kelley Trails	91,400
	$ 3,225,526

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

GASB Statement No. 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 was 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.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

NOTE 17 SUBSEQUENT EVENT

In June 2018, the District issued Refunding Improvement Bonds, Series 2018, in the amount of $1,690,000 to finance the following improvements: Sleepy Hollow parking lot, Horizon Park, and Santa Fe, Sertoma Park East, and Clem Kelley trails. Interest payments begin in November 2018 with the first principal payment due in May 2019. Principal payments vary from $155,000 to $190,000 each year and semi-annual interest payments range from 1.85% to 2.70%. Payments continue through May 2028.

The District has entered into additional commitments for primarily capital projects totaling $4,744,902 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, 2017

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Taxes	$ 7,400,000	$ 7,400,000	$ 7,546,744	$ 146,744
Intergovernmental	1,234,100	1,234,100	1,333,540	99,440
Charges for services	6,183,426	6,183,426	6,158,443	(24,983)
Investment earnings (loss)	12,000	12,000	58,358	46,358
Grants	53,500	53,500	81,866	28,366
Leases	97,000	97,000	127,019	30,019
Donations	18,500	18,500	20,947	2,447
Miscellaneous	222,000	222,000	30,979	(191,021)
Total revenues	15,220,526	15,220,526	15,357,896	137,370
Expenditures:				
Current:				
General government	2,240,950	2,240,950	2,354,138	(113,188)
General maintenance	2,569,005	2,569,005	2,586,287	(17,282)
Golf	1,860,400	1,860,400	1,713,668	146,732
Capital Racquet Fitness Center	489,000	489,000	507,721	(18,721)
Aquatic Wellness Center	1,106,150	1,106,150	1,224,537	(118,387)
Pools	766,450	766,450	506,150	260,300
Ice arenas	678,300	678,300	831,951	(153,651)
Forestry	176,000	176,000	139,309	36,691
Memorial Building	157,725	157,725	137,979	19,746
Sibley Park	351,350	351,350	308,530	42,820
County parks	139,136	139,136	78,246	60,890
McDowell Dam	185,500	185,500	169,286	16,214
High Prairie Arts and Science Complex	107,950	107,950	98,750	9,200
Other recreational activities	2,398,820	2,398,820	2,392,116	6,704
Capital outlay	1,097,800	1,097,800	291,740	806,060
Capital outlay less than $5,000	225,090	225,090	134,107	90,983
Debt service:				
Principal retirement	692,500	692,500	690,000	2,500
Interest and fiscal charges	361,900	361,900	488,446	(126,546)
Total expenditures	15,604,026	15,604,026	14,652,961	951,065
Excess of revenues under expenditures	(383,500)	(383,500)	704,935	1,088,435
Other financing sources (uses):				
Proceeds from insurance	12,500	12,500	220,275	207,775
Transfers in/out	371,000	371,000	(921,718)	(1,292,718)
Total other financing sources (uses)	383,500	383,500	(701,443)	(1,084,943)
Excess of revenues and other sources over (under) expenditures	$ -	$ -	3,492	$ 3,492
Fund balance - January 1			2,529,377	
Fund balance - December 31			$ 2,532,869	

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, 2017

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Taxes	$ 2,526,000	$ 2,526,000	$ 2,612,587	$ 86,587
Miscellaneous	100,000	100,000	50,000	(50,000)
Total revenues	2,626,000	2,626,000	2,662,587	36,587
Expenditures:				
Capital outlay	8,850	8,850	9,278	(428)
Debt service:				
Principal retirement	1,995,000	1,995,000	1,904,825	90,175
Interest and fiscal charges	377,150	377,150	342,878	34,272
Issuance costs	20,000	20,000	17,114	2,886
Total expenditures	2,401,000	2,401,000	2,274,095	126,905
Excess of revenues over expenditures	225,000	225,000	388,492	163,492
Other financing sources (uses):				
Transfers out	(225,000)	(225,000)	(510,917)	(285,917)
Excess of revenues and other sources over (under) expenditures	$ -	$ -	(122,425)	$ (122,425)
Fund balance - January 1			1,525,552	
Fund balance - December 31			$ 1,403,127	

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 *

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

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

See Notes to the Required Supplementary Information

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

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

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

See Notes to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

- All divisions of the District submit requests for appropriation to the Executive Director of Parks and Recreation so that a budget may be prepared.
- The requests are reviewed in detail with the divisions.
- The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.
- By 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.

NOTE 2 PENSION – CHANGE OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective January 1, 2018 based on the results of an actuarial experience study completed in 2017. This included changes to the mortality tables used in calculating the net pension liability.

BISMARCK PARKS AND RECREATION DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Capital Projects Funds		
	Construction Fund	Government Construction Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and cash equivalents	$ 123,840	$ 42,123	$ 165,963
Investments	462,214	198,704	660,918
Taxes receivable	17,219	13	17,232
Accounts receivable	154,066	-	154,066
Total assets	$ 757,339	$ 240,840	$ 998,179
Liabilities:			
Accounts payable	$ 142,450	$ -	$ 142,450
Deferred inflows of resources:			
Delinquent property taxes	14,523	-	14,523
Fund balances:			
Assigned	600,366	240,840	841,206
Total liabilities, deferred inflows of resources, and fund balances	$ 757,339	$ 240,840	$ 998,179

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, 2017

	Capital Projects Funds		
	Construction Fund	Government Construction Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	$ 1,729,816	$ 132,028	$ 1,861,844
Investment earnings	14,039	2,715	16,754
Grants	154,066	5,043	159,109
Donations	88,329	-	88,329
Total revenues	1,986,250	139,786	2,126,036
Expenditures:			
Current:			
General government	181,551	-	181,551
General maintenance	-	14,071	14,071
Capital outlay	1,263,440	64,017	1,327,457
Debt service:			
Principal retirement	128,121	-	128,121
Interest and fiscal charges	23,793	-	23,793
Total expenditures	1,596,905	78,088	1,674,993
Excess of revenues over (under) expenditures	389,345	61,698	451,043
Other financing uses:			
Transfers out	(340,000)	(40,000)	(380,000)
Excess of revenues and other uses over (under) expenditures	49,345	21,698	71,043
Fund balance - January 1	551,021	219,142	770,163
Fund balance - December 31 (Note 12)	$ 600,366	$ 240,840	$ 841,206

BRADY MARTZ
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, 2017, 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 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brady Martz

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

June 29, 2018