

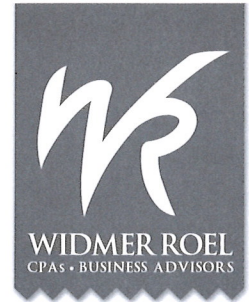
**CITY OF MINOT PARK DISTRICT
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Minot Park District** (the Park District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Minot Park District** as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's proportionate share of net pension liability, schedule of employer contributions, and notes to the required supplementary information on pages 33 – 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Minot Park District's** basic financial statements. The schedule of tax levies and uncollected taxes on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2018 on our consideration of the **City of Minot Park District's** internal control over financial reporting and 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 **City of Minot Park District's** internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Weidner Rod R".

Bismarck, North Dakota
March 20, 2018

**CITY OF MINOT PARK DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 7,020,838
Due from county	79,545
Taxes receivable	250,478
Other receivables	66,993
Total current assets	<u>7,417,854</u>

CAPITAL ASSETS

Construction in progress	86,882
Nondepreciable capital assets	8,243,065
Depreciable capital assets, net	43,292,450
Total capital assets	<u>51,622,397</u>

RESTRICTED ASSETS

Foundation cash and cash equivalents	346,153
Foundation investments	539,164
Total restricted assets	<u>885,317</u>

Total assets 59,925,568

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	<u>686,170</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	564,485
Accrued payroll	64,318
Accrued payroll taxes and other withholding	53,360
Accrued compensated absences	18,762
Accrued interest payable	55,980
Current portion of long-term debt	1,624,577
Total current liabilities	<u>2,381,482</u>

NON-CURRENT LIABILITIES

Net pension liability	5,319,564
Unamortized premium / discount	226,393
Long-term debt	17,098,290
Total non-current liabilities	<u>22,644,247</u>

Total liabilities 25,025,729

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>33,057</u>
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NET POSITION

Net investment in capital assets	32,673,137
Restricted for:	
Park District Foundation	600,918
Debt Service	712,560
Building Levy	329,708
Capital Projects	287,233
Unrestricted	949,396
Total net position	<u>\$ 35,552,952</u>

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental Activities					
Park operations	\$ 7,607,134	\$ 1,801,541	\$ 107,225	\$ 5,729,660	\$ 31,292
Interest on long-term debt	387,223	-	-	-	(387,223)
Total governmental activities	\$ 7,994,357	\$ 1,801,541	\$ 107,225	\$ 5,729,660	(355,931)
General Revenues:					
Taxes:					
Property taxes					6,484,909
State revenue not restricted for a specific purpose					552,001
Investment earnings (loss)					71,414
Miscellaneous					33,468
Total general revenues					7,141,792
Change in net position					6,785,861
Net position - beginning of year					28,767,091
Net position - end of year					\$ 35,552,952

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
BALANCE SHEET
DECEMBER 31, 2016

	General Fund	Foundation Fund	Debt Service Fund	Capital Projects Gross Revenue	Total Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 5,651,377	\$ -	\$ 301,911	\$ -	\$ 1,067,550	\$ 7,020,838
Due from county	67,084	-	9,704	-	2,757	79,545
Taxes receivable	202,804	-	35,917	-	11,757	250,478
Other receivables	66,993	-	-	-	-	66,993
Total current assets	<u>5,988,258</u>	<u>-</u>	<u>347,532</u>	<u>-</u>	<u>1,082,064</u>	<u>7,417,854</u>
RESTRICTED ASSETS						
Foundation cash and cash equivalents	-	346,153	-	-	-	346,153
Foundation investments	-	539,164	-	-	-	539,164
Total restricted assets	<u>-</u>	<u>885,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>885,317</u>
Total assets	<u>\$ 5,988,258</u>	<u>\$ 885,317</u>	<u>\$ 347,532</u>	<u>\$ -</u>	<u>\$ 1,082,064</u>	<u>\$ 8,303,171</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	\$ 227,665	\$ 284,399	\$ -	\$ -	\$ 52,421	\$ 564,485
Accrued payroll taxes and other withholding	41,095	-	-	-	-	41,095
Accrued payroll	76,583	-	-	-	-	76,583
Total current liabilities	<u>345,343</u>	<u>284,399</u>	<u>-</u>	<u>-</u>	<u>52,421</u>	<u>682,163</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - taxes	<u>202,804</u>	<u>-</u>	<u>35,917</u>	<u>-</u>	<u>11,757</u>	<u>250,478</u>
FUND BALANCES						
Restricted	-	600,918	311,615	-	1,017,886	1,930,419
Unassigned	5,440,111	-	-	-	-	5,440,111
Total fund balances	<u>5,440,111</u>	<u>600,918</u>	<u>311,615</u>	<u>-</u>	<u>1,017,886</u>	<u>7,370,530</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,988,258</u>	<u>\$ 885,317</u>	<u>\$ 347,532</u>	<u>\$ -</u>	<u>\$ 1,082,064</u>	<u>\$ 8,303,171</u>

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Governmental Funds Balance		\$	7,370,530
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			51,622,397
Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			250,478
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds.			686,170
Bond premiums and discounts are reported as other financing sources and uses in the governmental fund financial statements, but are deferred and amortized in the government wide financial statements			(226,393)
Long-term liabilities are not due and payable in the current period and therefore are not included in the funds.			
Accrued compensated absences	\$	(18,762)	
Accrued interest payable		(55,980)	
Long-term debt		(18,722,867)	
Net pension liability		(5,319,564)	
Total		(24,117,173)	(24,117,173)
Deferred inflows in the governmental activities are not financial resources, and therefore, are not reported in the governmental funds.			(33,057)
Net Position of Governmental Activities		\$	35,552,952

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Foundation Fund	Debt Service Fund	Capital Projects Gross Revenue	Total Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Local property taxes	\$ 5,107,419	\$ -	\$ 953,444	\$ -	\$ 338,308	\$ 6,399,171
State revenue	552,001	-	-	-	-	552,001
Service revenue	1,309,718	-	-	-	483,037	1,792,755
Grants and contributions	353,561	5,438,721	-	-	-	5,792,282
Investment income	36,317	35,097	-	-	-	71,414
Other income	42,254	-	-	-	-	42,254
Total revenues	<u>7,401,270</u>	<u>5,473,818</u>	<u>953,444</u>	<u>-</u>	<u>821,345</u>	<u>14,649,877</u>
EXPENDITURES						
Park operations	6,121,369	212,439	-	-	-	6,333,808
Capital outlay	996,533	9,182,585	-	3,011,300	1,908,229	15,098,647
Debt Service:						
Principal payments	255,197	-	2,417,429	788,743	370,000	3,831,369
Interest	59,341	-	201,670	25,273	135,167	421,451
Issuance costs	-	-	33,959	84,300	47,261	165,520
Total expenditures	<u>7,432,440</u>	<u>9,395,024</u>	<u>2,653,058</u>	<u>3,909,616</u>	<u>2,460,657</u>	<u>25,850,795</u>
Excess revenue over (under) expenditures	<u>(31,170)</u>	<u>(3,921,206)</u>	<u>(1,699,614)</u>	<u>(3,909,616)</u>	<u>(1,639,312)</u>	<u>(11,200,918)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	149,388	-	-	5,821,843	2,478,075	8,449,306
Proceeds from refunding	-	-	1,585,000	815,082	-	2,400,082
Bond premium (discount)	-	-	34,949	15,471	(18,107)	32,313
Operating transfers in	156,383	2,742,780	-	-	-	2,899,163
Operating transfers out	-	-	-	(2,742,780)	(156,383)	(2,899,163)
Total other financing sources (uses)	<u>305,771</u>	<u>2,742,780</u>	<u>1,619,949</u>	<u>3,909,616</u>	<u>2,303,585</u>	<u>10,881,701</u>
Net change in fund balances	274,601	(1,178,426)	(79,665)	-	664,273	(319,217)
Fund balances - beginning of year	5,165,510	1,779,344	391,280	-	353,613	7,689,747
Fund balances - end of year	<u>\$ 5,440,111</u>	<u>\$ 600,918</u>	<u>\$ 311,615</u>	<u>\$ -</u>	<u>\$ 1,017,886</u>	<u>\$ 7,370,530</u>

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - governmental funds \$ (319,217)

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

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

Capital asset additions	15,098,647	
Current year depreciation	(1,115,067)	
Total	13,983,580	13,983,580

Governmental funds report the entire net sales proceeds from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of assets. In the current year, disposed capital assets had no proceeds, and the difference represents the loss on disposal of capital assets.

(24,260)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. These consist of:

Delinquent property taxes	85,738	
FEMA income	334,936	
Total	420,674	420,674

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

Amortization of premium/discount on bond issues	21,781	
Net decrease in accrued compensated absences	2,271	
Net decrease in accrued interest payable	12,447	
Net increase in net pension liability	(38,792)	
Total	(2,293)	(2,293)

Changes in deferred inflows and outflows relating to net pension liability (222,291)

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

(10,881,701)

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

3,831,369

Change in net position of governmental activities \$ 6,785,861

See Notes to the Financial Statements

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 GOVERNING BOARD AND REPORTING ENTITY

The affairs of the City of Minot Park District are administered by an elected board made up of a president and four commissioners. Appointed officials are a clerk, attorney, and director of parks. The officials of the Minot Park District as of December 31, 2016, are as follows:

	<u>Office</u>	<u>Monthly Compensation</u>
Cliff Hovda	President	\$ 250
Nancy Beck	Vice President	250
Charles Emery	Commissioner	250
Connie Feist	Commissioner	250
Steve Wharton	Commissioner	250
Ron Merritt	Director of Parks	9,583
Pete Hankla	Attorney	-
Elly DesLauriers	Clerk	200

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Presentation

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

The Park District Foundation is a special revenue fund and is a blended component unit. This fund accounts for contributions received and payments made for projects to improve the parks.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term special assessments debt of governmental funds.

The capital projects gross revenue fund accounts for the bond proceeds and associated costs related to the Park Facilities Gross Revenue Bonds, Series 2016.

The following are non-major governmental funds of the Park District:

The building fund is a special revenue fund that accounts for financial resources used in the upkeep of the Park District buildings.

The social security and pension fund is a special revenue fund that accounts for the financial resources used to pay for social security and pension plan expenditures of the Park District. This fund was transferred to the general fund during the year ended December 31, 2016, as there is no longer a restriction on this money.

The District has two non-major capital projects funds, one accounts for the bond proceeds and construction costs related to the Park District Facilities and Improvement District No. 2014-01, and the other accounts for the bond proceeds and construction costs related to the Park District Facilities and Improvement District No. 2015-01.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

The District has a non-major debt service fund, which accounts for the reserves accumulated and payments made for principal and interest on the Park Facilities Gross Revenue Bonds, Series 2016.

Measurement Focus/Basis of Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

Due from County

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

Taxes Receivable

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

Other Receivables

Other receivables consist primarily of amounts due from entities for MAYSA arena rent. It is management's policy that they will routinely review these receivables to determine collectability. Any amounts deemed uncollectible will be written off in the period in which they are determined as such. There is no allowance for doubtful accounts receivable as of December 31, 2016, as management considers all receivables to be collectible.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Park District's fiscal year. The Park District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their fair market values at the date received. Improvements that significantly extend the useful life of the asset are also capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Compensated Absences

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

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums/Discount

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

Pensions

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

Fund Balance Classifications

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

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

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

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

Net Position

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

Net Position Flow Assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted- net position is applied.

Interfund Transactions

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 resource (expense/expenditure) until then. The District has one types of item that qualifies for reporting in this category. Deferred outflows – pension is reported as a deferred outflow of resources in the Statement of Net Position, which represents actuarial differences within the CEPP pension plan.

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

Revenue Recognition - Property Taxes

Taxes receivable consists of current and delinquent uncollected taxes at December 31, 2016.

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Use of Estimates

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

NOTE 3 CUSTODIAL CREDIT RISK

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

The District maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC or NCUA up to \$250,000 at each institution. At December 31, 2016, the District had \$6,802,829 in excess of the FDIC and NCUA limits on deposit. The amount in excess was covered by pledged securities, a letter of credit, and sweep collateral at December 31, 2016.

The District also maintains an investment account for the Foundation with cash and cash equivalents in excess of FDIC coverage of \$96,153.

NOTE 4 INVESTMENTS

The Minot Park District Foundation maintains an investment pool at a financial institution. The investment pool invests in money market and mutual funds. At December 31, 2016, the Foundation's investments consisted of \$346,153 of money market funds and \$539,164 of mutual funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. None of the investments held by the Foundation are debt securities that would be subject to a change in interest rates.

Credit Risk

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Fair Value Measurements

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

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

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

	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Fixed Income Securities	\$ 217,429	\$ 217,429	\$ -	\$ -
Alternative Securities	55,052	55,052	-	-
Equity Mutual Fund	266,683	266,683	-	-
Total assets at fair value	<u>\$ 539,164</u>	<u>\$ 539,164</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016	Additions	Deletions	Transfers	Balance 12/31/16
Construction in Progress	\$ 3,933,524	\$ 86,882	\$ -	\$ (3,933,524)	\$ 86,882
Capital Assets Not Being Depreciated:					
Land and Special Assessments	\$ 4,640,897	\$ 3,011,300	\$ -	\$ -	\$ 7,652,197
Collectibles	488,298	36,000	-	66,570	590,868
Total Capital Assets Not Being Depreciated	<u>\$ 5,129,195</u>	<u>\$ 3,047,300</u>	<u>\$ -</u>	<u>\$ 66,570</u>	<u>\$ 8,243,065</u>
Capital Assets Being Depreciated					
Buildings	\$ 6,837,046	\$ -	\$ (4,461)	\$ -	\$ 6,832,585
Golf Course	2,345,817	31,209	(22,200)	-	2,354,826
Maysa	7,846,781	11,043,821	-	2,435,947	21,326,549
Equipment	1,097,002	197,426	-	-	1,294,428
Vehicles	893,696	-	(13,521)	-	880,175
Zoo	6,380,408	-	-	-	6,380,408
Other Park Assets	10,932,193	692,009	(86,010)	1,431,007	12,969,199
Total Capital Assets Being Depreciated	<u>\$ 36,332,943</u>	<u>\$ 11,964,465</u>	<u>\$ (126,192)</u>	<u>\$ 3,866,954</u>	<u>\$ 52,038,170</u>
Less Accumulated Depreciation:					
Buildings	\$ 1,017,248	\$ 116,496	\$ (4,171)	\$ -	\$ 1,129,573
Golf Course	938,404	81,902	(22,200)	-	998,106
Maysa	1,791,733	286,847	-	-	2,078,580
Equipment	701,607	72,523	-	-	774,130
Vehicles	413,876	65,018	(11,606)	-	467,288
Zoo	819,525	125,564	-	-	945,089
Other Park Assets	2,050,192	366,717	(63,955)	-	2,352,954
Total Accumulated Depreciation	<u>\$ 7,732,585</u>	<u>\$ 1,115,067</u>	<u>\$ (101,932)</u>	<u>\$ -</u>	<u>\$ 8,745,720</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 28,600,358</u>	<u>\$ 10,849,398</u>	<u>\$ (24,260)</u>	<u>\$ 3,866,954</u>	<u>\$ 43,292,450</u>
Governmental Capital Assets, Net	<u>\$ 37,663,077</u>	<u>\$ 13,983,580</u>	<u>\$ (24,260)</u>	<u>\$ -</u>	<u>\$ 51,622,397</u>

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

Park Operations \$ 1,115,067

The following is a summary of equipment held under capital lease at December 31, 2016.

Golf Course	\$ 23,804
Less: accumulated amortization	<u>(7,935)</u>
	<u>\$ 15,869</u>

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 6 LONG-TERM LIABILITIES

Notes Payable

The District has taken out a note with a financial institution for the acquisition of property and equipment. Notes payable at December 31, 2016 is as follows:

Note payable to KS State Bank, issued October 15, 2016, interest and principal payment due in five equal installments of \$32,495 every February 1, interest at 3.77%. Payments are made by the General fund. Secured by equipment. \$ 118,598

General Obligation Bonds

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

The District has a general obligation bond outstanding for flood restoration projects related to the flood of 2011. Information on this bond at December 31, 2016 is as follows:

General Obligation Bond, issued November 1, 2012, principal due annually beginning May 1, 2013 through May 1, 2027. Interest due May 1 and November 1 of each year, interest at 2.00%. Payments are made by the General fund. \$ 2,705,000

Special Assessment Bonds

Special assessment bonds are issued for debt obligations on various parcels of land and other projects. They are direct obligations and pledge the full faith and credit of the District. These bonds are paid through the debt service fund by a mill levy sufficient to meet the current year's principal and interest payments. Special assessments as of December 31, 2016 are as follows:

Refunding Improvement Bond, issued October 30, 2014, principal due annually beginning May 1, 2015 through May 1, 2029. Interest due May 1 and November 1 of each year, interest at 3.00%. \$ 1,755,000

Refunding Improvement Bond, issued August 17, 2015, principal due annually beginning May 1, 2016 through May 1, 2025. Interest due May 1 and November 1 of each year, interest varies from 2.00% to 2.25%. 1,370,000

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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General Obligation Special Assessment Prepayment Bond, issued August 19, 2015, principal due annually beginning May 1, 2016 through May 1, 2023. Interest due May 1 and November 1 of each year, interest at 2.00%. \$ 2,430,000

Refunding Improvement Bond, issued March 8, 2016, principal due annually beginning May 1, 2017 through May 1, 2026. Interest due May 1 and November 1 of each year, interest varies from 1.20% to 1.50%. 2,055,000

General Obligation Special Assessment Prepayment Bond, issued February 11, 2016, principal due annually beginning May 1, 2017 through May 1, 2024. Interest due May 1 and November 1 of each year, interest at 2.00%. 1,585,000

Total Special Assessment Debt \$ 9,195,000

Revenue Bonds

The District has a gross revenue bond outstanding for the purchase of land, costs of the MAYSA arena expansion, and to pay off a notes payable with a financial institution. Information on this bond at December 31, 2016 is as follows:

Gross Facilities Revenue Bond, issued March 29, 2016, principal due annually beginning December 1, 2016 through December 1, 2035. Interest due June 1 and December 1 of each year, interest varies from 2.00% to 3.375%. Payments are made by the Debt Service fund. \$ 6,690,000

Capital Leases

The District has a capital lease on equipment. Capital leases as of December 31, 2016 are as follows.

Capital lease for Workman HDX Auto, issued April 27, 2015, principal and interest due annually beginning May 1, 2015 through May 1, 2019, interest at 3.79%. Payments are made by the General fund. \$ 14,269

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Future Maturities

The anticipated annual requirements to pay existing debt as of December 31, 2016 is as follows:

	Notes Payable		G.O. Bonds	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 225,000	\$ 51,850
2018	28,025	4,470	225,000	47,350
2019	29,081	3,414	230,000	42,800
2020	30,177	2,318	235,000	38,150
2021	31,315	1,180	240,000	33,400
2022-2026	-	-	1,275,000	92,250
2027-2031	-	-	275,000	2,750
Total	\$ 118,598	\$ 11,382	\$ 2,705,000	\$ 308,550

	Special Ass. Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,085,000	\$ 177,197	\$ 310,000	\$ 193,675
2018	1,065,000	156,107	315,000	187,475
2019	1,040,000	135,482	325,000	181,175
2020	1,045,000	115,007	330,000	170,675
2021	1,035,000	94,577	335,000	168,075
2022-2026	3,460,000	214,609	1,840,000	682,875
2027-2031	465,000	21,225	1,685,000	416,025
2032-2036	-	-	1,550,000	131,394
Total	\$ 9,195,000	\$ 914,204	\$ 6,690,000	\$ 2,131,369

	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2017	\$ 4,577	\$ 720	\$ 1,624,577	\$ 423,442
2018	4,754	550	1,637,779	395,952
2019	4,938	374	1,629,019	363,245
2020	-	-	1,640,177	326,150
2021	-	-	1,641,315	297,232
2022-2026	-	-	6,575,000	989,734
2027-2031	-	-	2,425,000	440,000
2032-2036	-	-	1,550,000	131,394
Total	\$ 14,269	\$ 1,644	\$ 18,722,867	\$ 3,367,149

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Net pension liability	\$ 5,280,772	\$ 38,792	\$ -	\$ 5,319,564	\$ -
Long-term debt:					
Notes payable	788,743	149,388	(819,533)	118,598	-
Special assessment debt	7,972,429	3,640,000	(2,417,429)	9,195,000	1,085,000
General obligation bond	2,925,000	-	(220,000)	2,705,000	225,000
Gross revenue bond	-	7,060,000	(370,000)	6,690,000	310,000
Capital lease	18,676	-	(4,407)	14,269	4,577
Total long-term debt	<u>11,704,848</u>	<u>10,849,388</u>	<u>(3,831,369)</u>	<u>18,722,867</u>	<u>1,624,577</u>
Unamortized premium / discount	215,861	32,313	(21,781)	226,393	-
Total long-term liabilities	<u>\$ 17,201,481</u>	<u>\$ 10,920,493</u>	<u>\$ (3,853,150)</u>	<u>\$ 24,268,824</u>	<u>\$ 1,624,577</u>

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

The Park District also has a line of credit outstanding of \$1,500,000. There were no draws taken on the line of credit during 2016 and a \$0 balance as of December 31, 2016. The line of credit matures February 1, 2025 and carries an interest rate of 4.50%.

Refunded Debt

During 2016, the Park District refunded \$1.58 million of special assessments. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt was a positive \$161,400. This resulted in an economic gain of \$165,500.

The Park District also refunded a note payable for \$788 thousand. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt was a negative \$66,000. However, this resulted in an economic gain of \$40,200.

NOTE 7 INTERFUND TRANSFERS

Interfund transfers at December 31, 2016 were as follows:

	General Fund	Foundation Fund	Capital Projects - Gross Revenue	Other Governmental Funds	Total
Transfer In	\$ 156,383	\$ 2,742,780	\$ -	\$ -	\$ 2,899,163
Transfer Out	-	-	(2,742,780)	(156,383)	(2,899,163)
	<u>\$ 156,383</u>	<u>\$ 2,742,780</u>	<u>\$ (2,742,780)</u>	<u>\$ (156,383)</u>	<u>\$ -</u>

Tax revenues and interest were transferred from the Social Security and Pension Fund to the General Fund to clear out the Social Security and Pension Fund, as there is no longer a restriction on this money. The capital projects fund transferred money to the Foundation Fund to pay for MAYSA arena expansion costs.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 8 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

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

DEFINED BENEFIT PLAN

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

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

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Supplemental Benefits Provided. Employees who retire under the City of Minot Employee's Pension Plan before January 1, 2004 and annually provide proof of health insurance coverage receive a monthly healthcare supplement equal to the City's portion of the group-blended premium for an active employee with single coverage. Employees who retire under the City of Minot Pension Plan after December 31, 2004 and employees hired before July 6, 2010 receive a monthly healthcare supplement equal to \$7.50 per year of service. Employees hired after July 5, 2010 do not receive any retiree healthcare supplement. These supplements are accounted for in the pension plan valuation because they are not restricted to the payment of health insurance.

Contributions Required and Contributions Made. The actuary does not determine the pension contribution rates; rather it is done by employer recommendations within the limits established by state statute. The employees contributed 14.74% and the employer 31.40% of covered payroll. The employer contributions to the plans are to be made through an annual tax levy or other budgeted sources. Based on an actuarial valuation, contributions are providing for a closed amortization period of 30 years (27 years remaining as of January 1, 2017) respectively on the unfunded liability at January 1, 2017.

Summary of Significant Accounting Policies and Plan Asset Matters.

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

Investment Policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the CEPP Board by a majority vote of its members. It is the policy of the CEPP Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2014:

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

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

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

Rate of Return. For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.4 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

Assumption

Valuation date	January 1, 2017
Measurement date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount
Remaining amortization period	30 year closed period (27 years remain as of 1/1/17)
Asset valuation method-smoothing	5 years gains and losses
Investment rate of return	7.50%
Project salary increases	0-4 years of service 7%
	5-12 years of service 4.5%
	13+ years of service 4%
Cost of living adjustments	1% after age 65
Marriage rate	85%
Spouse age differential	Males 3 years older than female spouses
Mortality rate	RP-2000 mortality table with projected future

Pension Costs. At December 31, 2016 the Park District reported a liability of \$5,319,564 for its proportionate share of the CEPP's net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on its present value of future payroll relative to the total present value of payroll for all participating employers. At December 31, 2016, the Park District's proportionate share was 8.1467% which was a decrease of 0.02573% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Park District recognized pension expense of \$686,540 for its proportionate share of the CEPP's pension expense.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

At December 31, 2016, the Park District reported the following amounts and sources for deferred outflows of resources and deferred inflows of resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 185,298	\$ (21,249)
Changes in assumptions	105,767	-
Net difference between projected and actual earnings on pension plan investments	304,160	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>90,945</u>	<u>(11,808)</u>
Total	<u><u>\$ 686,170</u></u>	<u><u>\$ (33,057)</u></u>

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

Year ended December 31:	
2017	\$ 274,237
2018	195,718
2019	153,520
2020	29,638

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

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share share of the net pension liability	<u><u>\$ 6,537,238</u></u>	<u><u>\$ 5,319,564</u></u>	<u><u>\$ 4,297,640</u></u>

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Pension Plan Fiduciary Net Position

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

DEFINED CONTRIBUTION PLAN

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

For each enrolled employee, the employer shall contribute an amount which will equal 400 percent of the amount of the employee's contribution to the 457(e)(1)(A) plan, not to exceed 8 percent of the employee's eligible compensation. Benefit terms, including contribution requirements are established and may be amended by the City Council. For the year ended December 31, 2016, Park District employee contributions totaled \$60,484 and the Park District recognized expense of \$46,840.

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

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

Non-vested contributions are forfeited following a five year period of severance. Such forfeitures are used to make restorations for rehired participants and to reduce employer contributions or to correct errors, omissions and exclusions. For the year ended December 31, 2016, forfeitures reduced the Park District's plan expense by \$0.

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

NOTE 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 City of Minot Park District pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence.

The City of Minot Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Minot Park District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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

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

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

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2016

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

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

NOTE 11 COMMITMENTS

As of December 31, 2016, the District has entered into various contracts for Radio City park improvements and Maysa 3rd Rink Expansion. The total of these outstanding contracts at year-end was approximately \$336,000.

During the year ended December 31, 2016, the District co-signed a note with Minot Area Youth Skating Association Inc. for MAYSA construction costs. This note is in the name Minot Area Youth Skating Association Inc. The note is for a maximum of \$2,200,000 with an interest rate of 4.50%. Principal and interest are due October 2017. The balance on the loan as of December 31, 2016 was \$1,679,469. Minot Area Youth Skating Association's intention is the loan will be paid off fully with pledges from a capital campaign. The District does not anticipate having to make payments on this note.

The District is involved from time to time in various litigation matters arising in the normal course of business. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse impact on the financial statements of the District.

NOTE 12 CONTINGENCIES

The Park District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of December 31, 2016.

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the District entered into contracts for various capital projects. The total of these contracts was approximately \$3.87 million.

No other significant events occurred subsequent to the Park District's year end. Subsequent events have been evaluated through March 20, 2018, which is the date these financial statements were available to be issued.

CITY OF MINOT PARK DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual Amounts, Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES			
Local property taxes	\$ 5,848,040	\$ 5,075,089	\$ (772,951)
State revenue	791,951	552,001	(239,950)
Service revenue	1,660,298	1,292,844	(367,454)
Grants and contributions	98,000	353,561	255,561
Investment income	12,000	36,317	24,317
Other income	12,500	42,254	29,754
Total revenues	<u>8,422,789</u>	<u>7,352,066</u>	<u>(1,070,723)</u>
EXPENDITURES			
Park operations	6,993,331	6,233,467	759,864
Capital outlay	1,035,452	996,533	38,919
Debt service	766,648	314,538	452,110
Total expenditures	<u>8,795,431</u>	<u>7,544,538</u>	<u>1,250,893</u>
Excess revenue over (under) expenditures	<u>(372,642)</u>	<u>(192,472)</u>	<u>180,170</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	-	149,388	149,388
Operating transfers in	-	156,383	156,383
Total other financing sources (uses)	<u>-</u>	<u>305,771</u>	<u>305,771</u>
Net change in fund balances	(372,642)	113,299	485,941
Fund balances - beginning of year	5,527,143	5,527,143	-
Fund balances - end of year	<u>\$ 5,154,501</u>	<u>\$ 5,640,442</u>	<u>\$ 485,941</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	8.15%	8.17%	7.95%
Employer's proportionate share of the net pension liability (asset)	\$ 5,319,564	\$ 5,280,772	\$ 4,570,055
Employer's covered-employee payroll	\$ 1,211,261	\$ 1,724,240	\$ 2,133,363
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	439%	306%	214%
Plan fiduciary net position as a percentage of the total pension liability	45.44%	44.66%	48.34%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 769,699	\$ 849,564	\$ 697,943
Contributions in relation to the actuarially determined contribution	\$ (769,699)	\$ (849,564)	\$ (697,943)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,211,261	\$ 1,724,240	\$ 2,133,363
Contributions as a percentage of covered-employee payroll	63.55%	49.27%	32.72%

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

CITY OF MINOT PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

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

The General Fund and special revenue funds adopt budgets before the start of each calendar year. The Foundation Fund is a special revenue fund that is not legally required to adopt a budget. Therefore, no budgetary comparison information is presented in the financial statements or footnotes for the Foundation Fund. No budgetary information is shown for non-major funds.

Budgeted Inflows and Outflows

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

Sources / Inflows of Resources

Actual revenues (budgetary basis) presented on the Budgetary Comparison Schedule.	\$ 7,352,066
Differences - budget to GAAP:	
Net effect of December 31, 2015 and 2016 recorded when measurable and available on the revenue statement but not recorded as revenue on the budget statement until collected.	<u>49,204</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u><u>\$ 7,401,270</u></u>

CITY OF MINOT PARK DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
DECEMBER 31, 2016

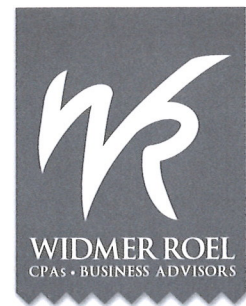
Uses / Outflows of Resources

Actual expenditures (budgetary basis) presented on the Budgetary Comparison Schedule.	\$ 7,544,538
Differences - budget to GAAP:	
Net effect of December 31, 2015 and 2016 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid.	<u>(112,098)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	<u><u>\$ 7,432,440</u></u>

SUPPLEMENTARY INFORMATION

CITY OF MINOT PARK DISTRICT
TAX LEVIES AND UNCOLLECTED TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Year of Levy</u>	<u>Amount of Levy</u>	<u>Uncollected</u>	<u>Percent Uncollected</u>
General Fund	2013	\$ 4,396,403	\$ 509	0.01%
	2014	4,829,672	27,275	0.56%
	2015	5,340,800	175,020	3.28%
			<u>\$ 202,804</u>	
Debt Service Fund	2013	\$ 286,100	\$ 33	0.01%
	2014	437,141	2,469	0.56%
	2015	1,019,690	33,415	3.28%
			<u>\$ 35,917</u>	
Building Fund	2013	\$ 284,193	\$ 33	0.01%
	2014	46,459	262	0.56%
	2015	349,804	11,462	3.28%
			<u>\$ 11,757</u>	
			<u>\$ 250,478</u>	



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Minot Park District** (the Park District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Park District’s basic financial statements, and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Bismarck, North Dakota
March 20, 2018