



ROBERT R. PETERSON
STATE AUDITOR

West Fargo Park District

West Fargo, North Dakota

Audit Report

For the Year Ended
December 31, 2014

Office of the State Auditor

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2014

	<u>Page(s)</u>
Park Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	9
Notes to the Financial Statements	10 - 23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule General Fund	24
Notes to the Required Supplementary Information	25
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	26
Independent Auditor's Reports on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	27 - 28
Schedule of Findings and Questioned Costs	29
Management's Letter	30 - 31

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

PARK BOARD OFFICIALS

December 31, 2014

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

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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, 2014, 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, 2014, 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 page 24 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 6, 2016 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 6, 2016

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities
<u>ASSETS:</u>	
Cash and Investments	\$ 4,377,997
Cash with Fiscal Agent	162,000
Intergovernmental Receivable	250,680
Accounts Receivable	48,756
Due from County	5,245
Taxes Receivable	17,655
Special Assessments Receivable	252,367
Long-Term Receivable:	
Long-Term Special Assessments Receivable	2,354,998
Capital Assets (not being depreciated):	
Land	6,326,806
Construction In Progress	1,823,077
Capital Assets (net of depreciation):	
Buildings	4,673,933
Equipment/Vehicles	754,179
Improvements	5,002,963
Total Capital Assets	<u>\$ 18,580,958</u>
Total Assets	<u>\$ 26,050,656</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 204,390
Salaries Payable	8,559
Encumbrance	1,400
Retainage Payable	32,386
Interest Payable	187,301
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Revenue Bonds Payable	320,000
G.O. Bond Payable	240,000
Special Assessment Bonds Payable	183,957
Loans Payable	100,000
Capital Lease Payable	75,000
Special Assessments Payable	281,596
Compensated Absences	28,278
Portion Due or Payable After One Year:	
Revenue Bonds Payable	3,365,000
G.O. Bond Payable	2,740,000
Special Assessment Bonds Payable	3,936,539
Loans Payable	80,000
Capital Lease Payable	390,000
Special Assessments Payable	4,538,202
Compensated Absences	113,113
Total Liabilities	<u>\$ 16,825,721</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 2,330,664
Restricted for:	
Debt Service	3,861,115
Capital Projects	929,725
Culture and Recreation	1,409,315
General Government	1,789
Unrestricted	<u>692,327</u>
Total Net Position	<u>\$ 9,224,935</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, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
General Government	\$ 1,575,713	\$ -	\$ -	\$ (1,575,713)
Recreation	1,152,244	648,916	608,803	332,091
Interest on Long-Term Debt	483,679	-	-	(483,679)
Total Governmental Activities	\$ 3,211,636	\$ 648,916	\$ 608,803	\$ 226,616
<u>General Revenues:</u>				
Taxes:				
Property taxes, levied for general purposes				\$ 1,406,656
Property taxes, levied for special revenue				633,985
Property taxes, levied for debt service				914,286
State Aid Distribution				854,364
Unrestricted Investment Interest				10,379
Miscellaneous				144,435
Total General Revenues				\$ 3,964,105
Change in Net Position				\$ 2,236,804
Net Position - January 1				\$ 8,317,783
Prior Period Adjustments				(1,329,652)
Net Position - January 1, as restated				\$ 6,988,131
Net Position - December 31				\$ 9,224,935

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, 2014

	MAJOR FUNDS			Other Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Debt Service Funds		
ASSETS					
Cash and Investments	\$ 561,195	\$ 962,111	\$ 1,368,004	\$ 1,486,687	\$ 4,377,997
Cash with Fiscal Agent	-	-	162,000	-	162,000
Intergovernmental Receivables	250,680	-	-	-	250,680
Accounts Receivable	48,756	-	-	-	48,756
Due from County	2,566	-	1,714	965	5,245
Taxes Receivable	8,611	-	5,809	3,235	17,655
Special Assessments Receivable	-	-	252,367	-	252,367
Long-Term Special Assessments Receivable	-	-	2,354,998	-	2,354,998
Total Assets	\$ 871,808	\$ 962,111	\$ 4,144,892	\$ 1,490,887	\$ 7,469,698
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
<u>Liabilities:</u>					
Accounts Payable	\$ 28,131	\$ -	\$ 96,476	\$ 79,783	\$ 204,390
Salaries Payable	8,559	-	-	-	8,559
Encumbrance	1,400	-	-	-	1,400
Total Liabilities	\$ 38,090	\$ -	\$ 96,476	\$ 79,783	\$ 214,349
<u>Deferred Inflows of Resources:</u>					
Taxes Receivable	\$ 8,611	\$ -	\$ 5,809	\$ 3,235	\$ 17,655
Certified Special Assessments	-	-	252,367	-	252,367
Uncertified Special Assessments	-	-	2,354,998	-	2,354,998
Total Deferred Inflows of Resources	\$ 8,611	\$ -	\$ 2,613,174	\$ 3,235	\$ 2,625,020
Total Liabilities and Deferred Inflows of Resources	\$ 46,701	\$ -	\$ 2,709,650	\$ 83,018	\$ 2,839,369
<u>Fund Balances:</u>					
<u>Restricted:</u>					
Debt Service	\$ -	\$ -	\$ 1,435,242	\$ -	\$ 1,435,242
Capital Projects	-	962,111	-	-	962,111
Culture and Recreation	-	-	-	1,378,844	1,378,844
General Government	-	-	-	1,249	1,249
<u>Assigned:</u>					
Capital Projects	-	-	-	27,776	27,776
<u>Unassigned:</u>					
General Fund	825,107	-	-	-	825,107
Total Fund Balances	\$ 825,107	\$ 962,111	\$ 1,435,242	\$ 1,407,869	\$ 4,630,329
Total Liabilities and Fund Balances	\$ 871,808	\$ 962,111	\$ 4,144,892	\$ 1,490,887	\$ 7,469,698

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, 2014

Total *Fund Balances* for Governmental Funds \$ 4,630,329

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	1,823,077	
Buildings, net of accumulated depreciation	4,673,933	
Equipment/Vehicles, net of accumulated depreciation	754,179	
Improvements, net of accumulated depreciation	<u>5,002,963</u>	
Total Capital Assets		18,580,958

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	\$ 17,655	
Special Assessments Receivable	252,367	
Long-Term Special Assessments Receivable	<u>2,354,998</u>	2,625,020

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, 2014 are:

Accrued Interest on Outstanding Debt	\$ (187,301)	
Revenue Bonds Payable	(3,685,000)	
G.O Bonds Payable	(2,980,000)	
Special Assessment Bonds Payable	(4,120,496)	
Loans Payable	(180,000)	
Leases Payable	(465,000)	
Special Assessments Payable	(4,819,798)	
Retainage Payable	(32,386)	
Compensated Absences	<u>(141,391)</u>	
Total Long-Term Liabilities		<u>(16,611,372)</u>

Total Net Position of Governmental Activities \$ 9,224,935

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, 2014

	MAJOR FUNDS			Other	Total
	General	Capital Improvements	Debt Service Funds	Governmental Funds	Governmental Funds
<u>Revenues:</u>					
Taxes	\$ 1,413,110	\$ -	\$ 919,401	\$ 636,380	\$ 2,968,891
Special Assessments	-	-	284,923	-	284,923
Charges for Services	633,917	-	-	15,000	648,917
Intergovernmental	854,364	-	-	-	854,364
Interest Income	-	10,379	-	-	10,379
Donations/Sponsorships	-	-	119,859	-	119,859
In Lieu of Dedication	-	-	-	488,944	488,944
Miscellaneous	144,435	-	-	-	144,435
Total Revenues	\$ 3,045,826	\$ 10,379	\$ 1,324,183	\$ 1,140,324	\$ 5,520,712
<u>Expenditures:</u>					
Current:					
General Government	\$ 1,501,659	\$ -	\$ -	\$ 82,618	\$ 1,584,277
Recreation	763,495	-	-	706,786	1,470,281
Capital Outlay	-	371,286	2,166,964	-	2,538,250
Debt Service:					
Principal	75,000	-	1,435,036	-	1,510,036
Interest and Fiscal Charges	-	-	499,566	-	499,566
Total Expenditures	\$ 2,340,154	\$ 371,286	\$ 4,101,566	\$ 789,404	\$ 7,602,410
Excess (Deficiency) of Revenues Over Expenditures	\$ 705,672	\$ (360,907)	\$ (2,777,383)	\$ 350,920	\$ (2,081,698)
<u>Other Financing Sources (Uses):</u>					
Debt Proceeds	\$ -	\$ -	\$ 1,707,200	\$ -	\$ 1,707,200
Bond Premium	-	-	13,561	-	13,561
Transfers In	-	459,981	1,900,836	25,368	2,386,185
Transfers Out	(655,368)	(1,141,985)	(84,981)	(503,851)	(2,386,185)
Total Other Financing Sources and Uses	\$ (655,368)	\$ (682,004)	\$ 3,536,616	\$ (478,483)	\$ 1,720,761
Net Change in Fund Balances	\$ 50,304	\$ (1,042,911)	\$ 759,233	\$ (127,563)	\$ (360,937)
Fund Balance - January 1	\$ 774,803	\$ 2,005,022	\$ 676,009	\$ 1,535,432	\$ 4,991,266
Fund Balance - December 31	\$ 825,107	\$ 962,111	\$ 1,435,242	\$ 1,407,869	\$ 4,630,329

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, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (360,937)

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 and capital contributions exceeded depreciation in the audit period.

Capital Outlay	\$ 3,041,102	
Capital Contributions	226,616	
Depreciation Expense	<u>(574,484)</u>	2,693,234

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	\$ (1,580,000)	
Issuance of City Special Assessments	<u>(127,200)</u>	(1,707,200)

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	\$ 1,053,440	
Repayment of Loan Principal	100,000	
Repayment of Capital Lease	75,000	
Repayment of Special Assessments Principal	<u>281,595</u>	1,510,035

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 Decrease in Compensated Absences	\$ 8,564	
Net Decrease in Retainage Payable	163,053	
Net Decrease in Interest Payable	<u>2,326</u>	173,943

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

Net Decrease in Taxes Receivable	\$ (13,964)	
Net Increase in Certified Special Assessments Receivable	2,062	
Net Decrease in Uncertified Special Assessments Receivable	<u>(60,369)</u>	<u>(72,271)</u>

Change in Net Position of Governmental Activities \$ 2,236,804

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, 2014

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.

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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.

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.

Debt Service Funds. 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 & Budget Stabilization:

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, 2014.

Restricted fund balances are reported for the debt service funds (\$1,435,242), capital projects funds (\$962,111) 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 (\$1,378,844). In addition, there is \$1,249 restricted for general government in the social security fund.

Assigned fund balance is reported in the arena capital improvement fund (\$27,776) 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 (\$825,107).

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 2014 as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund	\$ 2,718,500	\$ 269,808	\$ 2,988,308
Debt Service	2,066,087	2,164,268	4,230,355
Non-Major Fund:			
Recreation	441,264	181,527	622,791
West Creek	-	69,231	69,231
Butlers 8th	100,000	18,608	118,608
Christianson 2nd	-	32,060	32,060
West Fargo 3rd	-	23,216	23,216
Arena Capital Improvement	20,000	15,069	35,069

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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, 2014, the park district's carrying amount of deposits was \$4,539,996 and the bank balance was \$4,603,403. Of the bank balances, \$905,141 was covered by Federal Depository Insurance, \$162,000 was deposited with the Bank of North Dakota not requiring collateralization, and the remaining bank balances totaling \$3,536,262 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, 2014, 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 \$162,000 at December 31, 2014 is an account held for the building authority 2007 bonds.

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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, 2014 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, 2014.

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

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 related to taxes receivable and special assessments receivable. 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

NOTE 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

	Balance January 1	Increases	Transfers	Balance December 31
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,326,806	\$ -	\$ -	\$ 6,326,806
Construction in Progress	1,372,935	3,025,877	(2,575,735)	1,823,077
Total Capital Asset not being depreciated	\$ 7,699,741	\$ 3,025,877	\$ (2,575,735)	\$ 8,149,883
<i>Capital assets, being depreciated:</i>				
Buildings	\$ 5,432,009	\$ -	\$ 2,543,675	\$ 7,975,684
Equipment/Vehicles	1,879,602	174,636	-	2,054,238
Improvements	5,910,647	67,205	32,060	6,009,912
Total Capital Assets, Being Depreciated	\$ 13,222,258	\$ 241,841	\$ 2,575,735	\$ 16,039,834
<i>Less accumulated depreciation for:</i>				
Buildings	\$ 3,046,279	\$ 255,472	\$ -	\$ 3,301,751
Equipment/Vehicles	1,182,826	117,233	-	1,300,059
Improvements	805,170	201,779	-	1,006,949
Total Accumulated Depreciation	\$ 5,034,275	\$ 574,484	\$ -	\$ 5,608,759
Total Capital Assets Being Depreciated, Net	\$ 8,187,983	\$ (332,643)	\$ 2,575,735	\$ 10,431,075
Governmental Activities - Capital Assets, Net	\$ 15,887,724	\$ 2,693,234	\$ -	\$ 18,580,958

Depreciation expense totaling \$574,484 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, 2014 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, 2014 was as follows:

Governmental Activities	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Revenue Bonds	\$ 3,995,000	\$ -	\$ 310,000	\$ 3,685,000	\$ 320,000
G.O. Bonds	3,530,000	-	550,000	2,980,000	240,000
Special Assmt. Bonds	2,733,936	1,580,000	193,440	4,120,496	183,957
Loans Payable	280,000	-	100,000	180,000	100,000
Leases Payable	540,000	-	75,000	465,000	75,000
Special Assessments. Payable	4,974,194	127,200	281,596	4,819,798	281,596
Compensated Absences *	149,955	-	8,564	141,391	28,278
Total	\$ 16,203,085	\$ 1,707,200	\$ 1,518,600	\$ 16,391,685	\$ 1,228,831

* - 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 Lease Revenue Bond, due in annual installments of \$100,000 to \$185,000 through 2033; with interest at 3.0% to 4.75%. \$2,505,000

\$1,620,000 Building Authority 2012 Lease Revenue Refunding Bonds, due in annual installments of \$220,000 to \$510,000 through 2018; with interest at 1.1% to 1.5%. 1,180,000

Total Revenue Bonds Payable \$3,685,000

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

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2015	\$ 320,000	\$ 115,038
2016	325,000	109,421
2017	330,000	103,421
2018	615,000	94,928
2019	105,000	87,952
2020 - 2024	585,000	379,675
2025 - 2029	710,000	246,942
2030 - 2034	695,000	67,924
Total	\$ 3,685,000	\$ 1,205,301

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:

\$1,760,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2009, due in annual installments of \$40,000 to \$155,000 through 2022; with interest at 2.00% to 3.65%. \$ 820,000

\$2,555,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2014, due in annual installments of \$310,000 to \$390,000 through 2020; with interest at 1.45% to 2.0%. 2,160,000

Total G.O. Bonds Payable \$2,980,000

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

Year Ending December 31	G.O. Bonds	
	Principal	Interest
2015	\$ 545,000	\$ 61,372
2016	525,000	49,172
2017	500,000	37,548
2018	485,000	26,423
2019	445,000	16,676
2020 - 2024	480,000	10,948
Total	\$ 2,980,000	\$ 202,139

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%.	\$ 35,000
\$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%.	93,000
\$185,000 Park District Improvement Warrant of 2008 due in annual installments of \$10,957 to \$16,925 through 2024; with interest at 4.95%.	137,496
\$1,605,000 Park District Improvement Warrant of 2012 due in annual installments of \$95,000 to \$135,000 through 2024; with interest at 1.5% to 3.05%.	1,315,000
\$1,000,000 Refunding Improvement Bonds of 2012 due in annual installments of \$20,000 to \$120,000 through 2032; with interest at 0.8% to 3.15%.	960,000
\$1,580,000 Refunding Improvement Bonds of 2014 due in annual installments of \$75,000 to \$80,000 through 2035; with interest at .09% to 4.0%.	<u>1,580,000</u>
Total Special Assessment Bonds	<u>\$4,120,496</u>

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

Year Ending December 31	Spec. Assmt Bonds Payable	
	Principal	Interest
2015	\$ 183,958	\$ 108,324
2016	254,499	108,445
2017	255,069	104,301
2018	258,666	99,398
2019	235,293	94,100
2020 - 2024	1,123,011	383,254
2025 - 2029	990,000	228,447
2030 - 2034	745,000	69,910
2035 - 2039	75,000	1,500
Total	\$ 4,120,496	\$ 1,197,679

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%.

\$4,819,798

WEST FARGO PARK DISTRICT
Notes to the Financial Statements – Continued

Annual debt service requirements to maturity for the special assessments are as follows:

Year Ending December 31	Spec. Assmts. Payable	
	Principal	Interest
2015	\$ 281,596	\$ 184,656
2016	281,596	173,603
2017	281,596	162,551
2018	281,596	151,498
2019	246,308	140,446
2020 - 2024	1,133,448	558,792
2025 - 2029	1,043,337	352,018
2030 - 2034	974,819	156,827
2035 - 2039	295,501	13,934
Total	\$ 4,819,798	\$ 1,894,324

Loans Payable:

\$480,000 Loan from State Bank & Trust for various park improvements. Interest rate will be at 3.85% with payments of \$80,000 to \$100,000 through 2016.

\$180,000

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

Year Ending December 31	Loans Payable	
	Principal	Interest
2015	\$ 100,000	\$ 4,989
2016	80,000	1,533
Total	\$ 180,000	\$ 6,522

Lease 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 is accrued.

\$465,000

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

Year Ending December 31	Leases Payable	
	Principal	Interest
2015	\$ 75,000	\$ -
2016	75,000	-
2017	75,000	-
2018	75,000	-
2019	75,000	-
2020 - 2024	90,000	-
Total	\$ 465,000	\$ -

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, 2014.

WEST FARGO PARK DISTRICTNotes to the Financial Statements – Continued

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, 2014 through December 31, 2014, 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 contributions to NDPERS for the fiscal years ended December 31, 2014, 2013, and 2012 were \$127,516, \$107,785, and \$85,593, 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 2014:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$ 655,368
Capital Improvements	459,981	1,141,985
Debt Service Funds (total)	1,900,836	84,981
Non-Major Funds:		
Recreation Fund	-	220,633
Shadow Creek	-	149,537
Strawberry Fields	-	33,681
Butlers 8th	-	100,000
Arena Capital Improvements	25,368	-
Total Transfers	\$ 2,386,185	\$ 2,386,185

NOTE 19: SUBSEQUENT EVENT

The Park District issued \$6,680,000 of Lease Revenue Bonds, Series 2015 in June 2015, for the Rustad Recreation Center, opening in June 2016. The interest rate on the bond ranges from 3.0% to 4.0% with principal payments of \$165,000 to \$1,080,000. Repayment terms of the bond are from May 1, 2016 through May 1, 2040.

NOTE 20: COMMITMENTS

The West Fargo Park District had the following commitments for construction contracts/projects in progress at year-end with various contractors for the Activity Center and to Preserve Scenic Amenities as follows:

Project	Contract Amount	Total Completed	Retainage	Total Balance	Contract Remaining
Rivers Bend Activity Center	\$ 535,060	\$ 535,060	\$ 26,753	\$ 26,753	\$ 26,753
Rustad Recreation Center	8,858,306	1,451,917	5,633	7,412,022	7,412,022
Total Construction in Progress	\$ 9,393,366	\$ 1,986,977	\$ 32,386	\$ 7,438,775	\$ 7,438,775

Retainages payable of \$32,386 is reported in the government wide statements for the projects as noted above.

NOTE 21: PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment for the period ending December 31, 2013 to restate the January 1, 2014 beginning net position for special assessments payable issued in prior years not previously reported.

Governmental Activities:	Amounts
Beginning Net Position, as previously reported	\$8,317,783
Adjustments to restate the January 1, 2014 Net position:	
Special assessments payable	(1,329,652)
Net Position January 1, 2014, as restated	\$6,988,131

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,411,750	\$ 1,411,750	\$ 1,413,110	\$ 1,360
Charges for Services	601,000	601,000	633,917	32,917
Intergovernmental	675,000	675,000	854,364	179,364
Miscellaneous	101,500	101,500	144,435	42,935
Total Revenues	<u>\$ 2,789,250</u>	<u>\$ 2,789,250</u>	<u>\$ 3,045,826</u>	<u>\$ 256,576</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,609,000	\$ 1,500,266	\$ 1,501,659	\$ (1,393)
Recreation	704,500	757,674	763,495	(5,821)
Debt Service:				
Principal	75,000	75,000	75,000	-
Interest & Fiscal Charges	-	-	-	-
Total Expenditures	<u>\$ 2,388,500</u>	<u>\$ 2,332,940</u>	<u>\$ 2,340,154</u>	<u>\$ (7,214)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 400,750</u>	<u>\$ 456,310</u>	<u>\$ 705,672</u>	<u>\$ 249,362</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (330,000)</u>	<u>\$ (655,368)</u>	<u>\$ (655,368)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 70,750</u>	<u>\$ (199,058)</u>	<u>\$ 50,304</u>	<u>\$ 249,362</u>
Fund Balances - January 1	<u>\$ 774,803</u>	<u>\$ 774,803</u>	<u>\$ 774,803</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 845,553</u></u>	<u><u>\$ 575,745</u></u>	<u><u>\$ 825,107</u></u>	<u><u>\$ 249,362</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, 2014

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.

CITY OF WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-14
Major Fund:							
General Fund	\$ 554,230.35	\$ 2,993,873.31	\$ -	\$ -	\$ 655,368.00	\$ 2,332,940.51	\$ 559,795.15
Capital Improvements Funds (Major):							
Capital Improvements	\$ 863,239.94	\$ 10,175.39	\$ 459,981.26	\$ -	\$ -	\$ 371,285.63	\$ 962,110.96
Pool Bond Construction Fund	1,141,781.72	203.34	-	-	1,141,985.06	-	-
Total Capital Improvement Funds	\$ 2,005,021.66	\$ 10,378.73	\$ 459,981.26	\$ -	\$ 1,141,985.06	\$ 371,285.63	\$ 962,110.96
Debt Service Funds (Major):							
Share of Specials	\$ 67,271.29	\$ 314,636.38	\$ 208,218.64	\$ -	\$ -	\$ 482,337.64	\$ 107,788.67
Share of Special Assessments: Refi of 09	4,131.05	159,595.63	-	-	-	184,751.50	(21,024.82)
Share of Special Assessments: Refi of 13	-	445,136.18	-	-	-	449,380.24	(4,244.06)
Ball Field Improvements	14,702.00	90,250.00	-	-	84,981.26	19,970.74	-
2007 Revenue Bonds	540,782.33	14,609.37	240,632.00	-	-	240,745.25	555,278.45
2011 Improvement Bond	89,058.97	-	109,000.00	-	-	172,189.78	25,869.19
2013 Lease Revenue Bond	46,500.00	15,000.00	1,342,985.06	-	-	1,380,131.38	24,353.68
40th Avenue Special Assess.	13,564.94	6,883.23	-	-	-	8,463.00	11,985.17
Burlington Park Special Assess.	8,630.37	13,261.82	-	-	-	15,922.74	5,969.45
Shadow Wood Special Assess.	13,329.21	23,455.62	-	-	-	17,763.14	19,021.69
Special Assessments; Maple Ridge II	14,917.12	22,853.95	-	-	-	31,985.33	5,785.74
Special Assessments; Shadow Wood II	(43,912.47)	215,942.69	-	-	-	178,470.53	(6,440.31)
Special Assessments; Shadow Wood 12	(45,568.97)	2,525.40	-	-	-	46,929.00	(89,972.57)
Special Assessments; River Bend 14	-	-	-	1,593,561.40	-	859,928.00	733,633.40
Building Authority 2007 Reserve	162,000.18	0.01	-	-	-	-	162,000.19
Total Debt Service Funds (Major)	\$ 885,406.02	\$ 1,324,150.28	\$ 1,900,835.70	\$ 1,593,561.40	\$ 84,981.26	\$ 4,088,968.27	\$ 1,530,003.87
Total Major Funds	\$ 3,444,658.03	\$ 4,328,402.32	\$ 2,360,816.96	\$ 1,593,561.40	\$ 1,882,334.32	\$ 6,793,194.41	\$ 3,051,909.98
Special Revenue Funds (Nonmajor):							
Social Security	\$ (4,150.41)	\$ 87,855.25	\$ -	\$ -	\$ -	\$ 82,618.00	\$ 1,086.84
Recreation Fund	199,403.33	433,427.19	-	-	220,632.00	402,159.01	10,039.51
Shadow Wood 5th	10,341.15	-	-	-	-	-	10,341.15
Park Dedication Fund	597,227.27	115,021.49	-	-	-	165,069.26	547,179.50
Shadow Creek	149,537.19	-	-	-	149,537.19	-	-
Brooks Harbor	84,283.20	89,594.21	-	-	-	-	173,877.41
Oak Ridge	58,298.44	322,018.88	-	-	-	-	380,317.32
Eagelwood 2nd	51,886.80	-	-	-	-	-	51,886.80
Strawberry Fields	33,681.45	-	-	-	33,681.45	-	-
The Wilds	971.98	-	-	-	-	-	971.98
West Creek	91,789.60	-	-	-	-	69,230.95	22,558.65
Butlers 8th	173,260.00	-	-	-	100,000.00	18,608.00	54,652.00
Christianson	-	54,114.54	-	-	-	32,059.50	22,055.04
West Fargo 3rd	-	23,216.00	-	-	-	23,216.00	-
Heritage Square	151,472.15	-	-	-	-	-	151,472.15
Golden Wood	32,472.67	-	-	-	-	-	32,472.67
Arena Capital Improvements	22,476.49	15,000.00	25,368.00	-	-	35,068.68	27,775.81
Total Nonmajor Special Revenue Funds	\$ 1,652,951.31	\$ 1,140,247.56	\$ 25,368.00	\$ -	\$ 503,850.64	\$ 828,029.40	\$ 1,486,686.83
Total - All Funds	\$ 5,097,609.34	\$ 5,468,649.88	\$ 2,386,184.96	\$ 1,593,561.40	\$ 2,386,184.96	\$ 7,621,223.81	\$ 4,538,596.81

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
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, 2014, 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 6, 2016.

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 [2014-01].

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

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

West Fargo Park District's Response to Findings

West Fargo Park District's response to the finding 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 6, 2016

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

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 Yes No

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

Noncompliance material to financial statements noted? Yes No

Section II - Financial Statement Findings

2014-01 – 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 at present duties are not fully segregated to obtain proper segregation of duties. I 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.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Park District, West Fargo, North Dakota, for the year ended December 31, 2014, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated January 6, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated November 28, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered West Fargo Park District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

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 grants 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.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by West Fargo Park District are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated January 6, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

The following presents our informal recommendations:

LACK OF SUPPORTING DOCUMENTATION FOR CREDIT CARD EXPENDITURES

While testing two credit card expenditures, it was noted several invoices were missing for purchases on the credit card statement. A total of 8 invoices totaling \$286.30 of credit card expenditures were not available for review in the expenditures program. Strong/effective internal control over properly reporting and processing expenditures requires obtaining and maintaining invoices or other appropriate documentation to support the reason for the expenditure.

We recommend that the West Fargo Park District maintain invoices and other proper documentation supporting the amount reported on the general ledger and in the check register and attach them to the voucher or check remittance advice. With proper documentation attached a signature from a board member is needed for the proper approval of the invoice.

This information is intended solely for the use of the governing board and management of the West Fargo Park District and is not intended to be and should not be used by anyone else other than these specified parties. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this report in more detail if you so desire.

Thank you and the employees of the West Fargo Park District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the West Fargo Park District.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 6, 2016

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2220