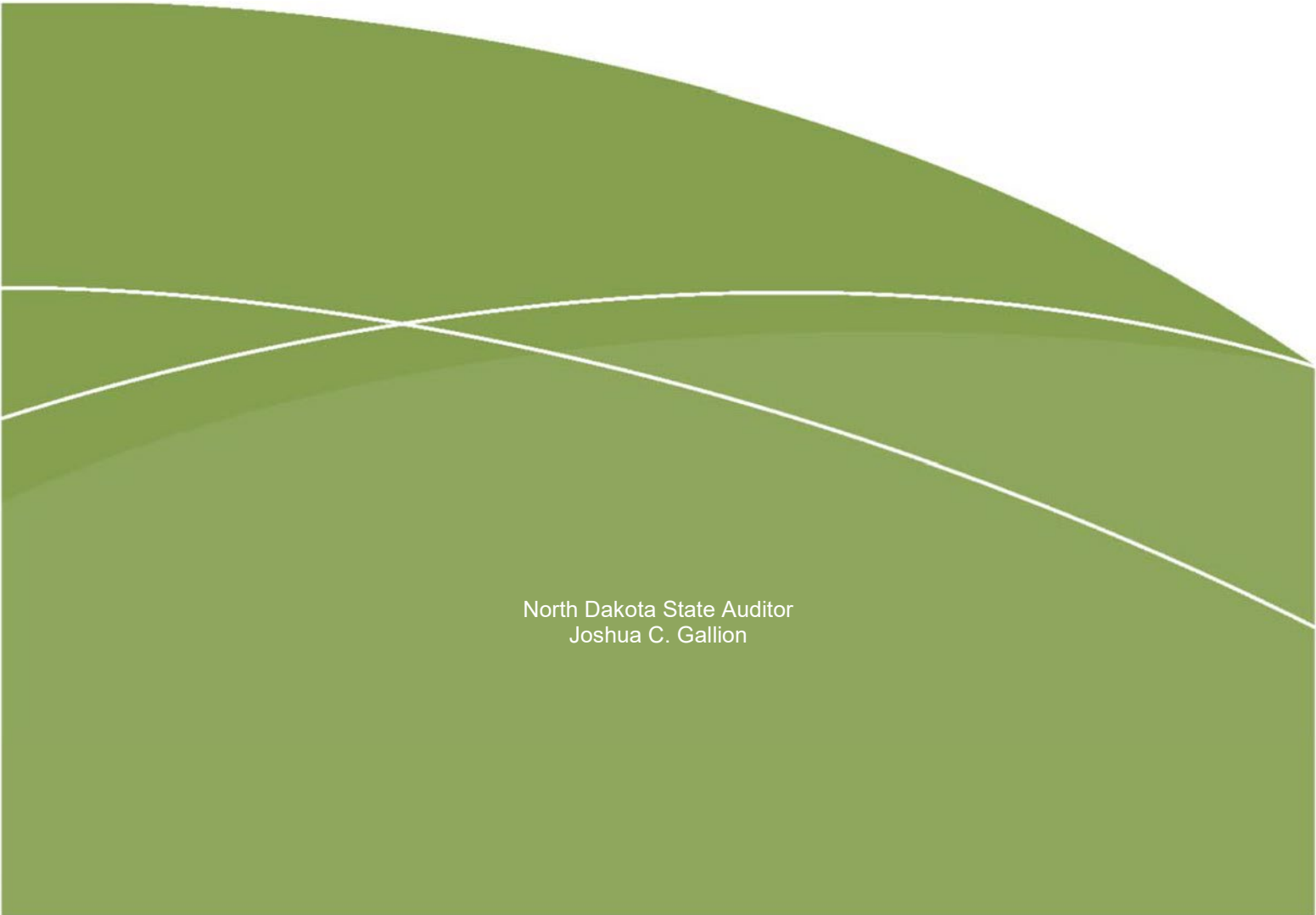


North Dakota Office of the State Auditor  
Division of Local Government

West Fargo Park District

Audit Report for the Year Ended December 31, 2018  
Client Code PS9121



North Dakota State Auditor  
Joshua C. Gallion

# WEST FARGO PARK DISTRICT

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For the Year Ended December 31, 2018

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# **WEST FARGO PARK DISTRICT**

Park District Officials and Audit Personnel  
December 31, 2018

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## **PARK BOARD OFFICIALS**

Todd Rheault	President
Jeff McCracken	Vice President
Chris Heise	Board Member
Ken Zetocha	Board Member
Jake Lauritsen	Board Member
Justin Germundson	Finance Director
Barb Erbstoesser	Executive Director

## **AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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**INDEPENDENT AUDITOR’S REPORT**

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Park District 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 the West Fargo Park District, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise West Fargo Park District’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Park District, West Fargo, North Dakota, as of December 31, 2018, 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.

**Emphasis of a Matter**

As discussed in Note 2 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 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 the West Fargo Park District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 27, 2020

**WEST FARGO PARK DISTRICT**

Statement of Net Position

December 31, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 2,886,766
Cash with Fiscal Agent	4,800,357
Intergovernmental Receivable	221,552
Accounts Receivable	100,130
Due from County	9,810
Taxes Receivable	47,053
Special Assessments Receivable	3,892,411
Capital Assets	
Nondepreciable	11,219,340
Depreciable, Net	<u>22,754,891</u>
Total Assets	<u>\$ 45,932,310</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 906,806</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 380,453
Salaries Payable	68,642
Encumbrance	5,910
Retainage Payable	363,351
Interest Payable	377,894
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	1,932,093
Compensated Absences Payable	44,586
Due After One Year	
Long-Term Debt	32,217,332
Compensated Absences Payable	178,343
Net Pension & OPEB Liability	<u>1,982,149</u>
Total Liabilities	<u>\$ 37,550,753</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 117,933</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 4,662,474
Restricted	
Debt Service	3,375,853
Capital Projects	1,674,950
Culture and Recreation	12,075
Unrestricted	<u>(554,922)</u>
Total Net Position	<u><u>\$ 9,170,430</u></u>

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

**WEST FARGO PARK DISTRICT**

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
General Government	\$ 2,218,825	\$ -	\$ -	\$ -	\$ (2,218,825)
Recreation	3,183,664	883,530	193,177	89,908	(2,017,049)
Interest on Long-Term Debt	1,107,448	-	-	-	(1,107,448)
<b>Total Governmental Activities</b>	<b>\$ 6,509,937</b>	<b>\$ 883,530</b>	<b>\$ 193,177</b>	<b>\$ 89,908</b>	<b>\$ (5,343,322)</b>
<b>General Revenues</b>					
Property Taxes					\$ 4,269,636
Unrestricted Grants and Contributions					783,183
Unrestricted Investment Earnings					46,954
Net Gain on Sale of Capital Assets					16,500
Miscellaneous Revenue					4,569
<b>Total General Revenues</b>					<b>\$ 5,120,842</b>
Change in Net Position					<b>\$ (222,480)</b>
Net Position - January 1					<b>\$ 9,222,077</b>
Prior Period Adjustments					<b>\$ 170,833</b>
Net Position - January 1, as Restated					<b>\$ 9,392,910</b>
Net Position - December 31					<b>\$ 9,170,430</b>

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

**WEST FARGO PARK DISTRICT**

Balance Sheet – Governmental Funds

December 31, 2018

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 621,675	\$ 1,785,931	\$ 476,058	\$ 3,102	\$ 2,886,766
Cash with Fiscal Agent	-	243,430	4,556,927	-	4,800,357
Intergovernmental Receivables	221,552	-	-	-	221,552
Accounts Receivable	100,130	-	-	-	100,130
Due from County	4,695	-	5,115	-	9,810
Taxes Receivable	22,798	-	24,255	-	47,053
Special Assessments Receivable	-	-	3,892,411	-	3,892,411
Total Assets	<u>\$ 970,850</u>	<u>\$ 2,029,361</u>	<u>\$ 8,954,766</u>	<u>\$ 3,102</u>	<u>\$ 11,958,079</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 31,675	\$ 348,778	\$ -	\$ -	\$ 380,453
Salaries Payable	68,642	-	-	-	68,642
Encumbrance	277	5,633	-	-	5,910
Total Liabilities	<u>\$ 100,594</u>	<u>\$ 354,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455,005</u>
Deferred Inflows of Resources					
Taxes Receivable	\$ 22,798	\$ -	\$ 24,255	\$ -	\$ 47,053
Special Assessments Receivable	-	-	3,892,411	-	3,892,411
Total Deferred Inflows of Resources	<u>\$ 22,798</u>	<u>\$ -</u>	<u>\$ 3,916,666</u>	<u>\$ -</u>	<u>\$ 3,939,464</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 123,392</u>	<u>\$ 354,411</u>	<u>\$ 3,916,666</u>	<u>\$ -</u>	<u>\$ 4,394,469</u>
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ 5,038,100	\$ -	\$ 5,038,100
Capital Projects	-	1,674,950	-	-	1,674,950
Culture and Recreation	-	-	-	12,075	12,075
Unassigned					
Negative Fund Balances	-	-	-	(8,973)	(8,973)
General Fund	847,458	-	-	-	847,458
Total Fund Balances	<u>\$ 847,458</u>	<u>\$ 1,674,950</u>	<u>\$ 5,038,100</u>	<u>\$ 3,102</u>	<u>\$ 7,563,610</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 970,850</u>	<u>\$ 2,029,361</u>	<u>\$ 8,954,766</u>	<u>\$ 3,102</u>	<u>\$ 11,958,079</u>

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



# WEST FARGO PARK DISTRICT

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2018

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<b>Total Fund Balances of Governmental Funds</b>		\$ 7,563,610
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.		33,974,231
Property 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 inflow of resources in the funds.		
Property Taxes Receivable	\$ 47,053	
Special Assessments Receivable	<u>3,892,411</u>	3,939,464
Retainage payable is not a fund liability, but is accrued for government-wide purposes as that liability will be liquidated at the completion of capital projects.		(363,351)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions & OPEB	\$ 906,806	
Deferred Inflows Related to Pensions & OPEB	<u>(117,933)</u>	788,873
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Long-Term Debt	\$ (34,149,425)	
Interest Payable	(377,894)	
Compensated Absences	(222,929)	
Net Pension & OPEB Liability	<u>(1,982,149)</u>	<u>(36,732,397)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 9,170,430</u>

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

**WEST FARGO PARK DISTRICT**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2018

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 1,967,843	\$ 50,142	\$ 2,240,642	\$ -	\$ 4,258,627
Special Assessments	-	-	375,504	-	375,504
Charges for Services	863,280	-	-	20,250	883,530
Intergovernmental	783,183	-	-	193,177	976,360
Interest Income	-	43,141	3,813	-	46,954
Miscellaneous	4,473	-	-	95	4,568
<b>Total Revenues</b>	<b>\$ 3,618,779</b>	<b>\$ 93,283</b>	<b>\$ 2,619,959</b>	<b>\$ 213,522</b>	<b>\$ 6,545,543</b>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 2,167,823	\$ -	\$ -	\$ -	\$ 2,167,823
Culture and Recreation	1,031,319	-	-	339,639	1,370,958
Capital Outlay	-	4,634,314	204,278	-	4,838,592
Debt Service					
Principal	75,000	220,000	2,087,600	-	2,382,600
Interest and Fees	-	445,404	606,285	-	1,051,689
<b>Total Expenditures</b>	<b>\$ 3,274,142</b>	<b>\$ 5,299,718</b>	<b>\$ 2,898,163</b>	<b>\$ 339,639</b>	<b>\$ 11,811,662</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 344,637	\$ (5,206,435)	\$ (278,204)	\$ (126,117)	\$ (5,266,119)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds	\$ -	\$ -	\$ 6,125,000	\$ -	\$ 6,125,000
Bond Premium	-	-	204,527	-	204,527
Loan Proceeds	110,165	-	-	-	110,165
Transfers In	828	4,531,472	402,000	11,679	4,945,979
Transfers Out	(366,679)	(2,160,793)	(2,418,507)	-	(4,945,979)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (255,686)</b>	<b>\$ 2,370,679</b>	<b>\$ 4,313,020</b>	<b>\$ 11,679</b>	<b>\$ 6,439,692</b>
<b>Net Change in Fund Balances</b>	<b>\$ 88,951</b>	<b>\$ (2,835,756)</b>	<b>\$ 4,034,816</b>	<b>\$ (114,438)</b>	<b>\$ 1,173,573</b>
Fund Balance - January 1	\$ 758,507	\$ 4,510,706	\$ 1,003,284	\$ 117,540	\$ 6,390,037
Fund Balance - December 31	\$ 847,458	\$ 1,674,950	\$ 5,038,100	\$ 3,102	\$ 7,563,610

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

## WEST FARGO PARK DISTRICT

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2018

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,173,573

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.

Capital Outlay	\$ 5,227,544	
Depreciation Expense	<u>(1,065,950)</u>	4,161,594

In the statement of activities, the gain and loss on sales or disposals of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales. 16,500

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. Proceeds from long-term debt provides financial resources to the governmental funds, but increases long-term liabilities in the statement of net position.

Repayment of Debt	\$ 2,382,600	
Issuance of Debt	(6,439,692)	
Special Assessment Financing	<u>(560,832)</u>	(4,617,924)

Bond premium is a reduction in interest expense, as they are amortized over the life of the outstanding bonds using the straight-line method. 14,089

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

Net Change in Compensated Absences	\$ (51,002)	
Net Change in Retainage Payable	(323,750)	
Net Change in Interest Payable	<u>(69,848)</u>	(444,600)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	\$ 11,009	
Net Change in Special Assessments Receivable	<u>(285,596)</u>	(274,587)

The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$ (197,479)	
Net Change in Deferred Outflows of Resources Related to Pensions & OPEB	(5,531)	
Net Change in Deferred Inflows of Resources Related to Pensions & OPEB	<u>(48,115)</u>	<u>(251,125)</u>

**Change in Net Position of Governmental Activities** \$ (222,480)

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

## WEST FARGO PARK DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Fargo Park District ("Park District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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.

#### Reporting Entity

The accompanying financial statements present the activities of the Park District. The Park District has considered all potential component units for which the Park District is financially accountable and other organizations for which the nature and significance of their relationships with the Park District 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. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the 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 Park District.

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

#### Blended Component Unit

West Fargo Park District Building Authority ("Building Authority") -The Building Authority serves only the 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 Veterans 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.

#### Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the function of the Park District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Park District's funds, including its fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Park District reports the following major governmental funds:

General Fund. The general fund is the general operating fund of the Park District. 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.

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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 general obligation bonds debt.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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 flows take place. Non-exchange transactions, in which the Park District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Park District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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 District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Park District’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

**Cash, Cash Equivalents and Investments**

Cash consists of amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit stated at cost with maturities in excess of 90 days.

**Capital Assets**

Capital assets, which include property, plant, infrastructure, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Buildings	30
Improvements	10-30
Machinery and Equipment	7-15
Vehicles	7

**Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

## WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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### Compensated Absences

Vacation leave is earned by Park District employees at the rate of four to sixteen hours per month depending on years of service. Up to 30 days of vacation leave may be carried over at each year-end. Sick leave benefits are earned by full-time employees at the rate of eight hours per month regardless of the years of service. 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. Employees hired after January 1, 2004 are subject to the second option. A liability for the vested or accumulated vacation and sick leave is reported in the statement of net position.

### Pension

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

### Other Post-Employment Benefits (OPEB)

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

### Fund Balances

*Minimum Fund Balance Policy.* The Park District budget committee established a 15-20% general fund carryover balance target to help with financial stability. The 15-20% fund balance range is a part of the budget recommendation adopted by the Park District each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

*Fund Balance Spending Policy.* It is the policy of the Park District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Park District to spend unrestricted resources of funds in the following order: committed, assigned, unassigned.

*Restricted Fund Balances.* Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state & federal governments for various grants & reimbursements).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

### Net Position

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.

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**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 inter-fund transactions, except reimbursements, are reported as transfers.

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Net position of the Park District as of January 1, 2018 has been restated for adjustments to capital assets and special assessments payable as shown below. The results of the adjustments increased net position of the Park District.

Beginning Net Position, as Previously Reported	\$ 9,222,077
Prior Period Adjustment	
Capital Assets	298,147
Special Assessments Payable	(127,314)
Net Position January 1, Restated	\$ 9,392,910

**NOTE 3 DEPOSIT**

**Custodial Credit Risk**

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the Park District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The Park District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution 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 county, city, township, county 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, 2018, the Park District’s carrying amount of deposits was \$7,707,423 and the bank balances were \$7,740,777. Of the bank balances, \$2,756,274 was covered by Federal Depository Insurance, \$4,800,358 were held at the Bank of North Dakota, which is backed by the full faith of the State of North Dakota, while the remaining balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

**NOTE 4 PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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.

**NOTE 5 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2018.

	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 6,326,806	\$ -	\$ -	\$ -	\$ 6,326,806
Construction in Progress	797,678	4,875,852	-	(780,996)	4,892,534
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 7,124,484</b>	<b>\$ 4,875,852</b>	<b>\$ -</b>	<b>\$ (780,996)</b>	<b>\$ 11,219,340</b>
Capital Assets Being Depreciated					
Buildings	\$ 16,637,243	\$ -	\$ -	\$ -	\$ 16,637,243
Equipment/Vehicles	2,038,669	249,074	88,372	-	2,199,371
Improvements	12,250,902	119,118	-	780,996	13,151,016
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 30,926,814</b>	<b>\$ 368,192</b>	<b>\$ 88,372</b>	<b>\$ 780,996</b>	<b>\$ 31,987,630</b>
Less Accumulated Depreciation					
Buildings	\$ 4,661,340	\$ 477,774	\$ -	\$ -	\$ 5,139,114
Equipment/Vehicles	1,444,737	138,767	88,372	-	1,495,132
Improvements	2,149,084	449,409	-	-	2,598,493
<b>Total Accumulated Depreciation</b>	<b>\$ 8,255,161</b>	<b>\$ 1,065,950</b>	<b>\$ 88,372</b>	<b>\$ -</b>	<b>\$ 9,232,739</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 22,671,653</b>	<b>\$ (697,758)</b>	<b>\$ -</b>	<b>\$ 780,996</b>	<b>\$ 22,754,891</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 29,796,137</b>	<b>\$ 4,178,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,974,231</b>

Depreciation expense was charged to the culture and recreation function.

**NOTE 6 LONG-TERM LIABILITIES**

During the year ended December 31, 2018; the following changes occurred in governmental activities long-term liabilities:

	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Revenue Bonds	\$ 12,095,000	\$ 6,125,000	\$ 820,000	\$ 17,400,000	\$ 415,000
G.O. Bonds	8,405,000	-	1,005,000	7,400,000	905,000
Special Assmt. Bonds	3,836,971	-	273,666	3,563,305	250,293
Loans Payable	-	110,165	-	110,165	35,761
Leases Payable	240,000	-	75,000	165,000	75,000
Special Assessments Payable	4,849,120	560,832	208,934	5,201,018	236,950
Bond Premium	119,499	204,527	14,089	309,937	14,089
<b>Total Long-Term Debt</b>	<b>\$ 29,545,590</b>	<b>\$ 7,000,524</b>	<b>\$ 2,396,689</b>	<b>\$ 34,149,425</b>	<b>\$ 1,932,093</b>
Compensated Absences *	\$ 171,927	\$ 51,002	\$ -	\$ 222,929	\$ 44,586
Net Pension and OPEB Liability	1,784,670	197,479	-	1,982,149	-
<b>Total Primary Government</b>	<b>\$ 31,502,187</b>	<b>\$ 7,249,005</b>	<b>\$ 2,396,689</b>	<b>\$ 36,354,503</b>	<b>\$ 1,976,679</b>

\* The changes in compensated absences is shown as a net change



**WEST FARGO PARK DISTRICT**  
 Notes to the Financial Statements – Continued

Debt service requirements on long-term debt is as follows:

Year Ending Dec 31	Revenue Bonds		G.O. Bonds		Special Assmt. Bonds		Loans Payable		Leases Payable	Special Assmt. Payable		Bond Premium
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
2019	\$ 415,000	\$ 651,509	\$ 905,000	\$ 176,888	\$ 250,293	\$ 106,263	\$ 35,761	\$ 3,030	\$ 75,000	\$ 236,950	\$ 204,813	\$ 14,089
2020	430,000	637,184	840,000	158,958	245,951	100,784	36,744	2,046	75,000	229,181	215,396	14,089
2021	610,000	618,277	455,000	144,935	246,642	94,623	37,660	1,130	15,000	229,181	193,058	14,089
2022	625,000	595,711	440,000	135,243	247,366	87,751	-	-	-	229,060	183,780	14,089
2023	645,000	573,135	395,000	126,562	236,127	80,929	-	-	-	226,747	174,508	14,089
2024 - 2028	3,530,000	2,478,893	1,695,000	519,938	1,101,926	304,674	-	-	-	1,131,482	735,423	70,445
2029 - 2033	4,165,000	1,745,580	1,555,000	292,087	980,000	129,465	-	-	-	1,127,033	507,389	70,445
2034 - 2038	3,865,000	959,307	1,115,000	70,731	255,000	14,698	-	-	-	1,108,640	280,464	61,528
2039 - 2043	3,115,000	249,751	-	-	-	-	-	-	-	677,300	68,090	37,074
2044 - 2048	-	-	-	-	-	-	-	-	-	5,444	478	-
Total	\$17,400,000	\$8,509,347	\$7,400,000	\$1,625,342	\$3,563,305	\$ 919,187	\$ 110,165	\$ 6,206	\$165,000	\$5,201,018	\$2,563,399	\$309,937

**NOTE 7 RISK MANAGEMENT**

The 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Park District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability and \$1,249,462 for public asset coverage.

The Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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 \$1,000,000 dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Park District with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Park District has worker’s compensation with the North Dakota Workforce Safety and Insurance.

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

**NOTE 8 TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that the Park District accounts for in other funds in accordance with budget authority and to subsidize other programs.

**NOTE 9 PENSION PLANS**

**General Information about the NDPERS Pension Plan**

**North Dakota Public Employees Retirement System (Main System)**

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

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

## **WEST FARGO PARK DISTRICT**

### Notes to the Financial Statements – Continued

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

#### **Pension Benefits**

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

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

#### **Death and Disability Benefits**

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

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

#### **Refunds of Member Account Balance**

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

#### **Member and Employer Contributions**

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

**WEST FARGO PARK DISTRICT**

## Notes to the Financial Statements – Continued

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

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

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

At December 31, 2018, the Park District reported a liability of \$1,898,948 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the Park District's proportion was .112523 percent, which was an increase of .006417 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Park District recognized pension expense of \$339,284. At December 31, 2018, the Park District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,027	\$ 64,606
Changes of Assumptions	685,481	27,104
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	9,239
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	114,122	13,014
Employer Contributions Subsequent to the Measurement Date	77,462	-
Total	\$ 882,092	\$ 113,963

\$77,462 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

2019	\$ 221,461
2020	196,124
2021	165,449
2022	98,415
2023	9,218

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%																						
Salary increases	<table border="0"> <tr> <td>Service at Beginning of year:</td> <td>Increase Rate:</td> </tr> <tr> <td>0</td> <td>15.00%</td> </tr> <tr> <td>1</td> <td>10.00%</td> </tr> <tr> <td>2</td> <td>8.00%</td> </tr> <tr> <td>Age*</td> <td></td> </tr> <tr> <td>Under 30</td> <td>10.00%</td> </tr> <tr> <td>30 – 39</td> <td>7.50%</td> </tr> <tr> <td>40 – 49</td> <td>6.75%</td> </tr> <tr> <td>50 – 59</td> <td>6.50%</td> </tr> <tr> <td>60+</td> <td>5.25%</td> </tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td> </tr> </table>	Service at Beginning of year:	Increase Rate:	0	15.00%	1	10.00%	2	8.00%	Age*		Under 30	10.00%	30 – 39	7.50%	40 – 49	6.75%	50 – 59	6.50%	60+	5.25%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																						
0	15.00%																						
1	10.00%																						
2	8.00%																						
Age*																							
Under 30	10.00%																						
30 – 39	7.50%																						
40 – 49	6.75%																						
50 – 59	6.50%																						
60+	5.25%																						
* Age-based salary increase rates apply for employees with three or more years of service																							
Investment rate of return	7.75%, net of investment expenses																						
Cost-of-living adjustments	None																						

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount Rate**

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

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

**Sensitivity of the Park District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Park District’s proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Park District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Proportionate Share of the Net Pension Liability	\$ 2,580,318	\$ 1,898,948	\$ 1,330,368

**Pension plan fiduciary net position**

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

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

***North Dakota Public Employees Retirement System***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

**WEST FARGO PARK DISTRICT**

## Notes to the Financial Statements – Continued

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the Park District reported a liability of \$83,201, for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Park District's proportion was .105643 percent, which was an increase of .005520 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018 the Park District recognized OPEB expense of \$10,671. At December 31, 2018, the Park District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 2,492	\$ 1,719
Changes of Assumptions	6,827	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	1,790
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,993	461
Employer Contributions Subsequent to the Measurement Date	12,403	-
<b>Total</b>	<b>\$ 24,715</b>	<b>\$ 3,970</b>

\$12,403 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

**WEST FARGO PARK DISTRICT**

## Notes to the Financial Statements – Continued

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

2019	\$	1,088
2020		1,088
2021		1,088
2022		1,877
2023		1,733
2024		1,207
Thereafter		261

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

**Sensitivity of the Park District's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate Share of the Net OPEB Liability	\$ 105,269	\$ 83,201	\$ 64,283

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent to December 31, 2018, the Park District issued refunding improvement bonds in the amount of \$5,905,000 for the purpose of financing park improvements within certain park improvement districts of the Park District and refunding the outstanding maturities of the Park District's Refunding Improvement Bonds of 2011 and 2012. Future bond principal payments are due annually and range from \$210,000 to \$350,000, with interest between 2.00% to 3.00%. The bonds mature in FY2039.

**NOTE 12 COMMITMENTS**

The Park District had the following commitments for construction projects at year-end:

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Rustad Center Expansion				
Gast Construction	\$ 5,428,836	\$ 3,226,113	\$ 271,441	\$ 2,474,164
Scott's Electric	715,678	317,097	31,710	430,291
Peterson Mechanical	879,900	384,000	38,400	534,300
Keifer Speciality Flooring	188,691	-	-	188,691
Zerr Berg Architects/Engineering	469,047	417,452	-	51,595
Contingency/Misc	186,328	-	-	186,328
Total Rustad Center Expansion	\$ 7,868,480	\$ 4,344,662	\$ 341,551	\$ 3,865,369
Rendezvous Fields	\$ 333,793	\$ 218,000	\$ 21,800	\$ 137,593
Total All Projects	\$ 8,202,273	\$ 4,562,662	\$ 363,351	\$ 4,002,962



**WEST FARGO PARK DISTRICT**

Budgetary Comparison Schedule - General Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,034,100	\$ 2,034,100	\$ 1,967,843	\$ (66,257)
Charges for Services	624,000	624,000	863,280	239,280
Intergovernmental	660,000	660,000	783,183	123,183
Miscellaneous	172,172	172,172	4,473	(167,699)
Total Revenues	\$ 3,490,272	\$ 3,490,272	\$ 3,618,779	\$ 128,507
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,218,000	\$ 2,218,000	\$ 2,167,823	\$ 50,177
Recreation	972,000	1,113,190	921,154	192,036
Debt Service				
Principal	75,000	75,000	75,000	-
Total Expenditures	\$ 3,265,000	\$ 3,406,190	\$ 3,163,977	\$ 242,213
Excess (Deficiency) of Revenues Over Expenditures	\$ 225,272	\$ 84,082	\$ 454,802	\$ 370,720
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 828	\$ 828
Transfers Out	(110,000)	(110,000)	(366,679)	(256,679)
Total Other Financing Sources (Uses)	\$ (110,000)	\$ (110,000)	\$ (365,851)	\$ (255,851)
Net Change in Fund Balances	\$ 115,272	\$ (25,918)	\$ 88,951	\$ 114,869
Fund Balances - January 1	\$ 758,507	\$ 758,507	\$ 758,507	\$ -
Fund Balances - December 31	\$ 873,779	\$ 732,589	\$ 847,458	\$ 114,869

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

**WEST FARGO PARK DISTRICT**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of Net Pension Liability  
 ND Public Employee's Retirement System  
 Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.112523%	\$ 1,898,948	\$ 1,155,966	164.27%	62.80%
2017	0.106106%	1,705,472	1,083,177	157.45%	61.98%
2016	0.093004%	906,415	937,258	96.71%	70.46%
2015	0.096366%	655,272	858,506	76.33%	77.15%
2014	0.093924%	596,156	791,187	75.35%	77.70%

**Schedule of Employer Contributions  
 ND Public Employees Retirement System  
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 85,142	\$ 80,020	\$ 5,122	\$ 1,155,966	6.92%
2017	78,543	74,683	3,860	1,083,177	6.89%
2016	67,856	65,891	1,965	937,258	7.03%
2015	65,210	60,499	4,711	858,506	7.05%
2014	61,226	(61,226)	-	791,187	7.12%

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

**WEST FARGO PARK DISTRICT**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

**Schedule of Employer's Share of Net OPEB Liability  
 ND Public Employees Retirement System  
 Last 10 Fiscal Years**

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.105643%	\$ 83,201	\$ 1,155,966	7.20%	61.89%
2017	0.100123%	79,198	1,083,177	7.31%	59.78%

**Schedule of Employer Contributions  
 ND Public Employees Retirement System  
 Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 13,559	\$ 12,812	\$ 747	\$ 1,155,966	1.11%
2017	12,591	11,958	633	1,083,177	1.10%

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

**WEST FARGO PARK DISTRICT**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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**NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

- The Park District adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The business manager prepares an annual budget for the general fund, debt service fund, capital projects fund, and each special revenue fund of the Park District. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The Park District 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 District 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 District 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. NDCC 57-15-31.1
- All appropriations lapse at year-end.

**NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Park District will present information for those years for which information is available.

**NOTE 3 CHANGES OF ASSUMPTIONS**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**NOTE 4 LEGAL COMPLIANCE – BUDGETS**

**Budget Amendments**

The board of commissioners amended the Park District budget for 2018 as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
<b>Major Funds</b>			
General Fund	\$ 3,375,000	\$ 141,190	\$ 3,516,190
Capital Projects	1,871,000	4,273,307	6,144,307
Debt Service	2,385,000	257,192	2,642,192
<b>Non-Major Fund</b>			
Special Revenue Fund	179,000	183,851	362,851

**WEST FARGO PARK DISTRICT**Notes to the Required Supplementary Information - Continued

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**NOTE 5 BUDGET TO ACTUAL RECONCILIATION**

Loans issued that are paid by the general fund are not included in the budgetary comparison schedule expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
Expenditures	\$ 3,274,142	\$ (110,165)	\$ 3,163,977
Loan Proceeds	110,165	(110,165)	-

STATE AUDITOR

JOSHUA C. GALLION  
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Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

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**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
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FARGO, NORTH DAKOTA 58103

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**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***

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Independent Auditor's Report

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 the West Fargo Park District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the West Fargo Park District's basic financial statements, and have issued our report thereon dated January 27, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

## **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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 27, 2020

**WEST FARGO PARK DISTRICT**

Summary of Auditor's Results

For the Year Ended December 31, 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None Noted



## **WEST FARGO PARK DISTRICT**

Schedule of Audit Findings

For the Year Ended December 31, 2018

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### **2018-001 – LACK OF SEGREGATION OF DUTIES**

#### **Condition**

The West Fargo Park District has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

#### **Criteria**

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Park District.

#### **Cause**

Management has chosen to allocate its economic resources to other functions of the Park District.

#### **Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Park District's financial condition, whether due to error or fraud.

#### **Repeat Finding**

Yes.

#### **Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

#### **West Fargo Park District's Response**

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.

**2018-002 – FINANCIAL STATEMENT PREPARATION**

**Condition**

The West Fargo Park District does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Criteria**

Management of the West Fargo Park District is responsible for establishing proper internal control over the preparation of the West Fargo Park District's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

**Effect**

There is an increased risk of material misstatement to the West Fargo Park District's financial statements

**Repeat Finding**

Yes.

**Recommendation**

We recommend West Fargo Park District design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

**West Fargo Park District's Response**

Agree. The West Fargo Park District is aware that there is a risk having the State Auditor's Office prepare and approve our financial statements and note disclosures. We may attempt to prepare the financial statements and note disclosures in the future.

**2018-003 – ADJUSTING JOURNAL ENTRIES**

**Condition**

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Criteria**

The West Fargo Park District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

Inadequate internal controls over recording of transactions affects the West Fargo Park District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Repeat Finding**

Yes.

**Recommendation**

We recommend that the West Fargo Park District design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**West Fargo Park District's Response**

Agree. The West Fargo Park District does not have adequate resources to obtain proper internal controls and training to make and identify all necessary adjustments. We will continue to try to identify all items in need of adjustment at year end to comply with GAAP.

## STATE AUDITOR

JOSHUA C. GALLION  
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## GOVERNANCE COMMUNICATION

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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, 2018, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated January 27, 2020. 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, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated November 14, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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 the West Fargo Park District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether the 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 and other matters, 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 the West Fargo Park District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. Application of existing policies was not changed during the year ended December 31, 2018. 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. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
Intergovernmental Receivables	221,552		-		221,552	
Accounts Receivable	100,130		-		100,130	
Revenue		321,682		-		321,682
Expenditures	449,095		110,165		559,260	
Accounts Payable		380,453		-		380,453
Salaries Payable		68,642		-		68,642
Loan Proceeds		-		110,165		110,165
Due From County	-		9,810		9,810	
Revenue		-		9,810		9,810
Miscellaneous Revenue	-		174,001		174,001	
Charges for Services		-		174,001		174,001

**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 27, 2020.

**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 and completing 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.

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 for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 27, 2020

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