

PARKS AND RECREATION DISTRICT CITY OF JAMESTOWN

JAMESTOWN, NORTH DAKOTA

Basic Financial Statements
As of
December 31, 2017
And
Independent Auditor's Report



DEMPSEY ACCOUNTING AND TAX SERVICES P.C.

Trusted Accounting Professionals

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Parks and Recreation District
City of Jamestown
Jamestown, North Dakota

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Parks and Recreation District
City of Jamestown
Jamestown, North Dakota

List of Officials

Officials	Office
Larry Knoblich	Chairman
Ron Olson	Vice - Chairman
Mark Ukestad	Commissioner
Mike Landscoot	Commissioner
Doug Hogan	Director
Bonnie Ukestad	Business Manager



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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of Directors
Parks and Recreation District, City of Jamestown
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Parks and Recreation District**, City of Jamestown, North Dakota 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.

MEMBER OF
American Institute of Certified Public Accountants
North Dakota Society of Certified Public Accountants
AICPA Division for CPA Firms

Parks and Recreation District, City of Jamestown
INDEPENDENT AUDITOR'S REPORT (Continued)

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, business-type activities, each major fund, and the aggregate remaining fund information of **Parks and Recreation District**, City of Jamestown, North Dakota as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and employer retirement schedules on pages 7 through 13, 45 through 47 and 48 through 51 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.

Parks and Recreation District, City of Jamestown
INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018 on our consideration of **Parks and Recreation District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Parks and Recreation District's** internal control over financial reporting and compliance.

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services P.C.
Jamestown, North Dakota
June 14, 2018

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The discussion and analysis of Parks and Recreation District's financial performance provides an overview of the financial activities for the year ended December 31, 2017. The intent of the MD&A is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Net position of the District increased by \$583,751 as a result of the current year's operations.
- Total revenues from all sources were \$4,901,009.
- Total expenditures were \$4,317,258.
- The District's net position from governmental activities totaled \$1,185,384.
- The District's general fund had \$1,243,594 in total revenues and transfers in and \$1,219,788 in total expenditures and transfers out. Overall, the general fund balance increased \$23,806 for the year ended December 31, 2017.
- The District's enterprise fund had \$3,576,715 in total revenues and transfers in and \$2,871,510 in total expenditures and transfers out. Overall, the enterprise fund balance increased \$705,205 for the year ended December 31, 2017.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets 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 District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to the other nonfinancial factors in addition to the financial

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenue provided.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader, whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, youth and adult programs and operation and maintenance of the plant and property. Also, included are the business-type activities which are intended to recover all or a significant part of their costs through user fees.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Parks and Recreation District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. The District's funds can be divided into two categories - governmental and proprietary funds.

Governmental Funds

The District's activities are reported in governmental funds which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance maintenance of parks and provide programs for youth and adults in the District.

Because the focus of governmental funds is narrower than that of 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 governmental fund statement of revenues, expenditures, and changes in fund balances and a reconciliation to facilitate the comparison between the government funds and the government-wide financial statements is provided.

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Parks and Recreation District maintains two individual governmental funds. Information is provided separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following major fund: special revenue fund.

Proprietary Funds

Parks and Recreation District maintains one type of proprietary fund. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide statements. Parks and Recreation District uses enterprise funds to account for Hillcrest Golf Course and the Bunker, the municipal swimming pool, the winter sports building and Two Rivers Activity Center.

Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end for governmental activities was \$1,185,384. This is a \$121,454 decrease over last year's net position of \$1,306,838. The District's net position at fiscal year-end for business-type activities was \$2,026,734. This is a \$705,205 increase over last year's net position of \$1,321,529. The following tables provide a summary of the District's net position and the changes in net position at December 31, 2017 and 2016.

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 1: Summary of Net Position

GOVERNMENTAL ACTIVITIES

	2017	2016	Variance
ASSETS			
Current assets & other assets	\$495,031	\$488,383	\$6,648
Capital assets (net of accumulated depreciation)	846,749	927,210	(80,461)
Total Assets	1,341,780	1,415,593	(73,813)
Deferred outflows of resources	421,949	92,199	329,750
LIABILITIES			
Current liabilities	8,441	30,930	22,489
Long-term liabilities	8,159	-	(8,159)
Net pension liability	546,749	140,362	(406,387)
Total Liabilities	563,349	171,292	(392,057)
Deferred inflows of resources	14,996	29,662	14,666
NET POSITION			
Net investment in capital assets	846,749	927,210	(80,461)
Restricted	235,163	225,936	9,227
Unrestricted	103,472	153,692	(50,220)
Total Net Position	\$1,185,384	\$1,306,838	\$(121,454)

BUSINESS-TYPE ACTIVITIES

	2017	2016	Variance
ASSETS			
Current assets & other assets	\$200,196	\$30,123,133	\$(29,922,937)
Capital assets (net of accumulated depreciation)	31,746,560	2,797,854	28,948,706
Total Assets	31,946,756	32,920,987	(974,231)
LIABILITIES			
Current liabilities	950,358	899,458	(50,900)
Long-term liabilities	28,969,664	30,700,000	1,730,336
Total Liabilities	29,920,022	31,599,458	1,679,436
NET POSITION			
Net investment in capital assets	31,746,560	2,797,854	28,948,706
Restricted	(29,719,826)	(1,476,325)	(28,243,501)
Total Net Position	\$2,026,734	\$1,321,529	\$705,205

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2: Summary of Change in Net Position

GOVERNMENTAL ACTIVITIES

	2017	2016	Variance
REVENUE			
Program revenue			
Charges for services	\$35,214	\$30,887	\$4,327
Operating grants	145,010	124,890	20,120
General revenue			
Property taxes	843,744	776,167	67,577
Other sources	369,401	406,805	(37,404)
Total revenue	\$1,393,369	\$1,338,749	\$54,620
FUNCTIONS/PROGRAM EXPENSES			
Personnel services	\$772,543	\$723,484	\$(49,059)
Special assessments	134,558	149,295	14,737
Maintenance and operations	607,722	131,917	(475,805)
Total Functions/Program Expenses	\$1,514,823	\$1,004,696	\$(510,127)
INCREASE (DECREASE) IN NET POSITION	<u>\$(121,454)</u>	<u>\$334,053</u>	<u>\$455,507</u>

BUSINESS-TYPE ACTIVITIES

	2017	2016	Variance
REVENUE			
Program revenue			
Charges for services	\$867,825	\$390,030	\$477,795
General revenue			
Other sources	2,639,815	1,828,076	811,739
Total revenue	\$3,507,640	\$2,218,106	\$1,289,534
FUNCTIONS/PROGRAM EXPENSES			
Swimming pool	\$158,047	\$172,636	\$14,589
Hillcrest golf course and bunker	530,541	527,852	(2,689)
Winter sports building	401,413	247,467	(153,946)
Two Rivers Activity Center	1,712,434	31,599	(1,680,835)
Total Functions/Program Expenses	\$2,802,435	\$979,554	\$(1,822,881)
INCREASE (DECREASE) IN NET POSITION	<u>\$705,205</u>	<u>\$1,238,552</u>	<u>\$(533,347)</u>

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally may be used as a measure of the District's resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District derived its revenue from local and state sources. Local financial resources include a general fund property tax levy and special assessments. State revenues were generated primarily from revenue sharing.

Local Revenue	\$1,205,881
State Revenue	\$181,742

The District's governmental funds had total revenues and transfers in of \$1,486,978 and expenditures and transfers out of \$1,455,457 for the year ended December 31, 2017. As of December 31, 2017 the unrestricted fund balance of the District's governmental fund was \$255,323.

General Fund Budget Highlights

During the course of fiscal year 2017 the District's original budget was not amended. Actual revenue for the District's General Fund for the year ended December 31, 2017 was \$81,705 more than budgeted. This was due to more tax money collected in the year than was budgeted for. Actual expenditures for the District's General Fund for the year ended December 31, 2017 were over the original budget by \$47,040 because of a transfer into special revenue and enterprise funds for expenses of golf course and Two Rivers Activity Center.

Capital Assets

Parks and Recreation District's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$32,593,309 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, and machinery and equipment. As indicated in Note 5, capital assets increased \$29,309,722 during the fiscal year with the purchase of equipment for golf course and Wilson arena and building the Two Rivers Activity Center.

Debt Administration

As of December 31, 2017 the District had \$29,916,360 in outstanding long-term debt. Of the \$29,916,360 in outstanding debt, \$938,537 is due within one year. The District decreased its debt by making annual bond and lease payments of \$2,111,360.

Parks and Recreation District, City of Jamestown
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Significant Factors that can affect the Financial Positions or Results or Operations in the Future

September of 2017 marked the opening of Two Rivers Activity Center (TRAC). The \$28.6 million facility includes an aquatics center, child care center, individual cardio and weight training equipment, group fitness classrooms, multi-use courts, indoor field turf, walking/jogging track, locker rooms and party rooms. In July of 2017, we hired 5 full-time staff supervisors for each department at TRAC (Guest Services, Wellness, Aquatics, Learning Center & Maintenance). As we got closer to opening we hired 4 full-time employees in the Maintenance (2) & Learning Center (2) departments (August). In addition, 70 plus part-time employees were also hired. By December 2017, there were 95 employees working at TRAC (135 total employees were on the December payroll for the entire Parks & Recreation Department).

We continue a capital campaign to raise an additional \$10 to \$12 million for phase two priority needs that include: an outdoor waterpark, climbing wall, indoor playground, and expended court space and walleyball/racquetball courts at the Two Rivers Activity Center (TRAC).

We also continue to pay revenue bond for Wilson Arena, lease equipment & update facilities as able. A fire at Wilson Arena on June 14, 2017 caused \$231,118.51 worth of damage. It was covered by insurance minus a \$1,000 deductible.

After completion of the \$300,000 dugout renovation project at Jack Brown Stadium, a ribbon cutting ceremony was held on June 24, 2017. The majority of the monies for this project came from donations through the Jamestown Parks & Recreation Department Foundation. The Board of Commissioners approved \$81,000 for this project.

A Greensmaster was purchased on a 3 year lease for a total of \$33,000. TRAC exercise equipment was also leased – total amount financed \$67,000.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of Parks and Recreation District, City of Jamestown's finances and to show the accountability for the money received. Anyone who has questions about the information contained in this report or is interested in receiving additional information is encouraged to contact Parks and Recreation District, City of Jamestown, Box 2014, Jamestown, North Dakota 58402-2014; phone (701) 252-3982.

Parks and Recreation District
City of Jamestown
STATEMENT OF NET POSITION
As of December 31, 2017

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$495,031	\$200,196	\$695,227
Deferred outflows of resources:			
Taxes receivable	16,843	-	16,843
Pension related	405,106	-	405,106
Total current assets & deferred outflows of resources	\$916,980	\$200,196	\$1,117,176
Noncurrent Assets:			
Capital assets	\$2,802,997	\$33,704,485	\$36,507,482
Less accumulated depreciation	1,956,248	1,957,925	3,914,173
Total noncurrent assets	\$846,749	\$31,746,560	\$32,593,309
Total Assets and Deferred Outflows of Resources	<u>\$1,763,729</u>	<u>\$31,946,756</u>	<u>\$33,710,485</u>
LIABILITIES			
Current liabilities:			
Payroll taxes payable	\$6,053	\$ -	\$6,053
Sales tax payable	-	14,209	14,209
Long-term liabilities			
Due within one year			
Lease payable	2,388	31,149	33,537
Bond payable	-	905,000	905,000
Due in more than one year			
Lease payable	8,159	59,664	67,823
Bond payable	-	28,910,000	28,910,000
Net pension liability	546,749	-	546,749
Deferred inflows of resources			
Pension related	14,996	-	14,996
Total Liabilities and Deferred Inflows of Resources	<u>\$578,345</u>	<u>\$29,920,022</u>	<u>\$30,498,367</u>
NET POSITION			
Investment in capital assets	\$846,749	\$31,746,560	\$32,593,309
Restricted			
Special revenue fund	235,163	-	235,163
Debt service fund	-	(29,719,826)	(29,719,826)
Unrestricted	103,472	-	103,472
Total Net Position	<u>\$1,185,384</u>	<u>\$2,026,734</u>	<u>\$3,212,118</u>

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown

STATEMENT OF ACTIVITIES
As of December 31, 2017

FUNCTION / PROGRAMS	Program Revenues			Net (Expense) Revenue & Change in Net Position		
	Expenses	Changes for Services	Operating Grants & Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Personnel services	\$693,729	\$ -	\$1,501	\$(692,228)	\$ -	\$(692,228)
Special assessments	134,558	-	143,509	8,951	-	8,951
Operations and maintenance	607,722	35,214	-	(572,508)	-	(572,508)
Pension expense	78,814	-	-	(78,814)	-	(78,814)
Total governmental activities	1,514,823	35,214	145,010	(1,334,599)	-	(1,334,599)
Business-type Activities:						
Swimming pool	158,047	22,183	-	-	(135,864)	(135,864)
Hillcrest Golf Course & Bunker	530,541	267,135	-	-	(263,406)	(263,406)
Winter Sports Building	401,413	134,562	-	-	(266,851)	(266,851)
Two Rivers Activity Center	1,712,434	443,945	-	-	(1,268,489)	(1,268,489)
Total business-type activities	2,802,435	867,825	-	-	(1,934,610)	(1,934,610)
Total primary government	\$4,317,258	\$903,039	\$145,010	\$(1,334,599)	\$(1,934,610)	\$(3,269,209)
General Revenues:						
Tax receipts				\$843,744	\$2,512,894	\$3,356,638
Intergovernmental revenue				181,742	90,871	272,613
Interest Income				1,215	256	1,471
Rental Income				3,325	-	3,325
Other sources				183,119	35,794	218,913
Total general revenues				1,213,145	2,639,815	3,852,960
Changes in net position				(121,454)	705,205	583,751
Net position beginning				1,306,838	1,321,529	2,628,367
Net position ending				\$1,185,384	\$2,026,734	\$3,212,118

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
BALANCE SHEET
GOVERNMENT FUNDS
As of December 31, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash and cash equivalents	\$261,376	\$233,655	\$495,031
Taxes receivable	15,335	1,508	16,843
Interfund receivable	-	598,541	598,541
Total Assets	<u>\$276,711</u>	<u>\$833,704</u>	<u>\$1,110,415</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
Liabilities			
Payroll taxes payable	\$6,053	\$ -	\$6,053
Interfund payable	-	598,541	598,541
Total liabilities	<u>6,053</u>	<u>598,541</u>	<u>604,594</u>
Deferred inflows of resources			
Unavailable revenue – property taxes	15,335	1,508	16,843
Total deferred inflows of resources	<u>15,335</u>	<u>1,508</u>	<u>16,843</u>
Fund Balances			
Restricted for:			
Pension	-	48,186	48,186
Special assessments	-	784,010	784,010
Unassigned – general fund	255,323	-	255,323
Unassigned – social security	-	(598,541)	(598,541)
Total fund balance	<u>255,323</u>	<u>233,655</u>	<u>488,978</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$276,711</u>	<u>\$833,704</u>	<u>\$1,110,415</u>

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION**
As of December 31, 2017

Total fund balances - governmental funds \$488,978

Amounts reported for government activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.

Cost	2,802,997	
Accumulated Depreciation	<u>(1,956,248)</u>	
Net Capital Assets		846,749
Property taxes receivable will be collected after year end, but are not available soon enough to pay the current period's expenditures and therefore, are reported as deferred inflows of resources in the funds.		16,843

A deferred outflow of resources related to pensions is not considered an asset for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position.

Pension related deferred outflows of resources	405,106
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Long-term liability consist of:

Lease payable	(10,547)
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A net pension obligation should be reported as a liability in the government-wide Statement of Net Position. Conversely, a net pension obligation is not considered to represent a financial liability, therefore, it is not properly reported in a government fund.

Net pension liability	(546,749)
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A deferred inflow of resources related to pensions is not considered a liability for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position.

Pension related deferred inflows of resources	<u>(14,996)</u>
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Total net position - governmental activities	<u>\$1,185,384</u>
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The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE GOVERNMENTAL FUNDS**
As of December 31, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE			
Taxes	\$839,507	\$143,501	\$983,008
Intergovernmental revenue	181,742	-	181,742
Charges for services	38,539	-	38,539
Interest Income	687	528	1,215
Other sources	183,119	-	183,119
Total revenues collected	<u>\$1,243,594</u>	<u>\$144,029</u>	<u>\$1,387,623</u>
EXPENDITURES			
Current			
Personal services	\$583,403	\$101,107	\$684,510
Special assessments	-	134,558	134,558
Operations and maintenance	370,293	-	370,293
Debt service			
Lease payable	26,930	-	26,930
Capital outlays	81,000	-	81,000
Total expenditures and capital outlays	<u>\$1,061,626</u>	<u>\$235,665</u>	<u>\$1,297,291</u>
Excess (deficiency) of revenues over expenditures	<u>\$181,968</u>	<u>\$(91,636)</u>	<u>\$90,332</u>
Other Financing Sources (uses)			
Transfers in	\$ -	\$99,355	\$99,355
Transfers out	(158,162)	-	(158,162)
Total other financing sources (uses)	<u>\$(158,162)</u>	<u>\$99,355</u>	<u>\$(58,807)</u>
Excess(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$23,806</u>	<u>\$7,719</u>	<u>\$31,525</u>
Fund balance January 1	<u>231,517</u>	<u>225,936</u>	<u>457,453</u>
Fund balance December 31	<u>\$255,323</u>	<u>\$233,655</u>	<u>\$488,978</u>

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**
As of December 31, 2017

Net change in fund balance - total governmental funds \$31,525

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

Governmental funds report capital outlays as expenditures because such outlays use current financial resources. 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 depreciation exceeded capital outlay in the current period:

Capital outlay	\$81,000	
Depreciation expense	(80,462)	
	538	
Excess of capital outlay over depreciation expense		538

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" in the government funds. These consist of net change deferred property taxes. (101,633)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, issuing debt increases long-term liabilities and does not effect the Statement of Activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt proceeds exceeded repayment of debt. 26,930

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.

Pension expense	(78,814)	
	(78,814)	

Net change in net position of governmental activities \$(121,454)

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
Year ended December 31, 2017

<u>ENTERPRISE FUNDS:</u>	Bunker & Hillcrest Golf Course	Winter Sports Building	Two Rivers Activity Center	Swimming Pool	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$118,783	\$81,413	\$ -	\$ -	\$200,196
Total current assets	\$118,783	\$81,413	\$ -	\$ -	\$200,196
Noncurrent assets:					
Capital assets					
Buildings and land	\$239,500	\$305,573	\$29,790,000	\$374,410	\$30,709,483
Improvements	1,329,245	934,072	-	54,278	2,317,595
Machinery and equipment	483,085	172,101	-	22,222	677,408
Less accumulated depreciation	737,513	630,227	218,230	371,956	1,957,926
Total noncurrent assets	\$1,314,317	\$781,519	\$29,571,770	\$78,954	\$31,746,560
Total assets	\$1,433,100	\$862,932	\$29,571,770	\$78,954	\$31,946,756
LIABILITIES					
Current liabilities:					
Sales tax payable	\$14,209	\$ -	\$ -	\$ -	\$14,209
Bonds payable – current	85,000	-	820,000	-	905,000
Leases payable – current	12,693	-	18,456	-	31,149
Long-term liabilities:					
Bonds payable	1,590,000	-	27,320,000	-	28,910,000
Leases payable	11,984	-	47,680	-	59,664
Total liabilities	\$1,713,886	\$ -	\$28,206,136	\$ -	\$29,920,022
NET POSITION					
Investment in capital assets	\$1,314,317	\$781,519	\$29,571,770	\$78,954	\$31,746,560
Restricted debt service	(1,595,103)	81,413	(28,206,136)	-	(29,719,826)
Total net position	\$(280,786)	\$862,932	\$1,365,634	\$78,954	\$2,026,734

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION PROPRIETARY FUNDS**

Year ended December 31, 2017

<u>ENTERPRISE FUNDS:</u>	Bunker & Hillcrest Golf Course	Winter Sports Building	Two Rivers Activity Center	Swimming Pool	Total
OPERATING REVENUES					
Tax receipts & intergov income	\$127,656	\$127,656	\$2,231,406	\$127,656	\$2,614,374
Season tickets	65,397	-	353,558	5,825	424,780
Daily fees	67,619	3,058	32,572	7,748	110,997
Rentals	98,847	130,601	16,441	-	245,889
Concessions and pro shop	35,294	-	362	-	35,656
Lessons	-	-	1,125	8,610	9,735
Other sources	932	24,581	50,130	834	76,477
Total operating revenues	\$395,745	\$285,896	\$2,685,594	\$150,673	\$3,517,908
OPERATING EXPENSES					
Personal services	\$210,875	\$124,597	\$340,856	\$87,237	\$763,565
Utilities	27,756	107,066	91,322	34,783	260,927
Repairs	41,100	58,736	8,167	10,783	118,786
Supplies	66,935	6,110	36,257	15,764	125,066
Concessions and pro shop	16,148	-	-	-	16,148
Depreciation	97,328	35,978	218,230	9,480	361,016
Miscellaneous	75,254	68,926	36,938	-	181,118
Total operating expenses	\$535,396	\$401,413	\$731,770	\$158,047	\$1,826,626
Operating income (loss)	\$(139,651)	\$(115,517)	\$1,953,824	\$(7,374)	\$1,691,282
Non-Operating revenue (expenses)					
Interest and fiscal charges	\$(44,052)	\$(6,180)	\$(994,652)	\$ -	\$(1,044,884)
Total Non-Operating Revenue (expenses)	\$(44,052)	\$(6,180)	\$(994,652)	\$ -	\$(1,044,884)
Income (loss) before operating transfers	(183,703)	(121,697)	959,172	(7,374)	646,398
Transfers from/to other funds	170,577	(16,270)	(93,394)	(2,106)	58,807
Change in net position	(13,126)	(137,967)	865,778	(9,480)	705,205
Total net position, January 1	(267,660)	1,000,899	499,856	88,434	1,321,529
Total net position, December 31	\$(280,786)	\$862,932	\$1,365,634	\$78,954	\$2,026,734

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended December 31, 2017

<u>ENTERPRISE FUNDS:</u>	Bunker & Hillcrest Golf Course	Winter Sports Building	Two Rivers Activity Center	Swimming Pool	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$394,813	\$261,315	\$ 2,635,464	\$149,839	\$3,441,431
Cash payments for goods & services	(257,590)	(247,018)	(1,167,336)	(61,330)	(1,733,274)
Cash payments to employees for services	(210,875)	(124,597)	(340,856)	(87,237)	(763,565)
Other	932	24,581	50,130	834	76,477
Net cash provided (used) by operating activities	<u>\$(72,720)</u>	<u>\$(85,719)</u>	<u>\$1,177,402</u>	<u>\$2,106</u>	<u>\$1,021,069</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers to other funds	\$170,577	\$(16,270)	\$(93,394)	\$(2,106)	\$58,807
Net cash provided (used) by noncapital financing activities	<u>\$170,577</u>	<u>\$(16,270)</u>	<u>\$(93,394)</u>	<u>\$(2,106)</u>	<u>\$58,807</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	\$(11,503)	\$(8,075)	\$(29,290,144)	\$ -	\$(29,309,722)
Acquisition of debt	-	-	29,790,000	-	29,790,000
Principal paid on debt	(42,500)	(42,500)	(1,950,000)	-	(2,035,000)
Interest paid on debt	(44,052)	(6,180)	(994,652)	-	(1,044,884)
Other	-	-	-	-	-
Net cash provided (used) for capital & related financing activities	<u>\$(98,055)</u>	<u>\$(56,755)</u>	<u>\$2,444,796</u>	<u>-</u>	<u>\$(2,599,606)</u>
Net increase (decrease) in cash & cash equiv	(198)	(158,744)	(1,360,788)	-	(1,519,730)
Balances, January 1	1,465,731	142,431	111,764	-	1,719,926
Balances, December 31	<u>\$1,465,533</u>	<u>\$16,313</u>	<u>\$1,249,024</u>	<u>\$ -</u>	<u>\$200,196</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	(183,703)	(121,697)	959,172	(7,374)	646,398
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	\$97,328	\$35,978	218,230	\$9,480	\$361,016
Changes in net position & liabilities:					
Increase (decrease) in accrued sales tax	13,655	-	-	-	13,655
Net cash provided by operating activities	<u>\$(72,720)</u>	<u>\$(85,719)</u>	<u>\$1,177,402</u>	<u>\$2,106</u>	<u>\$1,021,069</u>

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

Note 1 Summary of Significant Accounting Policies

The accounting policies of Parks and Recreation District, City of Jamestown conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by Parks and Recreation District.

Reporting Entity

The Parks and Recreation District is the basic level of government which has financial accountability and control over all activities related to the City of Jamestown Parks and Recreation area. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable if it appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the Organization; or (2) there is potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. No component units of the District have been excluded from this report.

Basics of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

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

The statement of net position presents the financial condition of the governmental and business type activities of the District at year-end.

The statement of activities presents a comparison between direct expense and program revenues for each program or function of the District's governmental activities.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable with a specific program. Program revenue includes (1) charges to recipients for goods or services provided by a given program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are reported instead as general revenue.

Fund Financial Statements - In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

Governmental funds are utilized to account for most of Parks and Recreation District's government functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General Fund - This fund is the general operating fund of Parks and Recreation District and is always classified as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Special Revenue Fund - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The District's Special Revenue Fund consists of special assessment, social security and pension.

Capital Projects Fund - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds. It includes Parks and Recreation facility funds for which designated tax receipts are obtained.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Enterprise Fund – Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Enterprise funds include operation of the municipal swimming pool, the winter sports building, Hillcrest Golf Course and Bunker, and Two Rivers Activity Center.

Debt Service Fund – Debt service fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs of the proprietary funds.

Measurement Focus and Basis of Accounting

Government-Wide Proprietary Fund Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and donations are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Parks and Recreation District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Parks and Recreation District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditures generally are recorded then a liability is incurred, as under accrual accounting. Only current assets, current liabilities and fund balances are generally included on the balance sheet. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1 Summary of Significant Accounting Policies (Continued)

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the differences, Parks and Recreation District's financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Other Accounting Policies

Revenues-Exchange and Non-Exchange Transactions - Exchange transactions are transactions in which each party gives and receives essential equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

The District recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions include transactions which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District. Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Expenses and Expenditures - Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the general, special revenue and enterprise funds.

Parks and Recreation District's Board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The Board must adopt the final budget on or before August 15. The final budget must be filed with the county auditor by August 25.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

The budget is prepared for the general and special revenue funds on the modified accrual basis of accounting. The budget includes the proposed cash expenditures and the means of financing them. All annual appropriations lapse at year-end. The balance of the appropriation reverts back to each fund and is available for future appropriation. The governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared, however no amendment changing the taxes levied can be made after October 10. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

To provide a meaningful comparison of the District's actual results compared to the budgeted results, the Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual are prepared on the District's budgetary basis of accounting, the modified accrual basis of accounting.

Cash and Cash Equivalents - Cash includes cash on hand, demand deposits, savings accounts, and certificates of deposit with original maturities of three months or less. These amounts must be deposited in a financial institution situated and doing business with the state of North Dakota.

State statutes authorize local governments to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by a financial institution in Congress, b) Securities sold under agreements to repurchase written by a financial in which the underlying securities for the agreement to repurchase are the type listed above, c) Certificates of Deposit are fully insured by the federal deposit insurance corporation or the state, d) Obligations of the state. Checking accounts are interest bearing accounts which pay varying monthly interest rates based on money market rates.

Deposits – The Parks and Recreation District maintains deposits at depository banks that are members of the Federal Reserve System and have F.D.I.C. coverage. North Dakota law requires all public deposits be protected by insurance, surety bond or collateral. Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. At December 31, 2016, the District deposits were entirely insured or collateralized with securities held by the District or by its agent in the District's name in compliance with state law.

Authorized collateral include bills, notes or bonds issued by the United States government, its agencies or instrumentalities; all bonds and notes guaranteed by the United States government; federal land bank bonds; bonds, notes, warrants, certificates of indebtedness and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether from special revenues or supported by the full faith and credit of the

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

issuing body; and bonds issued by any other state of the United States or such securities approved by the banking board.

Revenue Recognition, Property Taxes - Taxes receivable consists of current and delinquent uncollected taxes as of December 31, 2017. No allowance has been established for uncollectible amounts.

Property taxes attach as an enforceable lien on property as of January 1 and may be paid in two installments. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the Parks and Recreation District on a periodic basis. Property taxes are limited by state laws. All park district tax levies are in compliance with state laws.

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the applicable governmental column in the government-wide financial statements but are not reported as assets in the fund financial statements. Capital assets are defined by Parks and Recreation District as assets with an initial individual cost of more than \$3,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The assets are updated for additions and retirements during the District's fiscal year. Donated capital assets are recorded at estimated fair market value at the date received. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Parks and Recreation District has infrastructure-type assets.

The District's land is capitalized but is not depreciated. Capital assets are depreciated using the straight-line method over the following useful lives:

Building and building improvements	50 years
Equipment and furniture	10 years
Vehicles	5 years
Office equipment	5 years

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

Deferred outflows and inflows of resources – In addition to assets, the statement of financial 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 had two items that met this criterion – a pension related deferral, and contributions made to the pension plan (ND PERS) in the current fiscal years.

Note 1 Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for 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 then. The District has one item that meet this criterion – a pension related deferral (ND PERS).

Fund Equity - Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. The Board also may modify or rescind the commitment.
- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board has authorized the District’s director to assign fund balances.
- ***Unassigned*** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 1 Summary of Significant Accounting Policies (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represent the difference between assets and liabilities. Net position invested in capital assets net of debt, consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset. Net positions are reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on Parks and Recreation District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Fund Balance Reservations and Designations – Reserved fund balances represent fund equity, which are legally segregated for a specific future use or equity that is not an available expendable resource. Unreserved fund balance represents fund equity that is available for appropriation in future periods.

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflects Jamestown Parks and Recreation District's intentions and may be changed by the board as needed. The designations are reported as part of unrestricted fund balance.

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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data - Comparative data is not included in Parks and Recreation District's financial statements.

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 North Dakota Employees Retirement System (ND PERS) and additions to/deductions from ND PERS fiduciary net position have been determined on the same basis as they are reported by ND PERS. 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.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 2 Cash and Cash Equivalents

The following is a summary of the cash balances at December 31, 2017:

	Balance per	In Transit	Balance per
	<u>Bank</u>	<u>Items</u>	<u>District</u>
Checking Accounts			
Unison Bank, Jamestown, ND			
General Fund	\$422,083	\$(161,007)	\$261,076
Bank Forward, Jamestown, ND			
Special Revenue Fund	233,655	-	233,655
Building Fund	<u>81,413</u>	-	<u>81,413</u>
Total checking accounts	<u>\$737,151</u>	<u>\$(161,007)</u>	<u>\$ 576,144</u>
Savings Accounts	<u>Rate</u>		<u>Amount</u>
Unison Bank, Jamestown, ND	0.07%		
Savings			<u>118,783</u>
Total savings accounts			118,783
Petty Cash			<u>300</u>
Total cash			<u>\$695,227</u>

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. As of December 31, 2017, the District's deposits are fully insured or collateralized with securities held by the financial institution in the District's name. The board approves and designates a list of depository institutions.

Pledges of Securities by Depository – Following is a schedule of the amount of money on deposit in the District' bank at December 31, 2017, and the amount of securities the bank has pledged as collateral along with insurance coverage for the deposits:

	<u>Amount on Deposit</u>	<u>Amount of Pledged Securities and FDIC Insurance</u>
Unison Bank	\$540,865	\$765,162
Bank Forward Bank	\$315,068	\$2,324,000

All deposits are Category 1 with deposits insured or registered in the name of the District, or securities held by the District or its agent in its name. the pledge of securities and insurance coverage is Not less than the deposits for Unison Bank and Bank Forward.

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligation. State statues authorize the District to invest in (1) Bonds, treasury bill and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; (2) Securities sold under agreements to repurchase written by a financial institution

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 2 Cash and Cash Equivalents (Continued)

in which the underlying securities for the agreement to repurchase are of the type listed above; (3) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state; (4) Obligations of the state. All investments are stated at cost.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Certificates of deposit may not be purchased with maturities greater than 365 days from the date of purchase. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

Note 3 Legal Compliance – Budgets

The District board has not amended the District budget. General Fund expenditures were over the budget by \$47,751. Special Revenue Fund Social Security expenditures were over the budget by \$91,636. No remedial action is anticipated by the District regarding the excess expenditures.

Note 4 Leases

Jamestown College and the District have executed leases and easements, whereby the District occupies and uses certain college owned real estate for the purposes of operating a swimming pool, winter sports building, ice skating arena, parking lots and related purposes. The leases require the District to comply and maintain at its own expense, the properties according to all applicable laws, ordinances and regulations. All improvements are to be built, operated and maintained at District expense. Special assessments on the real property are the obligation of the District. After the lease terminates, all improvements become the property of Jamestown College. The noncancellable leases are accounted for as operating leases.

Parks and Recreation District entered into an operating lease in May 2017 for a Kyocera Taskalfa 5052ci copier. It is a 5 year lease with 60 monthly payments of \$199.00 ending May 2022.

Parks and Recreation District entered into an operating lease in August 2017 for a Kyocera Taskalfa 3252ci copier. It is a 5 year lease with 60 monthly payments of \$99.00 ending in August 2022.

Parks and Recreation District entered into a capital lease in April 2017 for a Toro Greensmaster 3150-0 mower and other equipment. It is a 3 year lease with 3 annual payments of \$11,510.02 ending April 2019.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 4 Leases (Continued)

Parks and Recreation District entered into an operating lease in October 2017 for exercise equipment for the TRAC. It is a 4 year lease with 48 monthly payments of \$1,537.56 ending August 2021.

The annual requirements to retire the obligations above are:

<u>Fiscal Year Ending December 31</u>	<u>Payments</u>
2018	\$ 33,537
2019 - 2022	<u>\$ 67,823</u>
Total	<u>\$101,360</u>

Note 5 Capital Assets

Capital asset activity of Parks and Recreation District was as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance End of Year</u>
Governmental Activities:				
Land	\$46,400	\$ -	\$ -	\$46,400
Buildings and Improvements	2,038,840	-	-	2,038,840
Machinery and Equipment	<u>717,757</u>	<u>-</u>	<u>-</u>	<u>717,757</u>
	\$2,802,997	\$-	\$ -	\$2,802,997
Less accumulated depreciation				
Buildings and Improvements	\$1,320,502	\$48,264	\$ -	\$1,368,766
Machinery and Equipment	<u>555,285</u>	<u>32,198</u>	<u>-</u>	<u>587,483</u>
	\$1,875,787	\$80,462	\$ -	\$1,956,249
Net Capital Assets for Governmental Activities	<u>\$927,210</u>	<u>\$80,462</u>	<u>\$ -</u>	<u>\$846,748</u>
Business-type Activities:				
Swimming pool	\$450,910	\$ -	\$ -	\$450,910
Winter sports building	1,403,671	8,075	-	1,411,746
Hillcrest golf course	2,040,326	11,503	-	2,051,829
Two Rivers activity center	<u>499,857</u>	<u>29,290,144</u>	<u>-</u>	<u>29,790,001</u>
	\$4,394,764	\$29,309,722	\$ -	\$33,704,486
Less accumulated depression				
Swimming pool	\$362,476	\$9,480	\$ -	\$371,956
Winter sports building	594,249	35,978	-	630,227
Hillcrest golf course	640,185	97,328	-	737,513
Two Rivers activity center	<u>-</u>	<u>218,230</u>	<u>-</u>	<u>218,230</u>
	\$1,596,910	\$361,016	\$ -	\$1,957,926
Net Capital Assets for Business-type activities	<u>\$2,797,854</u>	<u>\$28,948,706</u>	<u>\$ -</u>	<u>\$31,746,560</u>

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 5 Capital Assets (Continued)

Depreciation expense was charged to expense in the following function of the District for the current fiscal year:

Governmental Activities:	
Operations and maintenance	<u>\$80,462</u>
Business-type Activities:	
Swimming pool	<u>\$9,480</u>
Winter sports building	<u>\$35,978</u>
Hillcrest golf course	<u>\$97,328</u>
Two Rivers activity center	<u>\$218,230</u>

Note 6 Interfund Transfers

Governmental Funds

Transfers in: Special Revenue fund	\$99,355
Transfers out: General fund	\$158,162

Business Type Funds

Transfers out: Swimming Pool	\$2,106
Winter Sports Building	\$16,270
Two Rivers Activity Center	\$93,394
Transfers in: Hillcrest Golf Course	\$170,577

Transfers in/out consisted of the following:

\$99,355	To Special Revenue Fund to supplement other fund sources.
\$170,577	To Hillcrest Golf Course for administration and to supplement other fund sources.
\$93,394	From Two Rivers Activity Center for administration and to supplement other fund sources.
\$2,106	From Swimming Pool for administration and to supplement other fund sources.
\$16,270	From Winter Sports building for administration and to supplement other fund sources.
\$158,162	From General Fund for administration and to supplement other fund sources.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 7 Long-term Obligations

Bonds Payable

The following is a summary of bond transactions for the year ended December 31, 2017:

Bonds payable at January 1, 2017	\$31,850,000
Bonds issued	-
Bonds retired	<u>2,035,000</u>
Bonds payable at December 31, 2017	<u><u>\$29,815,500</u></u>

Bonds payable at December 31, 2017 are comprised of the following individual issues:

\$1,840,000 2015 Gross Revenue Bonds due in annual installments of \$80,000 to \$130,000 through May 1, 2033; interest varying from 1.05 to 3.75 percent. Bond issue costs were \$10,000.

\$21,790,000 Series 2016A and \$8,000,000 Series 2016B Sales Tax Revenue Bonds due in annual installments of \$765,000 to \$1,345,000 through July 1, 2035; interest varying from 2.927 to 4.00 percent. Bond issue costs were \$102,995.

Bonds payable in one year	<u><u>\$905,000</u></u>
---------------------------	-------------------------

Bonds Payable

The annual requirements to amortize all debt outstanding as of December 31, 2017

Year Ending	Business-type Activities		
	Principal	Interest	Total
2018	905,000	986,994	1,891,994
2019	935,000	961,093	1,896,093
2020	965,000	934,033	1,899,033
2021	980,000	914,823	1,894,823
2022	1,010,000	886,080	1,896,080
2023-2035	<u>25,020,500</u>	<u>7,843,468</u>	<u>32,863,968</u>
	<u><u>\$29,815,500</u></u>	<u><u>\$12,526,491</u></u>	<u><u>\$42,341,991</u></u>

Note 8 Pension Plan

A. Plan Description

The Parks and Recreation District is a participant in the single employer pension plan of the City of Jamestown. The plan is a defined benefit plan with the pension system responsible for benefits. The District is responsible only for current contributions to the fund. During the year ended December 31, 2017, the District's payroll for employees covered by the fund was \$333,327. The District's total payroll for 2017 was \$1,305,593.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 8 Pension Plan (Continued)

All employees who are employed for more than 20 hours a week and more than five months a year, with one year of continuous service, are eligible to participate. Benefits are 50% vested at five years of credited service and thereafter an additional 10% per year until they are 100% vested at ten years of service.

A member may retire with an age and service benefit after completing 25 years of credited service and attaining the normal retirement age of 65. The retirement benefit for employees terminating after January 1, 1998, payable monthly for life equals 1.2% of a member's average monthly earnings multiplied by credited service (maximum 30). For those participants that are age 60 or older as of January 1, 1998, their benefit will be the greater of the benefit calculated as stated previously or 60% of average monthly earnings minus 75% of his social security benefit, reduced 1/25 for each year of credited service less than 25 at normal retirement date. The minimum benefit shall be the accrued benefit under the old benefit formula as of January 1, 1998. If a member has less than 25 years of credited service the benefit is determined by taking the above formula times the fraction of the years of credited service divided by 25. A member's average monthly earnings is the average pay over the highest five consecutive years of employment. A member may retire early and receive a percentage of the accrued benefit based on the number of years retired early as long as the member has earned at least ten years credited service, is within ten years of normal retirement, and has the employer's approval.

Benefit provisions and all other requirements are established by City ordinance. Employees are not required to contribute to the Plan. The District is required to make all contributions necessary to fund the Plan using the actuarial basis specified by City ordinance. There are no related party transactions.

B. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 2018. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7% a year compounded annually, (b) projected salary increases of 4% a year compounded annually, attributable to inflation, and (c) no post-retirement benefit increases.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 8 Pension Plan (Continued)

B. Funding Status and Progress (Continued)

Assets in excess of accumulated pension benefit obligation were \$1,416,186 at December 31, 2017 as follows:

Accumulated pension benefit obligation:	<u>January 1, 2018</u>
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$5,753,121
Current Employees – 100% vested	2,525,707
Non-vested	-
Total pension benefit obligation	<u>8,278,828</u>
Net assets available for benefits at market (cost unavailable)	<u>9,695,014</u>
Assets in excess of accumulated pension benefit obligation	<u><u>\$(1,416,186)</u></u>

For the year ended December 31, 2017, the employer recognized pension expense of \$30,637 and deferred outflow of resources of \$1,279,456.

Effective January 1, 2009, the actuarial cost method changed from the entry age normal with closed 30 year level dollar amortization method to entry age normal with closed 25 year level dollar amortization method and the mortality tables changed from 1983 Group Annuity Mortality table to RP2000 combined healthy mortality table. Effective January 1, 2014, the actuarial cost method changed to entry age normal with closed 25 year level dollar amortization. Effective January 1, 2008, the City began participation in the North Dakota Public Employees Retirement System. Employees were allowed to transfer to NDPERS at that time.

C. Actuarially Determined Contribution Requirements and Contributions Made

The Plan's funding policy provides for actuarially determined periodic contributions at rates necessary to accumulate sufficient assets to pay benefits when due.

The significant actuarial assumptions used to compute the actuarially determined contribution rate are the same as those used to compute the pension benefit obligation as described in B above.

The contributions to the Plan 2018 was calculated to be \$0 based on actuarially determined requirements computed through actuarial valuations performed as of January 1, 2018.

Note 8 Pension Plan (Continued)

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information may be found on page 58 of the City's financial statements. For the three years ended 2017, 2016 and 2015, available assets were sufficient to fund 117, 101, and 104 percent, respectively, of the pension benefit obligation. The Plan went from an overfunded plan of \$317,506 in 2015 to an overfunded plan of \$77,180 in 2016 and an overfunded plan of \$1,416,816 in 2017. The City's contributions for the years ended 2017, 2016 and 2015 were 0.00, 1.51 and 1.06 percent, respectively, of annual covered payroll, all made in accordance with actuarially determined requirements.

Note 9 North Dakota Public Employees Retirement System

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Note 9 North Dakota Public Employees Retirement System (Continued)

Pension Benefits

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

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

Death and Disability Benefits

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

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

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 9 North Dakota Public Employees Retirement System (Continued)

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At 12/31/2017, the Employer reported a liability of \$546,749 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 12/31/2017, the Employer's proportion was 0.034016 percent, which was an increase of .020566 from its proportion measured as of 12/31/2016.

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 9 North Dakota Public Employees Retirement System (Continued)

For the year ended 12/31/2017, the Employer recognized pension expense of \$78,814. At 12/31/2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,250	\$ 2,664
Changes of assumptions	224,204	12,332
Net difference between projected and actual earnings on pension plan investments	7,353	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,268	-
Employer contributions subsequent to the measurement date (see below)	<u>*\$37,031</u>	-
Total	<u>\$ 405,106</u>	<u>\$14,996</u>

*\$37,031 reported as deferred outflows of resources related to pensions resulting from Employer Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2018.

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

Year ended June 30:

2018	\$ 78,978
2019	80,068
2020	81,358
2021	68,804
2022	34,871
Thereafter	34,871

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 9 North Dakota Public Employees Retirement System (Continued)

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.5%
	41 – 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no set back for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Note 9 North Dakota Public Employees Retirement System (Continued)

Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	\$742,228	\$546,749	\$384,118

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

Parks and Recreation District, City of Jamestown
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2017

Note 10 Risk Management

The Parks and Recreation District is exposed to various risks of loss relating to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Parks and Recreation District pays an annual premium to Harty Insurance for its general liability, auto, and inland marine insurance coverage. The coverage is limited to losses of one million dollars per occurrence.

The Parks and Recreation District also participates in the North Dakota State Fire and Tornado Fund and the State Bonding Fund. The Parks and Recreation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property.

Replacement cost is coverages provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the Parks and Recreation District with blanket fidelity bond coverage in the amount of \$300,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Parks and Recreation District participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Note 11 Interfund Payables/Receivables

Interfund payables/receivables consist of transfers between the special revenue funds – social security, pension and special assessment.

Note 12 Deficit Fund Balances

Special Revenue Fund social security has a deficit fund balance which will be adjusted by transfers from the pension and special assessment funds.

Parks and Recreation District
City of Jamestown
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
- BUDGET AND ACTUAL - GENERAL FUND
Year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$836,037	\$836,037	\$839,507	\$3,470
Intergovernmental revenue	125,000	125,000	181,742	56,742
Contributions	500	500	10,148	9,648
Charges for services	34,500	34,500	38,539	4,039
Interest income	1,000	1,000	687	(313)
Miscellaneous	175,000	175,000	183,119	8,119
Total revenues	<u>\$1,172,037</u>	<u>\$1,172,037</u>	<u>\$1,253,742</u>	<u>\$81,705</u>
EXPENDITURES				
Personnel services	\$586,989	\$586,989	\$583,403	\$3,586
Operations and maintenance	473,848	473,848	478,223	(4,375)
Total Expenditures	<u>\$1,060,837</u>	<u>\$1,060,837</u>	<u>\$1,061,626</u>	<u>\$(789)</u>
Excess (deficiency) of revenues over expenditures	<u>\$111,200</u>	<u>\$111,200</u>	<u>\$181,968</u>	<u>\$70,768</u>
Other Financing Sources (uses)				
Transfer in (out)	<u>(111,200)</u>	<u>(111,200)</u>	<u>(158,162)</u>	<u>(46,962)</u>
Total other financing sources (uses)	<u>\$(111,200)</u>	<u>\$(111,200)</u>	<u>\$(158,162)</u>	<u>\$(46,962)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,806</u>	<u>\$23,806</u>
Fund balance January 1			231,517	
Fund balance December 31			<u>\$255,323</u>	

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
– BUDGET AND ACTUAL – SPECIAL REVENUE FUND
Year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUE				
Taxes	\$290,800	\$290,800	\$143,501	\$(147,299)
Interest Income	-	-	528	528
Total revenues	<u>\$290,800</u>	<u>\$290,800</u>	<u>\$144,029</u>	<u>\$(146,771)</u>
EXPENDITURES				
Personnel services	149,500	\$149,500	\$101,107	\$48,393
Special assessments	141,300	141,300	134,558	6,742
Operations and maintenance	-	-	-	-
Total Expenditures	<u>\$290,800</u>	<u>\$290,800</u>	<u>\$235,665</u>	<u>\$55,135</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$(91,636)</u>	<u>\$(91,636)</u>
Other Financing Sources (uses)				
Transfer in (out)	-	-	99,355	99,355
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$99,355</u>	<u>\$99,355</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	7,719	<u>\$7,719</u>
Fund balance January 1			<u>225,936</u>	
Fund balance December 31			<u><u>\$233,655</u></u>	

The accompanying notes are an integral part of these financial statements.

Parks and Recreation District
City of Jamestown
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
December 31, 2017

Note 1 Summary of Significant Budget Policies

Based upon available financial information and requests by the governing board, the business manager prepares the park district budget. The budget is prepared for the all Funds on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year-end.

The preliminary budget is to be prepared on or before September 10, taxes must be levied by the governing board and certified to the treasurer by that date. The final budget and tax levy must be approved by October 7. The governing board may amend its tax levy and budget, but the certification must be filed with the treasurer by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Note 2 Legal Compliance - Budgets

The governing board did not have any amendments to the district's budget for the year ending December 31, 2017.

Parks and Recreation District, City of Jamestown
Schedule of Employer's Share of Net Pension Liability
 ND Public Employees Retirement System
Last 10 Fiscal Years*

	2015
Employer's proportion of the net pension liability (asset)	0.010741%
Employer's proportionate share of the net pension liability (asset)	\$68,175
Employer's covered-employee payroll	\$90,472
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.70%

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

Parks and Recreation District, City of Jamestown
Schedule of Employer Contributions
 ND Public Employees Retirement System
Last 10 Fiscal Years*

	2015
Statutorily required contribution	\$6,442
Contributions in relation to the statutorily required contribution	(\$6,442)
Contribution deficiency (excess)	\$0.00
Employer's covered-employee payroll	\$90,472
Contributions as a percentage of covered-employee payroll	7.12%

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

The accompanying required supplementary information notes are an integral part of this schedule.

Parks and Recreation District, City of Jamestown
Schedule of Employer's Share of Net Pension Liability
 ND Public Employees Retirement System
Last 10 Fiscal Years*

	2016
Employer's proportion of the net pension liability (asset)	0.013450%
Employer's proportionate share of the net pension liability (asset)	\$91,458
Employer's covered-employee payroll	\$119,821
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.15%

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

Parks and Recreation District, City of Jamestown
Schedule of Employer Contributions
 ND Public Employees Retirement System
Last 10 Fiscal Years*

	2016
Statutorily required contribution	\$9,102
Contributions in relation to the statutorily required contribution	(\$8,400)
Contribution deficiency (excess)	\$702
Employer's covered-employee payroll	\$119,821
Contributions as a percentage of covered-employee payroll	7.60%

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

The accompanying required supplementary information notes are an integral part of this schedule.

Parks and Recreation District, City of Jamestown
Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017
Employer's proportion of the net pension liability (asset)	0.034016%
Employer's proportionate share of the net pension liability (asset)	546,749
Employer's covered-employee payroll	\$347,250
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%
Plan fiduciary net position as a percentage of the total pension liability	61.98%

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

Parks and Recreation District, City of Jamestown
Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017
Statutorily required contribution	\$25,180
Contributions in relation to the statutorily required contribution	(\$20,908)
Contribution deficiency (excess)	\$4,272
Employer's covered-employee payroll	\$347,250
Contributions as a percentage of covered-employee payroll	6.02%

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

The accompanying required supplementary information notes are an integral part of this schedule.

Parks and Recreation District, City of Jamestown
Notes to Required Supplementary Information
For the Year Ended December 31, 2017

Change of assumptions.

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Parks and Recreation District
City of Jamestown
SUPPLEMENTAL MATERIAL
Year ended December 31, 2017

Schedule 1

Schedule of Cash and Cash Equivalents

Petty Cash	\$300
Cash in bank, checking, Unison Bank	261,076
Cash in bank, savings, Unison Bank	118,783
Cash in bank, savings, Bank Forward	<u>315,068</u>
Total Cash and Cash Equivalents	<u><u>\$695,227</u></u>

* * * * *

See Independent Auditor's Report



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

To the Chairman and Board of Directors
Parks and Recreation District, City of Jamestown
Jamestown, 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 government activities, business-type activities, each major fund, and the aggregate remaining fund information of Parks and Recreation District, City of Jamestown, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Parks and Recreation District's basic financial statements, and have issued our report thereon dated June 14, 2018.

Internal Control over Financial Reporting

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

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exist that were not identified given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

Financial Statements Preparation – Design Deficiency:

Condition: Management has not identified risks to the preparation of reliable financial statements. Dempsey Accounting and Tax Services P.C. assists the District's management in preparing financial statements that are presented, including note disclosures, in accordance with generally accounting principles.

Criteria: Risks should be identified that impact the presentation of reliable financial statements. The COSO framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the financial statements and the management of those risks. As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause: Parks and Recreation District does not analyze the risks of material misstatements and has not determined how identified risks should be managed. The District Board feels it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect: Lack of identification of possible risks provides an opportunity for fraud to occur and could increase errors and misstatements. This increases the risk of misstatement of the District's financial condition. Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: Design of effective controls and management of those controls over the preparation of the financial statements will aid in prevention and detection of material misstatements, including footnote disclosure. We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parks and Recreation District's financial statements are free from material misstatement, we performed tests of 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*.

Views of Responsible Officials

Parks and Recreation District's Board realizes it is extremely hard to have the ultimate of internal controls and segregation of duties with a staff of two people and believes that the controls presently in place do a good job of mitigating the risk that the financial statements are misstated. They feel it is not economically feasible to have enough employees hired to provide for the necessary segregation of duties. They believe providing policies and procedures for the accounting function and strong board oversight is adequate. The District will continue to request that Dempsey Accounting and Tax Services P.C. assist with the preparation of financial statements; however, the Board will continue to instruct the District Administration to provide all requested schedules.

Parks and Recreation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services P.C.
Jamestown, North Dakota
June 14, 2018



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June 14, 2018

To the President and Board
Parks and Recreation District, City of Jamestown
Jamestown, North Dakota

MANAGEMENT LETTER

During completion of our audit of Parks and Recreation District, City of Jamestown for the year ended December 31, 2017, certain observations were made of various policies of the district. The matters included herein are presented as a matter of record and for your further consideration. This letter is presented to identify areas which should be subjected to your review. You will determine the final course of action to pursue.

1. Accrual Accounting. Generally Accepted Accounting Principles (GAAP) for governmental units requires the modified accrual basis of accounting for all government funds. Revenues should be recognized when received, except year-end adjustments are made for material revenues determined to be both measurable and available as net current assets. We recommend the school district continue recording revenue and expenditure adjustments at year end, if necessary, to ensure that all external reporting is based on a modified accrual basis of accounting. We are available to help with the adjustments.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the governing board, is a matter of public record.

Dempsey Accounting & Tax Services P.C.

Dempsey Accounting and Tax Services P.C.
Beth Dempsey, CPA

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June 14, 2018

Communication with Those Charged with Governance At the Conclusion of the Audit

To the Chairman and Board of Directors
Parks and Recreation District, City of Jamestown
Jamestown, North Dakota

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Parks and Recreation District, City of Jamestown**, for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, Government Auditing Standards), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Parks and Recreation District** are described in Note 1 to the financial statements. No other new accounting policies were adopted and the application of existing policies was not changed during the 2017 year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements for management to correct.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representation from management that is included in the management representation letter dated June 14, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the

underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Chairman and Board of Parks and Recreation District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Dempsey Accounting and Tax Services P.C.

Dempsey Accounting and Tax Services P.C.