

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

WEST FARGO PARK DISTRICT WEST FARGO, NORTH DAKOTA

FOR THE YEAR ENDED DECEMBER 31, 2013



WEST FARGO PARK DISTRICT
West Fargo, North Dakota

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WEST FARGO PARK DISTRICT
West Fargo, North Dakota

PARK BOARD OFFICIALS

December 31, 2013

President	Sharon Odegaard
Vice President	Todd Rheault
Board Member	Kathy Scully
Board Member	Denise Johnson
Board Member	Jeff McCracken
Business Manager	Justin Germundson
Executive Director	Barb Erbstoesser

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Park Board Commissioners
West Fargo Park District
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of December 31, 2013, 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

Management has omitted the *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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 25-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

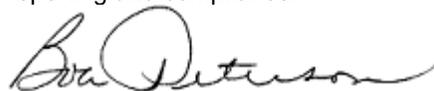
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Fargo Park District's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity arising from cash transactions* is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the 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 fund activity arising from cash transactions* is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015 on our consideration of West Fargo Park 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 West Fargo Park Board's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 20, 2015

WEST FARGO PARK DISTRICT
West Fargo, North Dakota
STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	\$ 3,793,827
Cash with Fiscal Agent	1,303,782
Accounts Receivable	47,592
Intergovernmental Receivable	200,079
Due from County	4,949
Taxes Receivable	31,619
Special Assessments Receivable	250,305
Long-Term Receivable:	
Long-Term Special Assessments Receivable	2,415,367
Capital Assets (not being depreciated):	
Land	6,326,806
Construction In Progress	1,372,935
Capital Assets (net of depreciation):	
Buildings	2,385,729
Equipment/Vehicles	696,776
Improvements	5,105,478
Total Capital Assets	<u>\$ 15,887,724</u>
Total Assets	<u>\$ 23,935,244</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 351,797
Salaries Payable	7,166
Retainage Payable	195,439
Interest Payable	189,627
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Revenue Bonds Payable	310,000
G.O. Bond Payable	240,000
Special Assessment Bonds Payable	193,440
Loans Payable	100,000
Capital Lease Payable	75,000
Special Assessments Payable	195,968
Compensated Absences	29,991
Portion Due or Payable After One Year:	
Revenue Bonds Payable	3,685,000
G.O. Bond Payable	3,290,000
Special Assessment Bonds Payable	2,540,496
Loans Payable	180,000
Capital Lease Payable	465,000
Special Assessments Payable	3,448,573
Compensated Absences	119,964
Total Liabilities	<u>\$ 15,617,461</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 1,164,247
Restricted for:	
Debt Service	2,967,539
Capital Projects	2,865,493
Culture and Recreation	683,681
General Government	-
Unrestricted	<u>636,823</u>
Total Net Position	<u>\$ 8,317,783</u>

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	\$ 1,728,761	\$ -	\$ -	\$ -	\$ (1,728,761)
Recreation	2,373,336	573,725	865,908	215,828	(717,875)
Interest on Long-Term Debt	493,458	-	-	-	(493,458)
Total Governmental Activities	\$ 4,595,555	\$ 573,725	\$ 865,908	\$ 215,828	\$ (2,940,094)
<u>General Revenues:</u>					
Taxes:					
Property taxes, levied for general purposes					\$ 1,256,609
Property taxes, levied for special revenue					493,583
Property taxes, levied for debt service					875,703
State Aid Distribution					755,159
Unrestricted Investment Interest					12,756
Miscellaneous					139,034
Total General Revenues					\$ 3,532,844
Change in Net Position					\$ 592,750
Net Position - January 1					\$ 7,725,033
Net Position - December 31					\$ 8,317,783

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	Major Funds							Total Governmental Funds
	General	Recreation Fund	Park Dedication Fund	Capital Improvements	Pool Bond Construction Fund	Debt Service Funds	Other Governmental Funds	
ASSETS								
Cash and Investments	\$ 554,230	\$ 199,403	\$ 597,227	\$ 863,240	\$ -	\$ 723,406	\$ 856,321	\$ 3,793,827
Cash with Fiscal Agent	-	-	-	-	1,141,782	162,000	-	1,303,782
Intergovernmental Receivables	200,079	-	-	-	-	-	-	200,079
Accounts Receivable	47,592	-	-	-	-	-	-	47,592
Taxes Receivable	15,064	4,715	-	-	-	10,924	916	31,619
Due from County	2,379	744	-	-	-	1,681	145	4,949
Special Assessments Receivable	-	-	-	-	-	250,305	-	250,305
Long-Term Receivable:								
Long-Term Special Assessments Receivable	-	-	-	-	-	2,415,367	-	2,415,367
Total Assets	\$ 819,344	\$ 204,862	\$ 597,227	\$ 863,240	\$ 1,141,782	\$ 3,563,683	\$ 857,382	\$ 8,047,520
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities:</u>								
Accounts Payable	\$ 22,311	\$ 118,408	\$ -	\$ -	\$ -	\$ 211,078	\$ -	\$ 351,797
Salaries Payable	7,166	-	-	-	-	-	-	7,166
Total Liabilities	\$ 29,477	\$ 118,408	\$ -	\$ -	\$ -	\$ 211,078	\$ -	\$ 358,963
<u>Deferred Inflows of Resources:</u>								
Certified Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,305	\$ -	\$ 250,305
Uncertified Special Assessments	-	-	-	-	-	2,415,367	-	2,415,367
Taxes Receivable	15,064	4,715	-	-	-	10,924	916	31,619
Total Deferred Inflows of Resources	\$ 15,064	\$ 4,715	\$ -	\$ -	\$ -	\$ 2,676,596	\$ 916	\$ 2,697,291
Total Liabilities and Deferred Inflows of Resources	\$ 44,541	\$ 123,123	\$ -	\$ -	\$ -	\$ 2,887,674	\$ 916	\$ 3,056,254
<u>Fund Balances:</u>								
<u>Restricted:</u>								
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 676,009	\$ -	676,009
Culture & Recreation	-	81,739	-	-	1,141,782	-	833,074	2,056,595
General Government	-	-	-	-	-	-	916	916
<u>Committed:</u>								
Culture & Recreation	-	-	-	863,240	-	-	-	863,240
<u>Assigned:</u>								
Culture & Recreation	-	-	597,227	-	-	-	22,476	619,703
<u>Unassigned:</u>								
General Fund	774,803	-	-	-	-	-	-	774,803
Total Fund Balances	\$ 774,803	\$ 81,739	\$ 597,227	\$ 863,240	\$ 1,141,782	\$ 676,009	\$ 856,466	\$ 4,991,266
Total Liabilities and Fund Balances	\$ 819,344	\$ 204,862	\$ 597,227	\$ 863,240	\$ 1,141,782	\$ 3,563,683	\$ 857,382	\$ 8,047,520

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013

Total *Fund Balances* for Governmental Funds \$ 4,991,266

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 are not reported in the funds. Those assets consist of:

Land	\$ 6,326,806	
Construction in Progress	1,372,935	
Buildings, net of accumulated depreciation	2,385,729	
Equipment/Vehicles, net of accumulated depreciation	696,776	
Improvements, net of accumulated depreciation	<u>5,105,478</u>	
Total Capital Assets		15,887,724

Some of the Park District's taxes and special assessments 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 revenue in the funds.

Taxes Receivable	\$ 31,619	
Special Assessments Receivable	250,305	
Long-term Special Assessments Receivable	<u>2,415,367</u>	2,697,291

Long-term liabilities applicable to the Park's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position. Balances at December 31, 2013 are:

Accrued Interest on Outstanding Debt	\$ (189,627)	
Revenue Bonds Payable	(3,995,000)	
G.O Bonds Payable	(3,530,000)	
Special Assessment Bonds Payable	(2,733,936)	
Loans Payable	(280,000)	
Leases Payable	(540,000)	
Special Assessments Payable	(3,644,541)	
Retainage Payable	(195,439)	
Compensated Absences	<u>(149,955)</u>	
Total Long-Term Liabilities		<u>(15,258,498)</u>

Total Net Position of Governmental Activities \$ 8,317,783

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General	Recreation Fund	Park Dedication Fund	Capital Improvements	Pool Bond Construction Fund	Debt Service Funds		
Revenues:								
Taxes	\$ 1,257,260	\$ 388,850	\$ 29,461	\$ -	\$ -	\$ 877,417	\$ 75,849	\$ 2,628,837
Special Assessments	-	-	-	-	-	217,136	-	217,136
Charges for Services	573,725	-	-	-	-	-	-	573,725
Intergovernmental	755,159	-	-	-	-	-	-	755,159
Interest Income	-	-	-	12,472	284	-	-	12,756
Donations/Sponsorships	-	-	18,886	-	-	128,860	718,162	865,908
Miscellaneous	139,034	-	-	-	-	-	-	139,034
Total Revenues	\$ 2,725,178	\$ 388,850	\$ 48,347	\$ 12,472	\$ 284	\$ 1,223,413	\$ 794,011	\$ 5,192,555
Expenditures:								
Current:								
General Government	\$ 1,705,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,705,755
Recreation	634,426	118,408	12,817	150,000	-	-	286,020	1,201,671
Capital Outlay	-	-	-	-	-	1,617,940	-	1,617,940
Debt Service:								
Principal	75,000	-	-	-	-	3,717,279	-	3,792,279
Interest and Fiscal Charges	-	-	-	-	-	489,191	-	489,191
Total Expenditures	\$ 2,415,181	\$ 118,408	\$ 12,817	\$ 150,000	\$ -	\$ 5,824,410	\$ 286,020	\$ 8,806,836
Excess (Deficiency) of Revenues Over Expenditures	\$ 309,997	\$ 270,442	\$ 35,530	\$ (137,528)	\$ 284	\$ (4,600,997)	\$ 507,991	\$ (3,614,281)
Other Financing Sources (Uses):								
Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 2,590,000	\$ 2,555,000	\$ -	\$ 5,145,000
Bond Premium	-	-	-	-	13,366	57,649	-	71,015
Underwriter Commission	-	-	-	-	(52,216)	(19,717)	-	(71,933)
Cost of Issuance	-	-	-	-	(51,150)	(40,149)	-	(91,299)
Transfers In	-	-	409,375	275,000	-	1,960,005	160,472	2,804,852
Transfers Out	(294,500)	(199,770)	(151,733)	(612,375)	(1,358,502)	-	(187,972)	(2,804,852)
Total Other Financing Sources and Uses	\$ (294,500)	\$ (199,770)	\$ 257,642	\$ (337,375)	\$ 1,141,498	\$ 4,512,788	\$ (27,500)	\$ 5,052,783
Net Change in Fund Balances	\$ 15,497	\$ 70,672	\$ 293,172	\$ (474,903)	\$ 1,141,782	\$ (88,209)	\$ 480,491	\$ 1,438,502
Fund Balance - January 1	\$ 759,306	\$ 11,067	\$ 304,055	\$ 1,338,143	\$ -	\$ 764,218	\$ 375,975	\$ 3,552,764
Fund Balance - December 31	\$ 774,803	\$ 81,739	\$ 597,227	\$ 863,240	\$ 1,141,782	\$ 676,009	\$ 856,466	\$ 4,991,266

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,438,502

The change in net position reported for governmental activities in the statement of activities is 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 and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the audit period.

Capital Outlay	\$ 1,668,288	
Depreciation Expense	<u>(487,562)</u>	1,180,726

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of Net Position.

Issuance of Bonds	\$ (2,590,000)	
Issuance of General Obligation Special Assessment Bonds	(2,555,000)	
Issuance of City Special Assessments	<u>(539,012)</u>	(5,684,012)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Bond Principal	\$ 582,948	
Repayment of Loan Principal	100,000	
Repayment of Capital Lease	75,000	
Repayment of Special Assessments Principal	550,840	
Refunding of Special Assessments	<u>2,483,491</u>	3,792,279

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances:

Net Increase in Compensated Absences	\$ (23,006)	
Net Increase in Retainage Payable	(195,439)	
Net Decrease in Interest Payable	<u>87,950</u>	(130,495)

Because some property taxes will not be collected for several months after year-end, they are not considered as available resources in the governmental funds. However, they are revenues in the statement of activities.

Net Decrease in Taxes Receivable	\$ (2,942)	
Net Increase in Certified Special Assessments Receivable	63,872	
Net Decrease in Uncertified Special Assessments Receivable	<u>(65,180)</u>	<u>(4,250)</u>

Change in Net Position of Governmental Activities \$ 592,750

The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Fargo Park District, West Fargo, North Dakota have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable 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 park district's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the West Fargo Park District. The West Fargo Park District has considered all potential component units for which the park is financially accountable and other organizations for which the nature and significance of their relationship with the park district are such that exclusion would cause the park district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the West Fargo Park District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the West Fargo Park District.

Based on these criteria, there is one blended component unit to be included within the West Fargo Park District as a reporting entity.

BLENDED COMPONENT UNIT

West Fargo Park District Building Authority

The West Fargo Park District Building Authority serves only the West Fargo Park District. The park district board also serves as the board of the building authority. The primary purpose is to issue bonds for improvements of existing buildings and/or construction of new park building/recreation areas in which specials won't be assessed to finance these projects. In recent years, another significant purpose of the building authority was to issue bonds for improvements of the Memorial Arena and to lease this structure to the park district. The funds of the building authority are blended with the debt service and capital projects funds of the park district.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information on the financial activities of the park and its blended component unit activities. Reporting on the internal activities has been eliminated to avoid duplication on the statements. The statements show the governmental activities – which are normally financed through taxes & special assessments, fees/charges for services, and intergovernmental revenues.

The statement of activities presents a comparison between the direct expenses and program revenues for the functions of the Park District's governmental activities. Direct expenses are clearly identifiable to a particular function. The Park District has no indirect expenses. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and donations, are presented as general revenues.

Fund Financial Statements: Separate financial statements are provided for the governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The park district reports the following major governmental funds:

General Fund. The general fund is the general operating fund of the park. It is used to account for all financial resources except those required to be accounted for in another fund.

Recreation Fund. The recreation fund is used to account for the accumulation of resources for various large improvement projects that are legally restricted from taxes levied.

Park Dedication Fund. The park dedication fund is used to receipt seed money for the construction of parks and other permanent improvement. The primary sources of revenue in this fund are donations and payments received from the City in lieu of Park dedication. Taxes are also levied for this fund.

Capital Improvements Fund. The capital improvements fund is used to account for the accumulation of resources for various park capital improvements and construction. The primary revenue source in this fund is interest earned from restricted investments.

Pool Bond Construction Fund. The capital improvements fund is used to account for the accumulation of resources for the park pool construction. The primary revenue source in this fund is interest earned from restricted investments.

Debt Service Fund. This fund is used to account for the resources accumulated and payments made for principal and interest on special assessment, revenue and G.O. bonds debt.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements. 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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Park gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Park considers revenues to be available if they are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except principal and interest on 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. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the park funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Park's policy to first apply cost-reimbursement grants resources to such programs, and then by general revenues.

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less. The investments consist of certificates of deposit stated at cost with maturities in excess of 3 months.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual cost historical cost is not available. Donated capital assets are recorded at estimated fair market value on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed as construction in progress.

Depreciation has been provided over the estimated useful life, using the straight line method as follows:

ASSETS	YEARS
Buildings	15 – 30
Equipment/Vehicles	5 – 20
Improvements	10 – 30

F. Compensated Absences

Employees accrue vacation leave at a rate of four hours per month for the first year of service. The accrual rate is increased to seven hours per month from two to four years of continuous service, and nine hours per month from five to nine years of service, twelve hours per month from ten to fourteen years of service, fourteen hours per month from fifteen to nineteen years of service and sixteen hours per month for over twenty years of service. A maximum of 240 vacation is payable upon termination. Accumulated unpaid vacation is accrued when earned in the government-wide financial statements.

Employees hired before January 1, 2004 can choose one of two irrevocable options for sick leave. The first option allows employees retiring from employment at age sixty-two or older to be paid 100% of accumulated sick leave not to exceed 960 hours. In addition, any employee retiring from employment whose combined total years of continuous service equals twenty-five (25) years shall be paid 100% for accumulated sick leave, not to exceed nine hundred sixty (960) hours. Sick time will not accumulate after nine hundred sixty (960) hours.

The second option allows employees to accumulate unlimited hours of sick leave. Sick time in excess of nine-hundred sixty (960) hours may not be carried over into the following year. Any hours in excess of nine-hundred sixty (960) hours will be paid annually at a rate of 50%. Upon separation of employment, any employee with ten or more years of continuous service shall be paid for 50% of accumulated sick leave at time of separation.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, when significant, are amortized over the life of the bonds using the straight-line method. Bond premiums and discounts when not significant are recognized in the year of issuance. Bond issuance costs are recognized in the current period in accordance with current standards.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balances / Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

Minimum Fund Balance Policy:

The Park District will maintain a minimum unassigned fund balance in the general fund ranging from 15% - 20% of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies – when fund balance falls below the minimum 15%, the Park District will replenish deficiencies using the budget strategies and timeframes described below.

- The Park District will reduce recurring expenditures to eliminate any structural deficit;
- The Park District will increase revenues or pursue other funding sources;
- Some combination of the two options above;

Minimum fund balance deficiencies shall be replenished within the following time periods:

- Deficiency with minimum fund balance between 12.5% - 15% shall be replenished over a period not to exceed one year;
- Deficiency with minimum fund balance between 10% - 12.5% shall be replenished over a period not to exceed three years;
- Deficiency with minimum fund balance of less than 10% shall be replenished over a period not to exceed five years;

Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

West Fargo Park District did not have any non-spendable balances reported in the balance sheet at December 31, 2013.

Restricted fund balances are reported for the debt service funds (\$676,009), capital projects funds (\$1,141,782) and various functions within the special revenue funds for culture and recreation related to restricted tax levies, and amounts restricted by state and federal grants/contracts totaling (\$914,813). In addition, there is \$916 restricted for general government in the social security fund.

Committed fund balance is reported in the capital improvement fund (\$863,240) for funds committed by the governing board to close out various capital projects and for debt service.

Assigned fund balance is reported in the arena capital improvement fund (\$22,476) and (\$597,227) in the park dedication fund for funds authorized by the governing board to be used on capital projects at the discretion of the Park District's management.

Unassigned fund balances are reported for the remaining portion of the general fund (\$774,803).

Net Position:

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the net position statement is due to restrictions in state law as to how various special revenue funds and debt service funds are to be used. Restricted net position in the statement of net position is shown by primary function, and is restricted for culture & recreation, general government, debt service, and capital projects.

Unrestricted net position consists of activity related to the general fund.

I. Interfund Transactions

In the governmental fund statements, 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.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: BUDGETS & BUDGETING

BUDGETS

Based upon available financial information and requests by the governing board, the Business Manager prepares the preliminary budget. The budget is prepared for the general fund, special revenue funds, capital project funds, and debt service funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

BUDGET AMENDMENTS

The park board amended the budget for 2013 as follows:

	EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Funds:</u>			
General Fund	\$2,554,500	\$17,109	\$2,571,609
Special Assessment Fund	773,000	52,434	825,434
<u>Non-Major Funds:</u>			
Social Security	78,000	2,712	80,712

NOTE 3: DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the park district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes 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, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any park, city, township, school district, park district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2013, the park district's carrying amount of deposits was \$5,097,609 and the bank balance was \$5,134,528. Of the bank balances, \$500,000 was covered by Federal Depository Insurance, \$1,303,782 was deposited with the Bank of North Dakota not requiring collateralization, and the remaining bank balances totaling \$3,330,746 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The park district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, 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 the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2013, the park district held certificates of deposit in the amount of \$162,000, which are all considered deposits.

Concentration of Credit Risk:

The park district does not have a limit on the amount the district may invest in any one issuer.

Cash with Fiscal Agent:

Cash with fiscal agent totaling \$1,303,782 at December 31, 2013 is an account held for the pool construction (\$1,141,782) and for the building authority 2007 bonds (\$162,000).

NOTE 4: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of state revenue sharing payments received after year-end.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the park district at December 31, 2013 for park arena rentals. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 6: TAXES RECEIVABLE

The taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 7: DUE FROM COUNTY TREASURER

Due from county treasurer represents the amount of taxes collected prior to year-end by Cass County that remain on hand at the county, until they are distributed to the park district shortly after December 31, 2013.

NOTE 8: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due to the Park District at December 31 for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

NOTE 9: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due to the Park District at December 31 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible long-term special assessments receivable.

NOTE 10: DEFERRED INFLOWS OF RESOURCES

West Fargo Park Board early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2013. Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available at year-end.

WEST FARGO PARK DISTRICT
Notes to the Financial Statements - Continued

Deferred inflows in the governmental fund modified accrual basis financial statements as of December 31, 2013 for the park consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 15,064
Delinquent property taxes receivable (recreation fund- major)	4,715
Delinquent property taxes receivable (debt service-major)	10,924
Delinquent property taxes receivable (non-major funds)	916
Delinquent special assessments receivable (debt service funds)	250,305
Long-Term Uncertified Special Assessments Receivable	2,415,367
Total Deferred Inflows of Resources	\$2,697,291

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013:

Governmental Activities (FY2013):	Balance January 1	Increases	Transfers	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,326,806	\$ -	\$ -	\$ -	\$ 6,326,806
Construction In Progress	-	1,372,935	-	-	1,372,935
Total Capital Assets, Not Being Depreciated	\$ 6,326,806	\$1,372,935	\$ -	\$ -	\$ 7,699,741
<i>Capital assets being depreciated:</i>					
Buildings	\$ 5,432,009	\$ -	\$ -	\$ -	\$ 5,432,009
Equipment/Vehicles	1,787,648	91,954	-	-	1,879,602
Improvements	5,707,247	203,400	-	-	5,910,647
Total Capital Assets, Being Depreciated	\$12,926,904	\$ 295,354	\$ -	\$ -	\$13,222,258
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,875,596	\$ 170,683	\$ -	\$ -	\$ 3,046,279
Equipment/Vehicles	1,064,417	118,409	-	-	1,182,826
Improvements	606,699	198,471	-	-	805,170
Total Accumulated Depreciation	\$ 4,546,712	\$ 487,563	\$ -	\$ -	\$ 5,034,275
Total Capital Assets Being Depreciated, Net	\$ 8,380,192	\$ (192,209)	\$ -	\$ -	\$ 8,187,983
Governmental Activities - Capital Assets, Net	\$14,706,998	\$1,180,726	\$ -	\$ -	\$15,887,724

Depreciation expense totaling \$487,563 was charged to the recreation function.

NOTE 12: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2013 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 13: SALARIES PAYABLE

Salaries payable consists of amounts earned by employees prior to year-end, but paid subsequent to year-end.

NOTE 14: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2013 was as follows:

Governmental Activities	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Revenue Bonds	\$ 1,620,000	\$2,590,000	\$ 215,000	\$ 3,995,000	\$ 310,000
G.O. Bonds	1,150,000	2,555,000	175,000	3,530,000	240,000
Special Assessments Bonds	2,926,884	-	192,948	2,733,936	193,440
Loans Payable	380,000	-	100,000	280,000	100,000
Special Assessments Payable	6,139,860	539,012	3,034,331	3,644,541	195,968
Capital Lease Payable	615,000	-	75,000	540,000	75,000
Compensated Absences Payable	126,949	23,006	-	149,955	29,991
TOTAL	\$12,958,693	\$5,707,018	\$3,792,279	\$14,873,432	\$1,144,399

* - Compensated absences are reported as a net change for the year because changes in salary prohibit exact calculations of additions and reductions.

Revenue Bonds – Governmental Activities:

Lease revenue bonds are repaid with the proceeds of a lease of buildings from the West Fargo Park District Building Authority to the West Fargo Park District. Lease revenue bonds currently outstanding are as follows:

\$2,590,000 Building Authority 2013 Refunding Improvement Bond, due in annual installments of \$85,000 to \$185,000 through 2033; with interest at 3.0% to 4.75%.	<u>\$2,590,000</u>
\$1,620,000 Building Authority 2011 Refunding Improvement Bond, due in annual installments of \$215,000 to \$510,000 through 2018; with interest at 0.65% to 1.5%.	<u>\$1,405,000</u>
Total Revenue Bonds Payable	<u>\$3,995,000</u>

Annual debt service requirements to maturity for Lease Revenue Bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Lease Revenue Bonds	
	Principal	Interest
2014	\$ 310,000	\$ 136,272
2015	320,000	115,038
2016	325,000	109,421
2017	330,000	103,421
2018	615,000	94,928
2019-2023	565,000	401,112
2024-2028	680,000	276,670
2029-2033	850,000	104,261
Totals	\$3,995,000	\$1,341,123

General Obligation Bonds – Governmental Activities

The park district issued general obligation debt in the current year to refinance the city's special assessments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the park district must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. General obligation bonds currently outstanding are as follows:

\$2,555,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2013, due in annual installments of \$395,000 to \$310,000 through 2020; with interest at 2.0% to 1.45%.	\$2,555,000
\$1,760,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2009, due in annual installments of \$215,00 to \$40,000 through 2022; with interest at 2.00% to 3.65%.	<u>975,000</u>
Total G.O. Special Assessment Bonds	<u>\$3,530,000</u>

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending	G.O. Special Assessment Bonds	
December 31	Principal	Interest
2014	\$ 550,000	\$ 81,932
2015	545,000	61,373
2016	525,000	49,172
2017	500,000	37,548
2018	485,000	26,422
2019-2023	925,000	27,623
Totals	\$3,530,000	\$284,070

Retirement/Refunding of Special Assessments Payable:

The Park District had \$3,474,816 of special assessments payable (for just the parcel 02-0198-00040-000) due in installments of \$347,991 to \$3,389 through 2036; with interest at 4.25% to 5.07% with a principal balance of \$2,831,398 and interest balance of \$643,418 at the end of the previous fiscal year. The Park District refunded (paid off) the remaining special assessments payable with a special assessment bond issuance with interest at 2.0% to 1.45% with a principal balance of \$2,555,000 and interest balance of \$169,222. The refunding resulted in a cash flow savings of \$274,675. The net present value of the cash flow savings is \$261,695.

Special Assessment Bonds – Governmental Activities

The park district also issued special assessment debt in prior years to provide funds for the construction of park equipment. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the park district must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds currently outstanding are as follows:

\$112,000 Refunding Improvement Bond of 2003, due in annual installments of \$7,000 to \$14,000 through 2018; with interest at 3.8%.	\$ 42,000
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Special Assessment Bonds – Governmental Activities (Continued)

\$170,000 Park District Improvement Warrant of 2007 due in annual installments of \$11,000 to \$12,000 through 2022; with interest at 5.0%.	\$ 104,000
\$185,000 Park District Improvement Warrant of 2008 due in annual installments of \$8,606 to \$16,925 through 2024; with interest at 4.95%.	147,936
\$1,605,000 Park District Improvement Warrant of 2011 due in annual installments of \$95,000 to \$145,000 through 2024; with interest at 2.642%.	1,460,000
\$1,000,000 Refunding Improvement Bonds of 2013 due in annual installments of \$20,000 to \$120,000 through 2032; with interest at 0.8% to 3.15%.	<u>980,000</u>
Total Special Assessment Bonds	<u>\$2,733,936</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2014	\$ 193,440	\$ 70,920
2015	183,957	67,871
2016	174,500	64,405
2017	175,069	60,980
2018	178,666	56,958
2019-2023	746,379	220,668
2024-2028	601,925	117,624
2029-2033	480,000	30,240
Totals	<u>\$2,733,936</u>	<u>\$689,666</u>

Special Assessments Payable:

Special Assessments Payable to the park district represents special assessment taxes levied against the park district for the district's share of the benefit derived from city-funded improvements. Payable in annual installments of \$101,109 to \$550,840 through 2038; with interest at 3.1% to 6%.	<u>\$3,644,541</u>
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Annual debt service requirements to maturity for the special assessments are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessments Payable	
	Principal	Interest
2014	\$195,968	\$151,630
2015	195,968	143,520
2016	195,968	135,410
2017	195,968	127,300
2018	195,968	119,190
2019-2023	893,887	476,978
2024-2028	674,578	308,702
2029-2033	644,962	171,869
2034-2038	451,274	44,081
Totals	<u>\$3,644,541</u>	<u>\$1,678,680</u>

Loans Payable:

\$480,000 Loan from State Bank & Trust for various park improvements. Interest rate will be at 3.850% with payments of \$80,000 to \$100,000 through 2016.

\$280,000

Annual debt service requirements to maturity for the loans payable are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loans Payable	
	Principal	Interest
2014	\$100,000	\$ 8,839
2015	100,000	4,989
2016	80,000	1,533
Totals	\$280,000	\$15,361

Leases Payable:

\$765,000 Capital Lease from Red River Valley Fair Association for a Soccer Subdivision. Payments of \$75,000 are due annually through 2020 and one payment of \$15,000 due in 2021. No interest will be accrued.

\$540,000

Annual debt service requirements to maturity for the leases payable are as follows (no interest):

GOVERNMENTAL ACTIVITIES	
Year Ending December 31	Loans Payable
	Principal
2014	\$ 75,000
2015	75,000
2016	75,000
2017	75,000
2018	75,000
2019-2023	165,000
Totals	\$540,000

NOTE 15: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds, leases, loans, and special assessments) outstanding at December 31, 2013.

NOTE 16: RISK MANAGEMENT

The West Fargo 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 (NDRIF), 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 West Fargo Park District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability, and \$633,084 for public asset coverage.

The West Fargo Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The West Fargo Park 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 insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,200,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The West Fargo Park District has workers compensation with the North Dakota Workforce Safety and Insurance. The park district pays for a single health insurance policy, 90% of a single plus dependents policy and 80% of a family policy for full time employees.

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

NOTE 17: PENSION PLAN

The West Fargo Park District contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

During January 1, 2013 through December 31, 2013, plan members were required to contribute 6% of their annual covered salary. The West Fargo Park District has elected to contribute the employees required contribution. The district was required to contribute 7.26% of the employee's salary, which consists of 6.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the park district are established and may be amended by the State legislature. The West Fargo Park District's required and actual contributions to NDPERS for the fiscal years ended December 31, 2013, 2012, and 2011 were \$59,013, \$46,863, and \$37,528, respectively, and actual contributions to NDPERS for the years ending December 31, 2013, 2012, and 2011 were \$107,785, \$85,593, and \$66,066, respectively.

Employees have the option to voluntarily contribute to any deferred program as a payroll deduction in addition to the West Fargo Park District's contribution.

NOTE 18: TRANSFERS

The park district made the following transfers in 2013:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 294,500
Recreation Fund	-	199,770
Park Dedication	409,375	151,733
Capital Improvements	275,000	612,375
Pool Bond Construction Fund		1,358,502
Debt Service Funds (total)	1,960,005	

TABLE CONTINUED ON NEXT PAGE.....

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Fund	Transfers In	Transfers Out
Nonmajor Funds:		
Christianson 1 st	\$ -	\$ 37,972
Shadow Creek	-	50,000
Oak Ridge	-	50,000
Strawberry Fields	-	50,000
The Wilds	140,972	-
The Wilds	19,500	-
Total Transfers	\$2,804,852	\$2,804,852

NOTE 19: SUBSEQUENT EVENT

The Park District intends on issuing \$1,580,000 of Series 2014A Refunding Improvement Bonds in January 2015. The bond issue will be done to finance a portion of the improvements to be made to the Park District's River Bend Park, to pay capitalized interest from the delivery date through and including May 1, 2016, and to pay financing costs associated with the bond issuance. The interest rate on the bond ranges from 0.9% to 4.0% with principal payments of \$160,000 to \$380,000. Repayment terms of the bond are from May 1, 2017 through May 1, 2035.

NOTE 20: COMMITMENTS

The West Fargo Park District had the following commitments for construction contracts/projects in progress at year-end 2013 with various contractors for the pool and Activity Centers as follows:

Project & Contractor	Contract Amount	Total Completed	Remaining Balance	Retainage	Total
Veterans Pool Project:					
TIF Power Construction	\$1,027,820	\$ 656,939	\$370,881	\$ 65,694	\$ 436,575
Associated Pool Builders	1,080,165	738,008	342,157	73,801	415,958
Grants Mechanical, Inc.	105,660	86,439	19,221	8,644	27,865
Sheyenne Mechanical	119,217	48,250	70,967	4,825	75,792
Total Pool Project	\$2,332,862	\$1,529,636	\$803,226	\$152,964	\$ 956,190
Activity Centers:					
Meinecke-Johnson Co.	\$ 514,600	\$ 404,750	\$109,850	\$ 40,475	\$ 150,325
West Fargo Electric	39,000	20,000	19,000	2,000	21,000
Total Activity Center	\$553,600	\$424,750	\$128,850	\$ 42,475	\$ 171,325
Total All Projects	\$2,88,6462	\$1,954,386	\$932,076	\$195,439	\$1,127,515

Retainages payable of \$195,439 is reported in the government wide statements for the projects as noted above.

NOTE 21: NEGATIVE CASH

The West Fargo Park District had the following funds in a deficit cash position at December 31, 2013:

Park Funds	2013
Spec. Assmts: Shadow Wood	(\$43,912)
Spec. Assmts: Maple Ride II	(\$45,569)
Social Security	(\$4,150)

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,278,300	\$ 1,278,300	\$ 1,257,260	\$ (21,040)
Charges for Services	523,500	523,500.00	573,725	50,225
Intergovernmental	650,000	650,000.00	755,159	105,159
Miscellaneous	131,000	131,000.00	139,034	8,034
Total Revenues	<u>\$ 2,582,800</u>	<u>\$ 2,582,800</u>	<u>\$ 2,725,178</u>	<u>\$ 142,378</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,765,500	\$ 1,782,609	\$ 1,705,755	\$ 76,854
Recreation	564,000	564,000	634,426	(70,426)
Debt Service:				
Principal	225,000	225,000	75,000	150,000
Total Expenditures	<u>\$ 2,554,500</u>	<u>\$ 2,571,609</u>	<u>\$ 2,415,181</u>	<u>\$ 156,428</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,300</u>	<u>\$ 11,191</u>	<u>\$ 309,997</u>	<u>\$ 298,806</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (294,500)	\$ (294,500)
Net Change in Fund Balances	<u>\$ 28,300</u>	<u>\$ 11,191</u>	<u>\$ 15,497</u>	<u>\$ 4,306</u>
Fund Balances - January 1	<u>\$ 759,306</u>	<u>\$ 759,306</u>	<u>\$ 759,306</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 787,606</u></u>	<u><u>\$ 770,497</u></u>	<u><u>\$ 774,803</u></u>	<u><u>\$ 4,306</u></u>

The notes to the required supplementary information are an integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
RECREATION FUND
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 399,540	\$ 399,540	\$ 388,850	\$ (10,690)
<u>Expenditures:</u>				
Current:				
Recreation	\$ 199,770	\$ 199,770	\$ 118,408	\$ 81,362
Excess (Deficiency) of Revenues Over Expenditures	\$ 199,770	\$ 199,770	\$ 270,442	\$ 70,672
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (199,770)	\$ (199,770)	\$ (199,770)	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ 70,672	\$ 70,672
Fund Balances - January 1	\$ 11,067	\$ 11,067	\$ 11,067	\$ -
Fund Balances - December 31	\$ 11,067	\$ 11,067	\$ 81,739	\$ 70,672

The notes to the required supplementary information are an integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
PARK DEDICATION
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ -	\$ -	\$ 29,461	\$ 29,461
Donations/Fees/Payments in Lieu	-	-	18,886	18,886
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,347</u>	<u>\$ 48,347</u>
<u>Expenditures:</u>				
Current:				
Recreation	\$ 6,803	\$ 6,803	\$ 12,817	(6,014)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,803)</u>	<u>\$ (6,803)</u>	<u>\$ 35,530</u>	<u>\$ 42,333</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 409,375	\$ 409,375
Transfers Out	-	-	(151,733)	(151,733)
Net Change in Fund Balances	<u>\$ (6,803)</u>	<u>\$ (6,803)</u>	<u>\$ 293,172</u>	<u>\$ 299,975</u>
Fund Balances - January 1	<u>\$ 304,055</u>	<u>\$ 304,055</u>	<u>\$ 304,055</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 297,252</u></u>	<u><u>\$ 297,252</u></u>	<u><u>\$ 597,227</u></u>	<u><u>\$ 299,975</u></u>

The notes to the required supplementary information are an integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Funds. Budgetary comparison schedules are presented for the general fund and any major special revenue funds.

- The park board adopts an “appropriated budget” on the modified accrual basis of accounting.
- Annually on or before September tenth, the park district prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund, each special revenue fund of the park district.
- The park board shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the park board shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied.
- After the budget hearing and on or before October 7th, the park board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- Each budget is controlled by the park district business manager at the revenue and expenditure function/object level.
- 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.
- All appropriations lapse at year-end.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2013, West Fargo Park District had the following fund expenditures in excess of budgeted amounts:

Overspent Funds:	Budget	Actual	Overspent
<u>Major Funds</u>			
Park Dedication Fund	\$ 6,803	\$ 12,816	\$ 6,013
Debt Service Funds	1,735,679	5,824,410	4,088,731
<u>Non-Major Funds</u>			
Shadow Creek Fund	25,993	63,400	37,407
The Wilds Fund	-	140,000	140,000

No remedial action is anticipated or required regarding these excess expenditures.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2013

	Balance 1-1-13	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-13
Major Fund:							
General Fund	\$ 547,621.03	\$ 2,721,924.14	\$ -	\$ -	\$ 294,500.00	\$ 2,420,814.82	\$ 554,230.35
Special Revenue Funds (Major):							
Recreation Fund	\$ 9,898.29	\$ 389,275.04	\$ -	\$ -	\$ 199,770.00	\$ -	\$ 199,403.33
Park Dedication Fund	304,054.58	48,346.65	409,375.00	-	151,733.32	12,815.64	597,227.27
Capital Improvements Funds (Major):							
Capital Improvements	\$ 1,338,142.72	\$ 12,472.22	\$ 275,000.00	\$ -	\$ 612,375.00	\$ 150,000.00	\$ 863,239.94
Pool Bond Construction Fund \$2.59	-	283.59	-	2,500,000.00	1,358,501.87	-	1,141,781.72
Debt Service Funds (Major):							
Building Authority 2007 Reserve	\$ 162,000.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,000.18
Share of Specials	125,116.02	667,589.09	100,000.00	2,552,783.39	-	3,378,217.21	67,271.29
Share of Special Assmts: Refi of 09	2,247.45	210,986.60	-	-	-	209,103.00	4,131.05
Ball Field Improvements	12,202.00	2,500.00	-	-	-	-	14,702.00
2007 Revenue Bonds	305,476.03	78,859.34	388,820.82	-	-	232,373.86	540,782.33
2011 Improvement Bond	113,047.15	-	112,682.50	-	-	136,670.68	89,058.97
2013 Lease Revenue Bond	-	47,500.00	1,358,501.87	-	-	1,359,501.87	46,500.00
40th Avenue Special Assmts.	14,725.09	7,568.85	-	-	-	8,729.00	13,564.94
Burlington Park Special Assmts.	22,836.33	2,264.15	-	-	-	16,470.11	8,630.37
Special Assmts.; Shadow Wood II	(16,163.47)	146,758.72	-	-	-	174,507.72	(43,912.47)
Shadow Wood Special Assmts.	9,752.68	21,339.67	-	-	-	17,763.14	13,329.21
Special Assmts.; Maple Ridge II	13,564.18	33,355.86	-	-	-	32,002.92	14,917.12
Special Assmts.; Shadow Wood 12	-	5,849.03	-	-	-	51,418.00	(45,568.97)
Total Debt Service Funds (Major)	\$ 764,803.64	\$ 1,224,571.31	\$ 1,960,005.19	\$ 2,552,783.39	\$ -	\$ 5,616,757.51	\$ 885,406.02
Total Major Funds	\$ 2,964,520.26	\$ 4,396,872.95	\$ 2,644,380.19	\$ 5,052,783.39	\$ 2,616,880.19	\$ 8,200,387.97	\$ 4,241,288.63
Special Revenue Funds (Nonmajor):							
Social Security	\$ 636.76	\$ 75,924.69	\$ -	\$ -	\$ -	\$ 80,711.86	\$ (4,150.41)
Heritage Square	151,472.15	-	-	-	-	-	151,472.15
Golden Wood	-	32,472.67	-	-	-	-	32,472.67
Christianson 1st	37,971.98	-	-	-	37,971.98	-	-
Shadow Wood 5th	10,341.15	-	-	-	-	-	10,341.15
Shadow Creek	170,447.06	92,490.13	-	-	50,000.00	63,400.00	149,537.19
Brooks Harbor	-	84,283.20	-	-	-	-	84,283.20
Oak Ridge	-	108,298.44	-	-	50,000.00	-	58,298.44
Eagelwood 2nd	-	51,886.80	-	-	-	-	51,886.80
Strawberry Fields	-	83,681.45	-	-	50,000.00	-	33,681.45
The Wilds	-	-	140,971.98	-	-	140,000.00	971.98
West Creek	-	91,789.60	-	-	-	-	91,789.60
Butlers 8th	-	173,260.00	-	-	-	-	173,260.00
Arena Capital Improvements	4,885.28	-	19,500.00	-	-	1,908.79	22,476.49
Total Nonmajor	\$ 375,754.38	\$ 794,086.98	\$ 160,471.98	\$ -	\$ 187,971.98	\$ 286,020.65	\$ 856,320.71
Special Revenue Funds	\$ 375,754.38	\$ 794,086.98	\$ 160,471.98	\$ -	\$ 187,971.98	\$ 286,020.65	\$ 856,320.71
Total - All Funds	\$ 3,340,274.64	\$ 5,190,959.93	\$ 2,804,852.17	\$ 5,052,783.39	\$ 2,804,852.17	\$ 8,486,408.62	\$ 5,097,609.34

STATE AUDITOR

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

**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**

Park District Board
West Fargo Park District
West Fargo, 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 West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise West Fargo Park District's basic financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Fargo 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 West Fargo Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Fargo Park District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2013-02].

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. We consider the deficiencies described in the accompanying *schedule of findings and questioned costs* to be significant deficiencies [2013-01 and 2013-03].

WEST FARGO PARK DISTRICT

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Fargo Park District's financial statements are free of 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*.

West Fargo Park District's Response to Findings

West Fargo Park District's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. West Fargo Park 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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 20, 2015

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Reports Issued?

Governmental Activities	Unmodified;
Major Funds	Unmodified;
Aggregate Remaining Fund Information	Unmodified;

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Section II - Financial Statement Findings

2013-01 – Lack of Segregation of Duties

Condition:

The West Fargo Park District, West Fargo, North Dakota, has only one individual responsible for accounting and most accounting functions.

Effect:

Limited segregation of duties exists, as one employee is responsible to deposit monies, print vendor checks, send checks to vendors, record receipts, and disbursements in journals, and sign checks. This increases the risk of misstatement of the Park District's financial statements.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the West Fargo Park District faces, it is presently not economically feasible to have more than one person responsible for certain accounting functions.

Criteria:

Sufficient personnel should exist to ensure that duties of employees are segregated. The segregation of duties between the custody of, accounting for, and reconciliation of cash and other assets would provide better control over the assets of the Park District.

Recommendation:

Because it is not cost effective to segregate duties, no direct recommendation will be made. However, to mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- The governing board should continue to approve all expenditures.
- Expenditures, financial statements, bank reconciliations, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official. In the case of West Fargo Park District, the most likely official is the Executive Director.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as relates to any amounts which impact the financial statements.

Views of Responsible Officials:

We agree that duties are not fully segregated to the extent possible. We feel we have taken great strides over the years in improving this weakness that is an ongoing issue. This condition will continue to be an improvement area until we are able to hire another full time business position.

2013-02 – Accounting for Debt Issuances & Debt Retirement

Condition:

Per testing in the long-term debt program, we noted that a large amount of special assessments were refunded with an “off-book” bond issuance. The results of this debt refunding were not reflected in the client general ledger or initially reported in the financial statements. Adjustments were proposed to correct errors related to the debt issuance and debt refunding to properly include these transactions, and balances to make the financial statements fairly stated.

Effect:

Cash proceeds (other financing sources) from the bond issuance of \$2,555,000, and the early retirement of the special assessments consisting of \$2,483,491 principal and \$69,292 interest (expenditures and reduction of liabilities) never got posted to the general ledger or initially in the financial statements. Also, various miscellaneous bond issuance transactions related to premiums, commissions, and bond costs were not recorded. Additionally, the balance of the prior debt retired was not removed from liabilities and replaced with the new debt issuance liability balance. Adjustments were proposed to properly report the effect of the debt issuance and retirement properly in the financial statements.

Cause:

Bond proceeds were sent to the City of West Fargo directly for repayment of the special assessments instead of coming to the Park District first. Client was unaware these amounts still needed to be reported in their financial statements.

Criteria:

Generally Accepted Accounting Principles (GAAP) require that debt issuances, debt retirements, and debt liability balances are properly reported in the financial statements. Additionally, proper internal controls surrounding the issuance and of debt require that the balances, and activity are properly reported and disclosed.

Recommendation:

We recommend that West Fargo Park District maintain a complete and current record of long-term debt that include debt defeasances. Debt issuances and debt defeasances should be properly recorded and reported in the financial statements, and applicable note disclosures.

Views of responsible official:

I agree with the explanation on the above “Cause.” I only recorded the net bond proceeds.

2013-03 – Improper Revenue Recognition Related to Transfers

Condition:

For the year ended 2013, West Fargo Park District's transfers-in and transfers-out did not agree as transfers-out were greater than transfers-in by \$482,530. There were various funds affected regarding the improperly reported transfers. Additionally, the improperly reported transfers appeared to cause improperly reported revenues, and/or transfers in/out as follows (reported in funds incorrectly as revenue and not as transfers-in): park dedication fund (\$409,375 backed out of revenue); and, arena capital improvement fund (\$19,500 backed out of revenue).

Effect:

A control system does not appear to be in place to determine if transfers balance once the journal entries have been made at the end of the fiscal year. Additionally, West Fargo Park District is not in compliance with accounting principles generally accepted in the United States of America. Finally, audit adjustments of \$482,530 were proposed to properly report transfers in and out, as well as adjustments to properly report revenues as noted.

Cause:

West Fargo Park District may be unaware of the importance of eliminating interfund activity (transfers-in and transfers-outs) to prevent the improper recognition of revenue and/or expenditures in different funds.

Criteria:

Generally Accepted Accounting Principles (GAAP) require proper reporting of transfers in and out of funds, and not as revenues and expenditures. GASB 34 requires that internal activity and balances reported as interfund activity in fund financial statements be reclassified or eliminated in the preparation of the government-wide statements of net position and activities.

A proper system of internal controls requires the business manager to determine if the financial statement transfers in and out balance, are prepared based on accounting principles generally accepted in the United States of America, and properly reported in the financial statements and applicable note disclosures.

Recommendation:

We recommend West Fargo Park District properly record all transfers in and out in the general ledger and in the financial statements, and applicable note disclosures. This will help to assure that interfund activity in fund financial statements is properly reported and help ensure that these transfers in and out are eliminated in the preparation of the government-wide statements of net position and activities. This will also alleviate the double counting of revenue on the general ledger.

Views of responsible official:

I will work with the Auditors and the accounting software to create a better control system for transfers.