



Financial Statements
December 31, 2017

Park District of the City of Fargo

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Park District of the City of Fargo
Commissioners and Officers (Unaudited)
December 31, 2017

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Joe Deutsch	President	June 2018
Rusty Papachek	Vice President	June 2020
Mary Johnson	Commissioner	June 2018
Matt Magness	Commissioner	June 2018
Jerry Rostad	Commissioner	June 2020
Jeff Gunkelman	Clerk and Secretary	
James Larson	Treasurer Ex Officio	
Joel Vettel	Executive Director	



Independent Auditor's Report

To the Board of Park Commissioners
Park District of the City of Fargo
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Park District of the City of Fargo, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, the business-type activities, the discretely presented component unit, and each major fund of the Park District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, schedule of employer's share of net pension liability, and schedule of employer's contributions 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 regarding 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 the Park District's financial statements. The listing of commissioners and officers and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The listing of commissioners and officers has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018 on our consideration of the 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 solely 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 the effectiveness of the Park District's 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 Park District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
May 4, 2018

This discussion and analysis presents the highlights of financial activities and financial position for the Park District of the City of Fargo (Park District). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Park District.

Management's Discussion and Analysis (MD&A) focuses on current year activities and the resulting changes. Please read it in conjunction with the Park District's financial statements (beginning on page 12).

Financial Highlights

The Park District's governmental net position increased by \$1,593,479 from multiple areas. The largest increase is related to revenues exceeding expenses. Increases were obtained by expenses lower than budget by \$1,729,014.

Governmental activities revenues decreased from budget and with prior year in Recreation programs, Golf and Ice Arenas. Revenue increases from budget were in rentals for park amenities and athletic field rentals.

Business-type revenues increased by \$148,384 from prior year before a onetime capital transfer in prior year. Business-type operating expenses increased from prior year by \$44,483 from a combination of staffing and repair facility expenses increasing.

Report Layout

The Park District's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the Park District. The components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the Park District.
- **Basic Financial Statements.** Includes Statement of Net Position, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Park District.
 - o The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns and deferred outflows of resources, the liabilities it owes and deferred inflows of resources, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
 - o The Statement of Activities focuses on gross and net costs of Park District programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- o Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Park District's major governmental funds are presented in their own column. Budgetary comparison statements are presented for the General Fund. Statements for the Park District's proprietary funds follow the governmental funds and include net position, revenues, expense, and changes in fund net position, and cash flows.
- o The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Park District's financial condition.
- **Required Supplementary Information.** This is additional required disclosure of the funding progress of the Park District's OPEB liabilities in accordance with GASB Statement No. 45 and pension liabilities in accordance with GASB Statement No. 68.
- **Other Supplementary Information.** Readers desiring additional information on The Valley Senior Services, a Component Unit of the Park District. Provided for the reader is a separate balance sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the Valley Senior Services.

Park District as A Whole

Statement of Net Position at December 31, 2017

During fiscal year 2017 the governmental activities net position increased by \$1,593,479 as shown on Table 2. The increase is from the net operating surplus.

Statement of Activities for the Year Ending December 31, 2017 (Table 2 – page 8)

Governmental Activities

The increase of net position as shown on the statement of activities, Table 2, is from revenues exceeding expenses. State Aid was less than budget by \$224,624.

A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. Within the governmental activities category are for debt service reserves, deferred compensation and reserves for inventory.

Business-Type Activities

The reduction in net position from the prior years is due to increased expenses from the personnel and operating. Membership revenues were lower than budgeted by \$128,448 but fee for services exceeded budget. Overall revenues exceeded budget by \$13,737. Expenses are consistent with budget except for the areas of personnel and repair facility exceeded budget.

**Table 1 Statement of Net Position
December 31, 2017
(With Comparative Amounts for 2016)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 36,235,477	\$ 39,565,073	\$ 167,144	\$ 162,522	\$ 36,402,621	\$ 39,727,595
Capital assets	104,684,730	99,502,509	4,626,373	4,873,103	109,311,103	104,375,612
Total assets	<u>140,920,207</u>	<u>139,067,582</u>	<u>4,793,517</u>	<u>5,035,625</u>	<u>145,713,724</u>	<u>144,103,207</u>
Deferred Outflows of Resources	<u>2,982,938</u>	<u>1,113,522</u>	<u>-</u>	<u>-</u>	<u>2,982,938</u>	<u>1,113,522</u>
Liabilities						
Current liabilities	1,198,923	1,426,353	1,130,941	1,179,373	2,329,864	2,605,726
Long-term liabilities	43,768,524	41,567,725	2,294,131	2,471,109	46,062,655	44,038,834
Total liabilities	<u>44,967,447</u>	<u>42,994,078</u>	<u>3,425,072</u>	<u>3,650,482</u>	<u>48,392,519</u>	<u>46,644,560</u>
Deferred Inflows of Resources	<u>512,983</u>	<u>357,790</u>	<u>-</u>	<u>-</u>	<u>512,983</u>	<u>357,790</u>
Net Position						
Net investment in capital assets	67,636,960	62,375,742	2,332,242	2,401,994	69,969,202	64,777,736
Restricted for						
Debt service	3,254,490	3,209,104	-	-	3,254,490	3,209,104
Specific projects and programs	8,781,288	12,285,851	-	-	8,781,288	12,285,851
Unrestricted	18,749,977	18,958,539	(963,797)	(1,016,851)	17,786,180	17,941,688
Total net position	<u>\$ 98,422,715</u>	<u>\$ 96,829,236</u>	<u>\$ 1,368,445</u>	<u>\$ 1,385,143</u>	<u>\$ 99,791,160</u>	<u>\$ 98,214,379</u>

**Table 2 Statement of Activities
Year Ending December 31, 2017
(With Comparative Amounts for 2016)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for services	\$ 8,293,116	\$ 17,048,168	\$ 2,185,469	\$ 2,024,757	\$ 10,478,585	\$ 19,072,925
Operating grants and contributions	104,890	106,101	19,688	32,015	124,578	138,116
Capital grants and contributions	19,342	36,291	-	-	19,342	36,291
General Revenues						
Property taxes	13,725,690	12,815,655	-	-	13,725,690	12,815,655
Intergovernmental	2,476,604	2,509,512	-	-	2,476,604	2,509,512
Investment earnings	96,490	133,697	-	-	96,490	133,697
Total revenues	24,716,132	32,649,424	2,205,157	2,056,772	26,921,289	34,706,196
Expenses						
General government	6,885,447	6,446,820	-	-	6,885,447	6,446,820
Recreation	1,136,186	1,099,658	-	-	1,136,186	1,099,658
Major events	4,696	1,939	-	-	4,696	1,939
Cultural arts	393,576	365,337	-	-	393,576	365,337
Concessions	214,187	238,447	-	-	214,187	238,447
Golf	2,662,424	1,591,943	-	-	2,662,424	1,591,943
Facilities	1,640,169	1,458,574	-	-	1,640,169	1,458,574
Neighborhood parks	4,331,478	8,951,044	-	-	4,331,478	8,951,044
Swimming pools	995,958	983,295	-	-	995,958	983,295
Maintenance	4,658,532	4,381,887	-	-	4,658,532	4,381,887
Courts Plus	-	-	2,421,855	2,377,396	2,421,855	2,377,396
Total expenses	22,922,653	25,518,944	2,421,855	2,377,396	25,344,508	27,896,340
Transfers	(200,000)	(200,000)	200,000	200,000	-	-
Change in Net Position	\$ 1,593,479	\$ 6,930,480	\$ (16,698)	\$ (120,624)	\$ 1,576,781	\$ 6,809,856

Budgetary Highlights

The Park District's General Fund appropriations, exclusive of special assessment additions, increased by approximately \$998,635 from \$17,812,903 (not including Special assessment additions) to \$18,811,538. The increase is from staffing and capital cost increases. The increase in appropriations is financed from increased mill levy value, increased fees and new fees generated from program expansion. Actual General Fund revenues were lower than budget by \$238,230. General Fund revenues from all sources were primarily lower than budget from revenues of charges for services and actual state aid below budgeted. Charges for services were lower than budget by \$421,657, primarily from golf courses, ice rental and swimming pools. Actual General Fund expenditures were below budget by \$1,729,014.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2017 the Park District has invested \$109,311,103 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$4,935,490.

**Table 3:
Capital Assets at December 31, 2017
(Net of Depreciation)**

	Governmental Activities	Business-Type Activities	Total
Land	\$ 28,369,749	\$ 179,401	\$ 28,549,150
Construction in progress	2,952,483	-	2,952,483
Buildings	42,273,275	153,325	42,426,600
Improvements other than buildings	26,265,373	3,782,925	30,048,298
Machinery and equipment	4,823,850	510,722	5,334,572
Total	\$ 104,684,730	\$ 4,626,373	\$ 109,311,103

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end. Reductions are for disposition of assets and depreciation.

<u>Changes</u>	Governmental Activities	Business-Type Activities	Total
Land	\$ -	\$ -	\$ -
Construction in progress	1,231,288	-	1,231,288
Buildings	2,554,103	(42,788)	2,511,315
Improvements other than buildings	783,920	(189,104)	594,816
Machinery and equipment	612,910	(14,839)	598,071
Total	\$ 5,182,221	\$ (246,731)	\$ 4,935,490

**Table 4:
Change in Capital Assets**

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 99,502,509	\$ 4,873,104	\$ 104,375,613
Additions	8,397,974	126,881	8,524,855
Retirement	(60,078)	(375)	(60,453)
Depreciation	(3,155,675)	(373,237)	(3,528,912)
Ending Balance	\$ 104,684,730	\$ 4,626,373	\$ 109,311,103

Assets from governmental activities increased by \$5,182,221. Annual depreciation of \$3,155,675 decreased net capital assets. The majority of the capital asset additions were buildings and improvements other than buildings.

Additions include the completion of the Coliseum (Ice Arena) renovation and the completion of the Urban Plains park. Offsetting these additions were depreciation and retirement of assets.

Business-type activities assets decreased by \$246,731. Increase to capital assets was from the purchase of a purchase and installation of a major functional training system along with various fitness equipment. The decrease is due to the depreciation exceeding additions and retirement of assets.

For more detailed information on the Park District's capital assets refer to Note 5 of the notes to financial statements.

Debt Outstanding

As of year-end, the Park District had \$40,062,505 in debt outstanding compared to \$40,258,629 last year. \$3,277,536 of the debt outstanding at December 31, 2017 is due within one year.

	Totals	
	2017	2016
Governmental Activities		
Notes payable	\$ 1,835,000	\$ 2,160,000
Capital leases payable	2,717,680	2,987,670
General obligation and revenue bonds	22,130,000	22,290,000
Special assessments	10,365,090	9,689,097
OPEB obligations	467,942	445,613
Compensated absences	252,662	215,140
	37,768,374	37,787,520
Business-Type Activities		
Capital leases payable	2,157,700	2,346,749
OPEB obligations	85,157	75,754
Compensated absences	51,274	48,606
	2,294,131	2,471,109
Total	\$ 40,062,505	\$ 40,258,629

For more detailed information on the Park District's debt and amortization terms refer to Note 6 of the notes to financial statements.

Request for Information

This financial report is designed to provide a general overview of the Park District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 701 Main Avenue, Fargo, ND 58103 or visit the Park District's web site at www.fargoparks.com.

Park District of the City of Fargo
Statement of Net Position
December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Valley Senior Services
Assets				
Cash and investments	\$ 15,616,182	\$ -	\$ 15,616,182	\$ 586,311
Restricted cash and investments	-	-	-	149,274
Delinquent property taxes receivable	129,150	-	129,150	-
Special assessments receivable	18,598,427	-	18,598,427	-
Accounts receivable	911,774	158,099	1,069,873	226,415
Internal advances	948,581	(948,581)	-	-
Prepaid items	19,211	-	19,211	16
Inventories	12,152	9,045	21,197	-
	<u>36,235,477</u>	<u>(781,437)</u>	<u>35,454,040</u>	<u>962,016</u>
Capital assets (net of accumulated depreciation where applicable):				
Land	28,369,749	179,401	28,549,150	-
Construction in progress	2,952,483	-	2,952,483	-
Buildings	42,273,275	153,325	42,426,600	707,193
Improvements other than buildings	26,265,373	3,782,925	30,048,298	-
Machinery and equipment	4,823,850	510,722	5,334,572	656,510
	<u>104,684,730</u>	<u>4,626,373</u>	<u>109,311,103</u>	<u>1,363,703</u>
Total assets	<u>140,920,207</u>	<u>3,844,936</u>	<u>144,765,143</u>	<u>2,325,719</u>
Deferred Outflows of Resources				
Pension plans	2,982,938	-	2,982,938	-
Liabilities				
Accounts payable	371,858	57,288	429,146	141,230
Retainage payable	343,031	-	343,031	-
Accrued interest payable	166,863	19,639	186,502	-
Accrued payroll	10,719	9,965	20,684	16,282
Claims incurred but not reported	78,000	-	78,000	-
Unearned revenue	228,452	95,468	323,920	-
Long-term liabilities				
Due in less than one year - notes payable, capital leases payable, general obligation bonds, and special assessments	3,083,968	193,568	3,277,536	-
Due in more than one year - notes payable, capital leases payable, general obligation bonds, special assessments, OPEB obligations, and compensated absences	34,684,406	2,100,563	36,784,969	257,315
Net pension liability - due in more than one year	6,000,150	-	6,000,150	-
Total liabilities	<u>44,967,447</u>	<u>2,476,491</u>	<u>47,443,938</u>	<u>414,827</u>
Deferred Inflows of Resources				
Pension plans	512,983	-	512,983	-
Net Position				
Net investment in capital assets	67,636,960	2,332,242	69,969,202	1,106,388
Restricted for:				
Debt service	3,254,490	-	3,254,490	-
Capital projects	8,781,288	-	8,781,288	-
Unrestricted	18,749,977	(963,797)	17,786,180	804,504
Total net position	<u>\$ 98,422,715</u>	<u>\$ 1,368,445</u>	<u>\$ 99,791,160</u>	<u>\$ 1,910,892</u>

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

Park District of the City of Fargo
Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Valley Senior Services	
					Governmental Activities	Business-Type Activities		Total
Governmental activities								
General government	\$ 6,885,447	\$ 726,509	\$ 6,943	\$ -	\$ (6,151,995)	\$ -	\$ (6,151,995)	\$ -
Recreation	1,136,186	557,151	30,584	-	(548,451)	-	(548,451)	-
Major events	4,696	-	-	-	(4,696)	-	(4,696)	-
Cultural arts	393,576	98,050	61,899	-	(233,627)	-	(233,627)	-
Concessions	214,187	216,375	50	-	2,238	-	2,238	-
Golf	2,662,424	2,257,773	606	-	(404,045)	-	(404,045)	-
Facilities	1,640,169	487,314	-	-	(1,152,855)	-	(1,152,855)	-
Neighborhood parks	4,331,478	3,491,711	110	-	(839,657)	-	(839,657)	-
Swimming pools	995,958	295,018	2,570	-	(698,370)	-	(698,370)	-
Maintenance	4,658,532	163,215	2,128	19,342	(4,473,847)	-	(4,473,847)	-
Total governmental activities	<u>22,922,653</u>	<u>8,293,116</u>	<u>104,890</u>	<u>19,342</u>	<u>(14,505,305)</u>	<u>-</u>	<u>(14,505,305)</u>	<u>-</u>
Business-type activities								
Courts Plus	<u>2,421,855</u>	<u>2,185,469</u>	<u>19,688</u>	<u>-</u>	<u>-</u>	<u>(216,698)</u>	<u>(216,698)</u>	<u>-</u>
Total primary government	<u>\$ 25,344,508</u>	<u>\$ 10,478,585</u>	<u>\$ 124,578</u>	<u>\$ 19,342</u>	<u>(14,505,305)</u>	<u>(216,698)</u>	<u>(14,722,003)</u>	<u>-</u>
Component unit								
Valley Senior Services	<u>\$ 4,248,320</u>	<u>\$ 1,065,300</u>	<u>\$ 1,916,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,266,321)</u>
General Revenues and Transfers								
Property taxes					13,725,690	-	13,725,690	-
Intergovernmental					2,476,604	-	2,476,604	1,309,420
Investment earnings					96,490	-	96,490	19,351
Transfers					(200,000)	200,000	-	-
Total general revenues and transfers					<u>16,098,784</u>	<u>200,000</u>	<u>16,298,784</u>	<u>1,328,771</u>
Change in net position					1,593,479	(16,698)	1,576,781	62,450
Net position - beginning					<u>96,829,236</u>	<u>1,385,143</u>	<u>98,214,379</u>	<u>1,848,442</u>
Net position - ending					<u>\$ 98,422,715</u>	<u>\$ 1,368,445</u>	<u>\$ 99,791,160</u>	<u>\$ 1,910,892</u>

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

Park District of the City of Fargo
Balance Sheet – Governmental Funds
December 31, 2017

	General	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 3,184,342	\$ 3,248,657	\$ 9,183,183	\$ 15,616,182
Delinquent property taxes receivable	106,200	22,950	-	129,150
Special assessments receivable	-	18,598,427	-	18,598,427
Accounts receivable	911,774	-	-	911,774
Advances due from other funds	948,581	-	-	948,581
Prepaid items	19,211	-	-	19,211
Inventories	12,152	-	-	12,152
Total assets	<u>\$ 5,182,260</u>	<u>\$ 21,870,034</u>	<u>\$ 9,183,183</u>	<u>\$ 36,235,477</u>
Liabilities				
Accounts payable	\$ 312,994	\$ -	\$ 58,864	\$ 371,858
Retainage payable	-	-	343,031	343,031
Accrued payroll	10,719	-	-	10,719
Claims incurred but not reported	78,000	-	-	78,000
Unearned revenue	228,452	-	-	228,452
Total liabilities	<u>630,165</u>	<u>-</u>	<u>401,895</u>	<u>1,032,060</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	79,211	17,117	-	96,328
Unavailable revenue - special assessments	-	18,598,427	-	18,598,427
Total deferred inflows of resources	<u>79,211</u>	<u>18,615,544</u>	<u>-</u>	<u>18,694,755</u>
Fund Balance				
Nonspendable				
Advances due from other funds	948,581	-	-	948,581
Prepaid items	19,211	-	-	19,211
Inventories	12,152	-	-	12,152
Restricted for:				
Debt service	-	3,254,490	-	3,254,490
Capital projects	-	-	8,781,288	8,781,288
Assigned for:				
Pension	485,053	-	-	485,053
Forestry	927,899	-	-	927,899
Insurance	257,812	-	-	257,812
Friends of the Depot	22,010	-	-	22,010
Prairie Rose State Games	27,293	-	-	27,293
Rose Creek development	92,313	-	-	92,313
Osgood development	32,000	-	-	32,000
Pepsi funds	31,727	-	-	31,727
Unassigned	1,616,833	-	-	1,616,833
Total fund balance	<u>4,472,884</u>	<u>3,254,490</u>	<u>8,781,288</u>	<u>16,508,662</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,182,260</u>	<u>\$ 21,870,034</u>	<u>\$ 9,183,183</u>	<u>\$ 36,235,477</u>

Park District of the City of Fargo
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 December 31, 2017

Total Funds Balances - Governmental Funds		\$ 16,508,662
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 as assets in governmental funds.		104,684,730
Compensated absences payable are not due and payable in the current period therefore are not reported as liabilities in the funds.		(252,662)
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(166,863)
Property taxes and specials are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the entity-wide statements as soon as the levy has been certified.		18,694,755
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		2,469,955
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of :		
Bonds, notes and leases payable	\$ (37,047,770)	
Net pension liability	(6,000,150)	
Other post employment benefits payable	(467,942)	(43,515,862)
Total Net Position - Governmental Activities		<u>\$ 98,422,715</u>

Park District of the City of Fargo
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2017

	General	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ 11,390,764	\$ 2,255,715	\$ -	\$ 13,646,479
Special assessment collections	-	1,907,979	-	1,907,979
Intergovernmental revenue	2,476,604	-	-	2,476,604
Charges for services and contributions	4,420,211	-	-	4,420,211
Interest	96,490	-	-	96,490
Grants, trusts and donations	105,890	-	19,342	125,232
Other	83,349	2,917	50,616	136,882
Total revenues	<u>18,573,308</u>	<u>4,166,611</u>	<u>69,958</u>	<u>22,809,877</u>
Expenditures				
Current				
Wages and salaries	9,034,184	-	-	9,034,184
Other	4,811,432	54,243	49,597	4,915,272
Capital outlay	513,265	-	7,916,836	8,430,101
Special assessment additions	2,315,198	-	-	2,315,198
Debt service				
Principal	504,990	2,884,205	-	3,389,195
Interest and fiscal charges	192,941	982,777	-	1,175,718
Total expenditures	<u>17,372,010</u>	<u>3,921,225</u>	<u>7,966,433</u>	<u>29,259,668</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	1,201,298	245,386	(7,896,475)	(6,449,791)
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	-	1,285,000	1,285,000
Proceeds from debt refunding	-	3,310,000	-	3,310,000
Payment on debt refunding	-	(3,600,000)	-	(3,600,000)
Gain on refunding bonds issued	-	90,000	-	90,000
Special assessments financed	2,315,198	-	-	2,315,198
Transfers	(3,306,912)	-	3,106,912	(200,000)
Total other financing sources (uses)	<u>(991,714)</u>	<u>(200,000)</u>	<u>4,391,912</u>	<u>3,200,198</u>
Net Change in Fund Balances	209,584	45,386	(3,504,563)	(3,249,593)
Fund Balances, Beginning of Year	<u>4,263,300</u>	<u>3,209,104</u>	<u>12,285,851</u>	<u>19,758,255</u>
Fund Balances, End of Year	<u>\$ 4,472,884</u>	<u>\$ 3,254,490</u>	<u>\$ 8,781,288</u>	<u>\$ 16,508,662</u>

Park District of the City of Fargo
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Net Change in Funds Balances - Total Governmental Funds		\$ (3,249,593)
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are		
Capital outlay		8,397,974
Depreciation expense		(3,155,675)
The net effect of the disposal of capital assets is to decrease net position		(60,078)
Property taxes and specials are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the statement of activities as soon as the levy has been certified.		
Current period balance	\$ 18,694,755	
Prior period balance	(18,567,891)	
Current year effect		126,864
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid).		
Current period balance	(252,662)	
Prior period balance	215,140	
Current year effect		(37,522)
Interest payable is reported in the government wide statements of net position but is not recorded in the governmental funds.		
Current period balance	(166,863)	
Prior period balance	187,426	
Current year effect		20,563
In the statement of activities OPEB assets are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	(467,942)	
Prior period balance	445,613	
Current year effect		(22,329)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		
		(505,722)
Debt proceeds are recognized as revenue in the governmental funds but not on the statement of net position. In the current period these amounts consist of:		
Debt proceeds		(4,595,000)
Special assessments financed		(2,315,198)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period these amounts consist of:		
Bond principal retirement		6,989,195
Change in Net Position of Governmental Activities		<u>\$ 1,593,479</u>

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

Park District of the City of Fargo

Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,021,629	\$ 11,021,629	\$ 11,390,764	\$ 369,135
Intergovernmental revenue	2,696,308	2,696,308	2,476,604	(219,704)
Charges for services and contributions	4,841,868	4,841,868	4,420,211	(421,657)
Interest	100,000	100,000	96,490	(3,510)
Grants, trusts and donations	98,869	98,869	105,890	7,021
Other	52,864	52,864	83,349	30,485
Total revenues	<u>18,811,538</u>	<u>18,811,538</u>	<u>18,573,308</u>	<u>(238,230)</u>
Expenditures				
Current				
Wages and salaries	8,812,727	8,812,727	9,034,184	(221,457)
Other	5,531,617	5,531,617	4,811,432	720,185
Capital outlay	1,745,745	1,745,745	513,265	1,232,480
Special assessment additions	2,315,198	2,315,198	2,315,198	-
Debt service				
Principal	504,990	504,990	504,990	-
Interest and fiscal charges	190,747	190,747	192,941	(2,194)
Total expenditures	<u>19,101,024</u>	<u>19,101,024</u>	<u>17,372,010</u>	<u>1,729,014</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(289,486)	(289,486)	1,201,298	1,490,784
Other Financing Sources (Uses)				
Special assessments financed	2,315,198	2,315,198	2,315,198	-
Transfers	(2,025,712)	(2,025,712)	(3,306,912)	(1,281,200)
Total other financing sources (uses)	<u>289,486</u>	<u>289,486</u>	<u>(991,714)</u>	<u>(1,281,200)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	209,584	<u>\$ 209,584</u>
Fund Balance, Beginning of Year			<u>4,263,300</u>	
Fund Balance, End of Year			<u>\$ 4,472,884</u>	

Park District of the City of Fargo
Statement of Net Position – Courts Plus
December 31, 2017

Assets	
Current Assets	
Accounts receivable	\$ 158,099
Inventories	9,045
Total current assets	<u>167,144</u>
Capital Assets, Net of	
Accumulated Depreciation Where Applicable	
Land	179,401
Buildings	153,325
Improvements other than buildings	3,782,925
Machinery and equipment	510,722
Total capital assets	<u>4,626,373</u>
Total assets	<u>4,793,517</u>
Liabilities	
Accounts payable	57,288
Advances due to other funds	948,581
Accrued interest payable	19,639
Accrued payroll	9,965
Unearned revenue	95,468
Long-term liabilities	
Due in less than one year - capital leases payable	193,568
Due in more than one year - capital leases payable, OPEB obligations, and compensated absences	<u>2,100,563</u>
Total liabilities	<u>3,425,072</u>
Net Position	
Net investment in capital assets	2,332,242
Unrestricted	<u>(963,797)</u>
Total net position	<u>\$ 1,368,445</u>

Park District of the City of Fargo
Statement of Revenue, Expenses and Changes in Net Position – Courts Plus
Year Ended December 31, 2017

Operating Revenues	
Charges for services - membership	\$ 1,266,362
Charges for services - programs	593,444
Charges for services - other	345,351
Total operating revenues	<u>2,205,157</u>
Operating Expenses	
Wages and salaries	1,275,703
Depreciation	373,137
Other	718,172
Total operating expenses	<u>2,367,012</u>
Operating Loss	(161,855)
Nonoperating Revenues (Expenses)	
Transfers in	200,000
Interest expense	(54,367)
Loss on disposal of assets	(476)
Total nonoperating revenues (expenses)	<u>145,157</u>
Change in Net Position	(16,698)
Total Net Position, Beginning of Year	<u>1,385,143</u>
Total Net Position, End of Year	<u><u>\$ 1,368,445</u></u>

Park District of the City of Fargo
Statement of Cash Flows – Courts Plus
Year Ended December 31, 2017

Operating Activities	
Charges for services - membership	\$ 1,266,557
Charges for services - programs	593,444
Charges for services - other	345,351
Payments to employees	(1,263,713)
Payments to other vendors	(767,406)
Net cash from operating activities	174,233
Noncapital Financing Activities	
Transfers received from other funds	200,000
Advances paid to other funds	(2,202)
Net cash from noncapital financing activities	197,798
Capital and Related Financing Activities	
Principal payments on leases	(189,049)
Interest paid	(56,101)
Acquisition of capital assets	(126,881)
Net cash used for capital and related financing activities	(372,031)
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -
Reconciliation of Operating Loss to Net	
Cash from Operating Activities	
Operating loss	\$ (161,855)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	373,137
Changes in assets and liabilities	
Accounts receivable	(3,609)
Inventories	(1,013)
Unearned revenue	3,804
Accounts payable	(7,454)
Retainage payable	(40,767)
Accrued payroll	(81)
Compensated absences	2,668
OPEB obligations	9,403
Net cash from operating activities	\$ 174,233

Note 1 - Purpose and Administration

The Park District of the City of Fargo was created by resolution of the Board of Commissioners of the City of Fargo, Article 19-01 of the Revised Ordinance of 1965. The resolution accepts the provisions, benefits and all amendments of Sections 40-49-02 through 40-49-18, both inclusive, of the North Dakota Century Code. Accordingly, the Park District of the City of Fargo consists of a five-member board elected at regular municipal elections. It is empowered to exercise all powers relative to the operation, maintenance and management of sites or areas devoted to use and accommodation of the public. Such powers include the right to acquire property, construct or improve park property, pass ordinances necessary and requisite to carry into effect the powers granted to the Park Board Commissioners, issue negotiable bonds and borrow money to defray expenses.

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

For financial reporting purposes, the Park District's financial statements include all funds over which the Park Board exercises oversight responsibility. This includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The Park District may be financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the Park District. The Park District may be financially accountable if an organization is fiscally dependent on the Park District.

Based upon the above criteria, the financial statements of Valley Senior Services are discretely presented in the accompanying financial statements. The Park District is accountable for fiscal matters and designates management of the commission. The Park District is not includable as a component unit within another reporting entity.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounts of the Park District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounts for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Measurement Focus, Basis of Accounting

The government-wide and business-type fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Park District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are all considered to be susceptible to accrual the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the Park District receives cash.

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.
- **Debt Service Fund** – The debt service fund is used to account for annual payments of principal and interest on long-term general obligation debt.
- **Capital Projects Fund** – The capital projects fund is used to account for financial resources used for the construction of major capital assets.

The Park District reports the following major proprietary fund:

- **Courts Plus** – This fund is used to account for the activities of the public athletic club doing business as Courts Plus.

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the Park District has adopted GASB statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

Amounts reported as program revenues include: 1) amounts received from those who purchase, use or directly benefit from a program; 2) amounts received from parties outside the Park District that are restricted to one or more specific programs; and 3) earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

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

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

Other Significant Accounting Policies -

Budgets

The Park District follows these procedures in establishing the budgetary data reflected in the financial statements:

- At the August board meeting, the controller submits to the Board of Park Commissioners a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- The final budget must be adopted on or before October 1 and submitted to the county by October 10.
- Budgets are prepared on a basis which is not materially different from the modified accrual (GAAP) basis.
- The legal level of control is at the fund level.
- Formal budgetary integration is employed as a management control device during the period for the general fund and Valley Senior Services
- Encumbrance accounting is employed in governmental funds. Encumbrances lapse at the end of the year.
- Unencumbered appropriations lapse at year-end.

Cash and Cash Equivalents

Cash and cash equivalents are for the purpose of GASB Statement No. 9 include cash, demand deposits and certificates of deposit with original maturities of three months or less.

Receivables and Credit Policy

Accounts receivables are uncollateralized customer obligations due under normal terms requiring payment within 30 days from the invoice date. No allowance for uncollectible accounts has been recorded. After 30 days uncollected receivables are notified that services will no longer be provided for payment of delinquencies.

For governmental activities, should payment not be received after 180 days the account balance is turned over to a collection agency. The only receivables expected to be collected within one year are property taxes.

For business-type activities, should payment not be received after 90 days the account balance is turned over to a collection agency and the account is written-off.

Prepaid Items

Certain cash payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories

The costs of inventory items are recognized as expenditures in governmental funds when used and expenses in proprietary funds when used. The inventories are presented on an average cost basis.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental of business-type activities columns in the government-wide financial statements. Capital assets are defined by the Park District as assets with an initial, individual cost equal to or greater than \$1,000, except for business-type activities which are capitalized at an individual cost equal to or greater than \$500. Donated 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 of materially extend lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements other than building	10-20
Vehicles	3-10
Equipment	5-10
Office Equipment	5-10
Computer Equipment	3-10

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement Systems (NDPERS) and the City of Fargo Employees' Pension Plan and additions to/deductions from NDPERS and the City of Fargo Employees' Pension Plan's fiduciary net position have been determined on the same basis as they are reported by NDPERS and the City of Fargo Employees' Pension Plan. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Park District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflows of resources (revenue) until that time. The Park District has two types of items that qualify for reporting in this category. The Park District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

Compensated Absences

All regular employees are entitled to vacation time with pay based upon length of continuous service. Annual vacation leave may not be accumulated in excess of 240 hours. Upon termination, employees are compensated for unused vacation leave. As of December 31, 2017, accrued vacation was immaterial and did not exceed a normal year's accumulation.

Park District employees can accumulate up to 120 days of sick leave. Unused sick leave will not be paid on termination of employment, and cannot be used as vacation.

Accumulated unpaid vested sick leave is accrued when incurred in government-wide proprietary fund financial statements. Such amounts, other than the current portion, are not accrued in governmental funds, but are recorded in the governmental activities in the government-wide statements.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deemed to be immaterial.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Park District itself, using its highest level of decision-making authority (i.e., Board of Park Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Park District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board of Park Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Net Position

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

Note 3 - Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the Park District. At year-end, the Park District's deposits were \$2,028,022 (of which \$13,097 relates to the Valley Senior Services) and the bank balance was \$1,067,352. The bank balance is covered by federal depository insurance or by collateral held in the Park District's name.

Cash Equivalents

At year-end, the Park District's Negotiated Savings are as per the schedule below. The bank balance is covered by federal depository insurance or by collateral held in the Park District's name. The Valley Senior Services also has funds of \$149,274 held at the Fargo-Moorhead Area Foundation in an endowment fund. The Park District's (including the Component Unit) cash and investments at December 31, 2017, are as follows:

	Carrying Value	
Primary Government		
Cash		
Petty cash	\$ 4,950	
Demand Deposits and Wells Fargo - Negotiated Savings	50,879	
Starion Financial - Negotiated Savings	97,754	\$ 153,583
Investments		
First International Bank - Certificate of Deposit	10,428,041	
American Federal Bank - Certificate of Deposit	5,034,558	15,462,599
		15,616,182
Component Unit		
Cash		
Petty cash	475	
Demand deposits	585,836	
Senior Service Endowment Funds	149,274	735,585
Total		\$ 16,351,767

Investments

Statutes authorize the Park District to invest in a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. As of December 31, 2017, the Park District has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than 1 Yr.
Certificates of Deposit	\$ 15,462,599	\$ 15,462,599

Interest Rate Risk

The Park District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

North Dakota Century Code limits the type of investments that can be purchased by the Park District. The investment must have pledged collateral or be backed by the Federal Government. Examples would be U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Strips, etc.

The Park District can enter into short and long term investments. A short term will be defined as investments with a maturity of less than eighteen months. A long term will be defined as investments with a term in excess of eighteen months. All long term investments will require approval by the Finance Committee prior to purchasing the investment. The Director of Finance is responsible for selecting and purchasing short term investments.

Note 4 - Property Tax

All real estate is assessed on the current value as of February 1 of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A five percent reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1, if the first half of the taxes is not paid. Additional penalty and interest are added October 15 to those taxes which are not paid.

Taxes are collected by the Cass County Treasurer and remitted to the Park District on a monthly basis by the Cass County Auditor.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 28,369,749	\$ -	\$ -	\$ 28,369,749
Construction in progress	1,721,195	7,050,140	(5,818,852)	2,952,483
Capital assets, not being depreciated	30,090,944	7,050,140	(5,818,852)	31,322,232
Capital assets, being depreciated				
Buildings	55,241,031	3,923,469	(78,384)	59,086,116
Improvements other than buildings	32,300,559	1,839,979	(95,664)	34,044,874
Machinery and equipment	12,142,903	1,403,238	(497,500)	13,048,641
Capital assets, being depreciated	99,684,493	7,166,686	(671,548)	106,179,631
Less accumulated depreciation for:				
Buildings	(15,521,859)	(1,330,860)	39,878	(16,812,841)
Improvements other than buildings	(6,819,106)	(1,049,384)	88,989	(7,779,501)
Machinery and equipment	(7,931,963)	(775,431)	482,603	(8,224,791)
	(30,272,928)	(3,155,675)	611,470	(32,817,133)
Net capital assets, depreciated	69,411,565	4,011,011	(60,078)	73,362,498
Total capital assets, net	\$ 99,502,509	\$ 11,061,151	\$ (5,878,930)	\$ 104,684,730
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 179,401	\$ -	\$ -	\$ 179,401
Capital assets, being depreciated				
Buildings	1,283,652	-	-	1,283,652
Improvements other than buildings	5,950,034	51,432	(8,085)	5,993,381
Machinery and equipment	1,126,205	75,449	(17,309)	1,184,345
Capital assets, being depreciated	8,359,891	126,881	(25,394)	8,461,378
Less accumulated depreciation for:				
Buildings	(1,087,539)	(42,788)	-	(1,130,327)
Improvements other than buildings	(1,978,005)	(240,536)	8,085	(2,210,456)
Machinery and equipment	(600,644)	(89,913)	16,934	(673,623)
Total accumulated depreciation	(3,666,188)	(373,237)	25,019	(4,014,406)
Net capital assets, depreciated	4,693,703	(246,356)	(375)	4,446,972
Total capital assets, net	\$ 4,873,104	\$ (246,356)	\$ (375)	\$ 4,626,373

Depreciation expense for the year ended December 31, 2017 was charged to the following functions/programs:

Governmental activities	
General government	\$ 40,061
Recreation	34,635
Cultural arts	1,649
Concessions	1,317
Golf	484,348
Facilities	729,398
Neighborhood parks	1,132,817
Swimming pools	163,162
Maintenance	<u>568,288</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,155,675</u></u>
Business-type activities	
Courts Plus	<u><u>\$ 373,237</u></u>

Capital asset activity for the Valley Senior Services (Component Unit) for year ended December 31, 2017 is as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Component Unit				
Capital assets, being depreciated				
Buildings	\$ 1,159,063	\$ -	\$ -	\$ 1,159,063
Machinery and equipment	<u>769,907</u>	<u>270,885</u>	<u>(1,200)</u>	<u>1,039,592</u>
Capital assets, being depreciated	<u>1,928,970</u>	<u>270,885</u>	<u>(1,200)</u>	<u>2,198,655</u>
Less accumulated depreciation for:				
Buildings	(372,532)	(79,338)	-	(451,870)
Machinery and equipment	<u>(321,243)</u>	<u>(62,909)</u>	<u>1,070</u>	<u>(383,082)</u>
Total accumulated depreciation	<u>(693,775)</u>	<u>(142,247)</u>	<u>1,070</u>	<u>(834,952)</u>
Net capital assets, net	<u><u>\$ 1,235,195</u></u>	<u><u>\$ 128,638</u></u>	<u><u>\$ (130)</u></u>	<u><u>\$ 1,363,703</u></u>

Note 6 - Long-Term Debt

	Balance 1/1/2017	Additions	Retirements	Balance 12/31/2017	Due Within One Year
Governmental Activities:					
Notes payable	\$ 2,160,000	\$ -	\$ (325,000)	\$ 1,835,000	\$ 220,000
Capital leases payable	2,987,670	-	(269,990)	2,717,680	268,493
General obligation	22,290,000	4,595,000	(4,755,000)	22,130,000	1,360,000
Special assessments	9,689,097	2,315,198	(1,639,205)	10,365,090	1,235,475
OPEB obligations	445,613	22,329	-	467,942	-
Compensated absences	215,140	37,522	-	252,662	-
	<u>\$ 37,787,520</u>	<u>\$ 6,970,049</u>	<u>\$ (6,989,195)</u>	<u>\$ 37,768,374</u>	<u>\$ 3,083,968</u>
Business-Type Activities:					
Capital leases payable	\$ 2,346,749	\$ -	\$ (189,049)	\$ 2,157,700	\$ 193,568
OPEB obligations	75,754	9,403	-	85,157	-
Compensated absences	48,606	2,668	-	51,274	-
	<u>\$ 2,471,109</u>	<u>\$ 12,071</u>	<u>\$ (189,049)</u>	<u>\$ 2,294,131</u>	<u>\$ 193,568</u>
Component Unit:					
OPEB obligations	\$ 166,217	\$ 17,484	\$ -	\$ 183,701	\$ -
Compensated absences	59,962	13,652	-	73,614	-
	<u>\$ 226,179</u>	<u>\$ 31,136</u>	<u>\$ -</u>	<u>\$ 257,315</u>	<u>\$ -</u>

Notes Payable

Payee	Collateral	Interest Rate	Maturity Date	Final Balance 12/31/2017
Governmental Activities Fargo Public Schools	Building	4.80	05/01/24	<u>\$ 1,835,000</u>

Future maturities on notes payable:

	Principal	Interest	Total
2018	\$ 220,000	\$ 63,950	\$ 283,950
2019	245,000	52,325	297,325
2020	255,000	39,825	294,825
2021	270,000	29,400	299,400
2022	275,000	21,225	296,225
2023 - 2024	570,000	17,250	587,250
	<u>\$ 1,835,000</u>	<u>\$ 223,975</u>	<u>\$ 2,058,975</u>

Capital Leases Payable

Payee	Effective Interest Rate	Final Maturity	Balance 12/31/2017 Present Value
Governmental Activities			
US Bank - Osgood 9 hole golf course	1.61%	05/01/23	\$ 1,150,000
Kinetic Leasing, Inc., Park Maintenance Facility	4.38%	04/01/31	1,567,680
			<u>2,717,680</u>
Business-Type Activities			
Courts Plus Lease - fitness equipment, roof, and indoor playground equipment	2.39%	08/15/27	2,157,700
			<u>\$ 4,875,380</u>

Capital assets and related accumulated depreciation under capital lease are as follows:

	Governmental Activities	Business-type Activities
Land (non-depreciable)	\$ 1,715,876	\$ -
Buildings	2,280,561	3,628,183
Improvements other than building	552,338	-
Machinery and equipment	-	108,348
Less: accumulated depreciation	(765,149)	(955,073)
Total	<u>\$ 3,783,626</u>	<u>\$ 2,781,458</u>

Amortization of leased buildings, improvements other than building, machinery and equipment under capital assets is included with depreciation expense.

The present value of future minimum lease payments is as follows:

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 268,493	\$ 85,841	\$ 193,568	\$ 51,569	\$ 599,471
2019	277,150	79,878	198,194	46,943	602,165
2020	280,967	73,305	202,931	42,206	599,409
2021	289,952	66,237	207,781	37,356	601,326
2022	289,111	58,709	212,747	32,390	592,957
2023 - 2027	764,601	198,189	1,142,479	83,206	2,188,475
2028 - 2031	547,406	67,225	-	-	614,631
	<u>\$ 2,717,680</u>	<u>\$ 629,384</u>	<u>\$ 2,157,700</u>	<u>\$ 293,670</u>	<u>\$ 5,798,434</u>

General Obligation and Revenue Bonds

Issue	Date	Final Maturity Date	Interest Rates	Original Issue	Outstanding Debt 12/31/2017
Governmental Activities					
Refunding improvement - 2010-1	08/10/10	11/01/25	3.04	\$ 675,000	\$ 395,000
Refunding improvement - 2011-1	11/01/11	11/01/37	3.53	770,000	645,000
Refunding improvement 2013	09/12/13	11/01/32	3.00-4.00	955,000	805,000
Refunding improvement 2013	09/12/13	11/01/39	3.00-4.63	700,000	640,000
Refunding improvement 2014	05/01/14	05/01/39	2.31	9,760,000	8,310,000
Refunding improvement 2015	09/01/15	11/01/40	3.50	1,545,000	1,470,000
Refunding improvement 2016	09/01/16	05/01/41	2.00-3.00	5,435,000	5,270,000
Refunding improvement 2017A	10/10/17	05/01/42	3.00-3.25	1,285,000	1,285,000
Special Assessment Refunding 2017B	10/10/17	04/01/29	3.00	3,310,000	3,310,000
				<u>\$ 24,435,000</u>	<u>\$ 22,130,000</u>

Future maturities on general obligations and revenue bonds:

	Principal	Interest	Total
2018	\$ 1,360,000	\$ 660,672	\$ 2,020,672
2019	1,430,000	620,099	2,050,099
2020	1,465,000	577,577	2,042,577
2021	1,500,000	533,896	2,033,896
2022	1,520,000	489,189	2,009,189
2023 - 2027	7,340,000	1,859,929	9,199,929
2028 - 2032	3,385,000	1,215,458	4,600,458
2033 - 2037	2,405,000	868,449	3,273,449
2038 - 2042	1,725,000	375,421	2,100,421
	<u>\$ 22,130,000</u>	<u>\$ 7,200,690</u>	<u>\$ 29,330,690</u>

The Park District issued revenue bonds totaling \$1,285,000 during 2017 to fund the Urban Plains Pond project. The bond bears interest from 3.00 to 3.25% with a final maturity date of May 1, 2042.

The Park District issued general obligation special assessment refunding bonds, Series 2017B for \$3,310,000 to refund the general obligation special assessment bonds, Series 2010. The bond bears interest at 3.00% with a final maturity date of April 1, 2029. The net proceeds of \$3,543,479 (including a \$233,479 premium and after payment of \$79,739 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the general obligation special assessment bonds, Series 2010, are considered defeased and the liability for that bonds have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$90,000.

The Park District had special assessments of \$2,315,198 levied in 2017 by the City of Fargo for multiple properties added by the Park District in 2017. Specials are due at various dates through 2042.

Special Assessments

Uncertified special assessments of \$10,365,090 are due to the City of Fargo on various properties owned by the Park District. Principal and interest payments on the special assessments are recorded in the debt service fund.

Payments on notes and capital lease obligations are made from the general fund while payments on special assessments and general obligation bonds are made from the debt service fund.

OPEB Obligations

The Park District engaged an actuary to determine the Park District's liability for post-employment health care benefits other than pensions as of December 31, 2011, December 31, 2014, and again on December 31, 2017. The actuary determined the only obligation the Park District has to record is the implied subsidy portion as described in the standard.

Plan Description

All employees are allowed to participate in the Park District's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions allow the retired employee to participate in the Park District health insurance benefit at the same contribution level as current employees. The benefit is only available if the employee retires between the ages of 62 to 65. Once the employee reaches the age of 65 they are no longer eligible for the benefit.

Funding Policy

The Park District has elected to fund the plan on a pay-as-you-go method.

Annual OPEB Cost and Net OPEB Obligation

The Park District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Park District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Park District's net OPEB obligation:

	Governmental	Business-Type	Total Primary Government	Component
Normal Cost	\$ 38,423	\$ 4,427	\$ 42,850	\$ 20,594
Amortization of UAAL over 30 years	25,527	6,444	31,971	3,260
Interest on OPEB Obligation	15,597	2,651	18,248	5,817
Adjustment to ARC	<u>(24,229)</u>	<u>(4,119)</u>	<u>(28,348)</u>	<u>(9,037)</u>
Total year-end ARC	55,318	9,403	64,721	20,634
Contributions made	<u>(32,989)</u>	<u>-</u>	<u>(32,989)</u>	<u>(3,150)</u>
Increase in OPEB Obligation	22,329	9,403	31,732	17,484
Net OPEB Obligations, Beginning of Year	<u>445,613</u>	<u>75,754</u>	<u>521,367</u>	<u>166,217</u>
Net OPEB Obligation, End of Year	<u>\$ 467,942</u>	<u>\$ 85,157</u>	<u>\$ 553,099</u>	<u>\$ 183,701</u>

The Park District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the preceding fiscal years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contribution	OPEB Obligation
Primary Government	12/31/2017	\$ 64,721	51%	\$ 553,099
	12/31/2016	95,640	52%	553,099
	12/31/2015	94,563	69%	475,203
	12/31/2014	76,155	33%	446,255
	12/31/2013	63,369	14%	390,631
	12/31/2012	61,612	7%	353,200
	Component Unit	12/31/2017	20,634	15%
12/31/2016		7,816	0%	183,701
12/31/2015		6,722	0%	158,401
12/31/2014		24,745	33%	126,934
12/31/2013		20,255	25%	114,771
12/31/2012		20,020	12%	101,284

Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$670,650, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$670,650. The covered payroll (annual payroll of active employees covered by the plan) was \$5,220,425, and the ratio of the UAAL to the covered payroll was 12.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, the Projected Unit Credit (PUC) method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.90 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after 55 years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over 30 years.

Note 7 - Interfund Advances and Transfers

Total advances due to the General Fund as of December 31, 2017 was \$948,581. There is currently no formal repayment schedule.

During the year ended December 31, 2017, the General Fund transferred \$200,000 to the Courts Plus Fund for current and future planned capital projects and \$3,106,912 to the Capital Projects Fund for current and future planned capital projects.

Note 8 - Operating Leases

The Park District leases all golf carts from Yamaha Golf & Utility Vehicles. The concessions lease agreement commenced with the 2017 golf season and will terminate at the close of the 2021 golf season. Under the agreement, 37% of the gross revenue on golf carts is remitted to the lessor. Total expense for the rental of golf carts for the year ended December 31, 2017 was \$158,718. Due to the lease payment being contingent upon the renting of golf carts, there are no minimum lease payments recognized.

The Park District leases space for the Rose Creek Pro Shop from ERL, Inc. The original lease agreement commenced in 1993 and automatically renewed for another ten years January 1, 2003 and again on January 1, 2013. The lease will have another automatic renewal on January 1, 2023 unless the Park District gives notice not to renew. It is currently management's intent to renew the lease, therefore minimum lease payments are disclosed below for 2017 through 2022. The annual rent for the pro shop space is based on an escalating annual rental fee. Total annual rental expense for the pro shop for the year ended December 31, 2017 was \$41,500, with slightly higher amounts due each year during the remainder of the lease.

The Park District leases space for the Osgood Pro Shop from Osgood Investments, LLC. The original lease agreement commences in 2005 with a ten year term, and was automatically renewed on January 1, 2017. The annual rent for the pro shop space is based on a triple net lease. Minimum monthly rental expense for the pro shop for 2017 was \$3,315 with common area maintenance in addition. Total annual rental expense for the Osgood Pro Shop for the year ended December 31, 2017 was \$44,028.

The Park District leases space for Valley Senior Services from El Zagal Holding Company. The lease agreement commenced on September 1, 2015 with a ten year term. The lease has a one-time, five year option to renew at market value. The monthly rent for the building is \$2,750 for five years and then \$2,979 for the remaining five years with common area maintenance in addition. Total annual rental expense for the Valley Senior Services building for the year ended December 31, 2017 was \$55,354.

The future minimum lease payments on operating leases are as follows:

	Rose Creek Pro Shop	Osgood Pro Shop	Valley Senior Services	Total
2018	\$ 42,500	\$ 38,676	33,000	\$ 114,176
2019	43,000	38,676	33,000	114,676
2020	43,500	-	33,917	77,417
2021	44,000	-	35,750	79,750
2022	44,500	-	131,083	175,583
Thereafter	-	-	95,333	95,333
	\$ 217,500	\$ 77,352	362,083	\$ 656,935

Subsequent Event

Subsequent to December 31, 2017, the Park District purchased the Seasons building located on the property of Rose Creek Golf Course for \$1,290,000. The building was previously where the Park District had rented space for the Rose Creek Pro Shop.

Note 9 - Defined Benefit Pension Plan

The Park District of the City of Fargo provides two defined pension plans that are considered a supplemental plan. On April 1, 2008 all Park District full-time benefited employees were allowed to remain with the City of Fargo Pension Plan or enroll with the North Dakota Public Employee Retirement System. All benefited employees hired after March 31, 2008 are required to participate with North Dakota Public Employee Retirement System. Disclosures relating to these plans are as follows:

City of Fargo Pension Plan

A. Plan Description

The Park District's pension plan is a cost-sharing multiple employer public employee retirement system. The plan, the Fargo City Employees' Pension Plan, is integrated with social security and, therefore, is considered a supplemental plan. The plan administrator is the City of Fargo. All full-time Park District employees are eligible for participation in the pension plan. The payroll for the employees covered by the pension plan for the year ended December 31, 2017 was \$2,326,752.

As of January 1, 1986, participation in the plan is mandatory for new hires. Prior to this, employees were given the option to participate. As a result, not all current Park District employees are members of the pension plan.

Membership in the plan on January 1, 2016, is as follows:

Retirees and beneficiaries currently receiving pension payments	22
Terminated vested	26

B. Benefits Provided

The City of Fargo Pension plan provides retirement, disability, and death benefits. Benefit provisions are established by the City of Fargo and can only be modified by the City of Fargo.

Pension Plan Benefits

Participants are fully vested in the plan after five years of full-time employment. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin between ages 55 - 62. Non-vested participants are eligible for a full refund of the contributions plus interest at 5%. Vested participants that terminate can elect to receive a deferred vested benefit or a lump sum payment. Lump sum settlements are allowable up to age 55. Lump sum payments are computed as the greater of the actuarial value of plan assets or the “cash balance” in their plan account. The cash balance consists of the employee contributions, plus half of the employers' contribution since January 1, 1990, plus interest at 5%.

Death and Disability Benefits

Employees may be eligible for early, normal or disability retirement. The plan permits early retirements at age 55 with at least 10 years of service. Normal retirement age for full benefits is age 62.

Employee death benefits of \$20,000 are paid to a designated beneficiary for a participant who dies prior to retirement. If a participant dies after retirement, the designated beneficiary will receive a \$3,000 death benefit.

C. Contributions

Participant employees contribute to the plan at a rate of 6.5% of salary and the employers contribute at a rate of 8.0% of regular salary for all employees including non-participants. The contribution rates are established by local ordinance, and the employer contribution rate set by the Fargo City Commission. For the year ended December 31, 2017, contributions totaled \$80,004 and \$98,466 for employees and the Park District, respectively.

	Required Contributions	Percent Contributed
2017	\$ 178,470	100%
2016	121,638	100%
2015	127,173	100%
2014	136,031	100%
2013	132,534	100%

Required contributions and the percent of that amount contributed are as follows:

Detailed information about the contributions to the City of Fargo Pension Plan is available in a separately issued City of Fargo Pension Plan report.

D. Pension Costs

At December 31, 2017, the Park District reported a liability of \$1,071,680 for its proportionate share of the City of Fargo Pension Plan's net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on the Park District's contributions received by the City of Fargo Pension Plan during the measurement period for employer payroll paid dates from January 1, 2017 through December 31, 2017, relative to the total plan contributions received from the City of Fargo. At December 31, 2017 the Employer's proportion was 10.73 percent, which was an increase of 0.69 percent from December 31, 2016.

For the year ended December 31, 2017, the Park District recognized pension expense of \$75,952. At December 31, 2017, the Park District reported deferred outflows of resource 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	\$ 49,245	\$ 14,933
Changes of assumptions	8,753	115,580
Net difference between projected and actual earnings on pension plan investments	-	182,040
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,515	65,258
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 152,513</u>	<u>\$ 377,811</u>

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

Year Ended December 31:

2018	\$(33,220)
2019	(33,220)
2020	(92,677)
2021	(66,181)
2022	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.50%
Investment rate of return	7.25%, net of investment expenses
Index rate	3.31%

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2017. They are the same as the assumptions used in the December 31, 2017, funding actuarial valuation for the City of Fargo Pension Plan.

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 asset class estimates are combined to produce the portfolio long-term expected rate of return. This is accomplished by weighting the expected future real arithmetic rates of return by the current asset allocation percentage (or target allocation, if available); adjusting for the difference between arithmetic and geometric average returns; and adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2017 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	42.00%	5.58%	8.33%
International equity	16.00%	5.71%	8.46%
Emerging market equity	7.00%	6.80%	9.55%
Core Fixed Income	26.00%	2.27%	5.02%
Investment Grade Corporate Bonds	2.25%	2.56%	5.31%
High Yield Bonds	2.25%	4.50%	7.25%
Emerging Markets Debt	2.25%	4.12%	6.87%
Bank Loans	2.25%	1.63%	4.38%
Totals	100.00%		7.81%
Reduced for assumed investment expense			-0.50%
Net assumed investment return (rounded to 1/4%)			7.25%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the December 31, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of December 31, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2017.

G. Pension Liability Sensitivity

The following presents the Park District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	\$1,732,550	\$1,071,680	\$ 509,708

H. Pension Plan Fiduciary Net Position

Detailed information about the City of Fargo Pension Plan's fiduciary net position is available in a separately issued City of Fargo Pension Plan report. That report may be obtained by writing to the City of Fargo at 200 3rd St N, Fargo, North Dakota 58102; or by calling (701)-241-1333.

North Dakota Public Employee Retirement System

A. Plan Descriptions

The Park District's pension plan is a cost-sharing multiple employer public employee retirement system. The plan, the North Dakota Public Employee Retirement System (NDPERS), is integrated with social security and, therefore, is considered a supplemental plan. The plan administrator is the North Dakota Public Employee Retirement System Pension Plan. All full-time Park District employees are eligible for participation in the pension plan. The payroll for the employees covered by the pension plan for the year ended December 31, 2017 was \$3,130,157.

As of April 1, 2008, participation in the plan is mandatory for new hires. Prior to this, employees were given the option to participate. As a result, not all current Park District employees are members of the pension plan.

Membership in the plan on January 1, 2017, is as follows:

Retirees and beneficiaries currently receiving pension payments	0
Terminated vested	0

Employees may be eligible for early, normal or disability retirement. The plan permits early retirements at age 55 with at least 3 years of service. Normal retirement age for full benefits is age 65.

B. Benefits Provided

The NDPERS provides retirement, disability, and death benefits. Benefit provisions are established by NDPERS and can only be modified by NDPERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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 annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

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.

C. Contributions

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

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

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

The Park District’s contributions to the NDPERS for the year ended December 31, 2017, were \$205,380.

Required contributions and the percent of that amount contributed are as follows:

	Required Contributions	Percent Contributed
2017	\$ 226,975	100%
2016	205,380	100%
2015	177,930	100%
2014	153,676	100%
2013	124,770	100%

The plan does issue a separate Comprehensive Annual Financial Report that can be reviewed online at <https://ndpers.nd.gov/>

D. Pension Costs

At December 31, 2017, the Park District reported a liability of \$4,928,470 for its proportionate share of the NDPER’s net pension liability. The net pension liability was measured as of July 1, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on the Park District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017 the Employer's proportion was 0.306625 percent and at the beginning of the year it was 0.237186 percent.

For the year ended December 31, 2017, the Park District recognized pension expense of \$887,098. At December 31, 2017, 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	\$ 29,295	\$ 24,021
Changes of assumptions	2,021,005	111,160
Net difference between projected and actual earnings on pension plan investments	66,284	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	578,948	-
Employer contributions subsequent to the measurement date (see below)	<u>*134,893</u>	<u>-</u>
Total	<u>\$ 2,830,425</u>	<u>\$ 135,172</u>

*\$134,893 is reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2017.

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

Year Ended December 31:	
2018	\$570,734
2019	661,684
2020	592,203
2021	483,097
2022	252,642
Thereafter	-

E. Actuarial Assumptions

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

Inflation	3.50%
Salary increases	5.00% to 15.00% including inflation
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2016. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for NDPERS.

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 6.44 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

G. Pension Liability Sensitivity

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase 7.44%
Employer's proportionate share of the net pension liability	\$6,690,549	\$4,928,470	\$3,462,494

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. The report may be obtained on the internet at www.nd.gov/ndpers/employers/gasb-info.html; by writing NDPERS at 400 E Broadway Ave Suite 505, PO Box 1657, Bismarck ND 58502-1657; or by calling (701) 328-3900 or 1-800-803-7377.

Note 10 - Medical Self-Insurance

The Park District is self-insured with respect to certain employee medical costs. The Park District implemented the self-insurance medical plan January 1, 2006. Terms of the plan include a stop-loss provision which limits the Park District's liability to \$25,000 per individual or approximately \$792,265 in aggregate annually. The following is the activity for the year ended December 31, 2017:

Claims incurred but not reported at beginning of year	\$ 65,000
Claims incurred	671,404
Claims paid	(658,404)
	\$ 78,000
Claims incurred but not reported at end of year	\$ 78,000

Note 11 - Risk Management

The Park District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Park District's risk management program encompasses obtaining property and liability insurance through the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the State Bonding Fund. The Park District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the Park District in the above funds is limited to payment of premiums. At the end of the year, the Park District did not have any significant claims.

The Park District also provides workers compensation insurance on its employees through the North Dakota Workforce Safety and Insurance. At the end of the year, the Park District believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

Note 12 - Commitments

Construction

As of December 31, 2017, the Park District had commitments on multiple projects, totaling approximately \$10,948,000.

Note 13 - Joint Power Agreement with other Governmental Entities

The Park District had joint power agreements with the Fargo Public Schools for shared facilities. The Park District and School District have similar needs of facilities and have joined in the funding, maintenance and usage of facilities located in the City of Fargo. The joint power agreements provide easements to both governmental entities allowing for access and placement of capital assets. The agreements provide for shared costs of construction and maintenance, assignment of responsibility of maintenance and how the two entities will share in capital repair and replacement of the facilities covered by the joint power agreements.



Required Supplementary Information
December 31, 2017

Park District of the City of Fargo

Park District of the City of Fargo
Schedule of Funding Progress
December 31, 2017

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Governmental Activities:	1/1/2017	\$ -	\$ 488,660	488,660	0%	\$ 3,685,098	13.26%
	1/1/2014	-	836,125	836,125	0%	3,085,489	27.10%
	1/1/2011	-	400,898	400,898	0%	2,697,692	14.86%
	1/1/2008	-	664,000	664,000	0%	2,683,150	24.75%
Business-Type Activities:	1/1/2017	\$ -	\$ 40,846	40,846	0%	\$ 604,525	6.76%
	1/1/2014	-	56,476	56,476	0%	506,150	11.16%
	1/1/2011	-	54,226	54,226	0%	442,535	12.25%
	1/1/2008	-	95,000	95,000	0%	412,000	23.06%
Component Unit:	1/1/2017	\$ -	\$ 141,144	141,144	0%	\$ 930,802	15.16%
	1/1/2014	-	212,422	212,422	0%	779,532	27.25%
	1/1/2011	-	149,731	149,731	0%	681,557	21.97%
	1/1/2008	-	228,000	228,000	0%	811,640	28.09%

Note to the Schedule of Funding Progress

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The Park District implemented the standard as of January 1, 2008 and therefore there has been three valuations performed.

The Accrued Liability as of January 1, 2017 was expected to be \$670,650. The actuarial Accrued Liability is \$670,650. The difference between the actual and expected liability are due to changes in the claims cost methodology, claims and premium experience, retirement experience as well as the following actuarial assumption changes since the last actuarial valuation as of January 1, 2014:

- The discount rate was changed from 4.00% to 3.50%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capital claims costs were updated to reflect recent experience.
- Retirement rates for participants enrolled in the NDPERS pension plan were updated.
- Retirement rates for members of the City of Fargo pension plan were updated based on recent retiree experience
- Mortality projection scale was updated from MP-2014 to MP-2017 to reflect recently-published mortality improvements.
- Spouse age assumption was changed from assuming husbands are 2 years older than wives to assuming husbands are 3 years older than wives.

Since the last actuarial valuation as of January 1, 2014, the following change was made in the plan provisions:

- Retiree premiums were updated to current levels

Park District of the City of Fargo
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
 December 31, 2017

Schedule of Employer's Share of Net Pension Liability; Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
City of Fargo Pension Plan	12/31/2017	10.73%	\$ 1,071,680	\$ 2,326,752	46.1%	82.8%
City of Fargo Pension Plan	12/31/2016	10.04%	\$ 1,468,596	\$ 2,599,184	56.5%	74.1%
City of Fargo Pension Plan	12/31/2015	10.56%	\$ 1,732,437	\$ 2,730,717	63.4%	70.8%
NDPERS	6/30/2017	0.3066%	\$ 4,928,470	\$ 3,130,157	157.5%	70.5%
NDPERS	6/30/2016	0.2372%	\$ 2,311,609	\$ 2,390,278	96.7%	70.5%
NDPERS	6/30/2015	0.2224%	\$ 1,511,942	\$ 1,980,866	76.3%	77.2%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Park District will present information for those years for which it is available.

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
City of Fargo Pension Plan	12/31/2017	\$ 242,716	\$ 226,331	\$ 16,385	\$ 2,326,752	9.7%
City of Fargo Pension Plan	12/31/2016	\$ 233,338	\$ 185,188	\$ 48,150	\$ 2,599,184	7.1%
City of Fargo Pension Plan	12/31/2015	\$ 209,247	\$ 154,258	\$ 54,989	\$ 2,730,717	5.6%
NDPERS	12/31/2017	\$ 226,975	\$ 202,726	\$ 24,249	\$ 3,130,157	6.5%
NDPERS	12/31/2016	\$ 173,052	\$ 164,318	\$ 8,734	\$ 2,390,278	6.9%
NDPERS	12/31/2015	\$ 150,463	\$ 141,237	\$ 9,226	\$ 2,154,119	6.6%

For the City of Fargo Pension Plan, since the last actuarial valuation dated December 31, 2016 the following has changed:

- The mortality improvement scale was updated from MP-2016 to MP 2017 to reflect recently published longevity assumptions.

For the North Dakota Public Employee Retirement System, since the last actuarial valuation dated June 30, 2016 the following has changed:

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



Other Supplementary Information
December 31, 2017

Park District of the City of Fargo

Park District of the City of Fargo
Balance Sheet – Modified Accrual Basis
Valley Senior Services
December 31, 2017

Assets

Cash and investments	\$ 586,311
Restricted cash	149,274
Accounts receivable	226,415
Prepaid items	<u>16</u>
Total assets	<u>\$ 962,016</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 141,230
Accrued payroll	16,282
Compensated absences	<u>59,962</u>
Total liabilities	<u>217,474</u>

Fund Balance

Unassigned	<u>744,542</u>
Total liabilities and fund balance	<u>\$ 962,016</u>

Park District of the City of Fargo
 Statements of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual – Modified Accrual Basis Valley Senior Services
 December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues			
Intergovernmental revenue	\$ 3,241,097	\$ 3,238,563	\$ (2,534)
Charges for services and contributions	896,646	934,588	37,942
Interest	-	19,351	19,351
Grants, trusts and donations	20,000	26,328	6,328
Other	99,960	95,204	(4,756)
Total revenues	<u>4,257,703</u>	<u>4,314,034</u>	<u>56,331</u>
Expenditures			
Current			
Wages and salaries	2,132,641	2,399,581	(266,940)
Other	1,899,025	1,853,185	45,840
Capital	225,000	96,190	128,810
Total expenditures	<u>4,256,666</u>	<u>4,348,956</u>	<u>(92,290)</u>
Net Change in Fund Balance	<u>\$ 1,037</u>	(34,922)	<u>\$ (35,959)</u>
Fund Balance, Beginning of Year		<u>779,464</u>	
Fund Balance, End of Year		<u>\$ 744,542</u>	



Federal Awards Reports in Accordance
with the Uniform Guidance
December 31, 2017

Park District of the City of Fargo

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*..... 1

Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance..... 3

Schedule of Expenditure of Federal Awards 5

Notes to the Schedule of Expenditures of Federal Awards..... 6

Schedule of Findings and Questioned Costs..... 7



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Park Commissioners
Park District of the City of Fargo
Fargo, North Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Park District of the City of Fargo (the Park District) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements, and have issued our report thereon dated May 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Park District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 purposes.

A handwritten signature in cursive script that reads "Eide Sallee LLP".

Fargo, North Dakota
May 4, 2018



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Park Commissioners
Park District of the City of Fargo
Fargo, North Dakota

Report on Compliance for the Major Federal Program

We have audited the Park District of the City of Fargo’s (the Park District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Park District’s major federal program for the year ended December 31, 2017. The Park District’s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the Park District’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Park District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Park District’s compliance.

Opinion on the Major Federal Program

In our opinion, the Park District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Park District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Park District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Park District's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, and each major fund of the Park District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements. We issued our report thereon dated May 4, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Fargo, North Dakota
May 4, 2018

Park District of the City of Fargo
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>Department of Health and Human Services</u>			
Passed Through North Dakota State			
Department of Human Services			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	190-10143	\$ 1,132,116
Nutrition Services Incentive Program	93.053	190-09073	<u>203,944</u>
Total Department of Health and Human Services/ Total Aging Cluster			\$ 1,336,060
<u>Department of Transportation</u>			
Passed Through North Dakota State			
Department of Transportation			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	38-170-0910/ 38-018-0809	<u>194,674</u>
Total Federal Financial Assistance			<u>\$ 1,530,734</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Park District of the City of Fargo (the Organization) under programs of the federal government for the year ended December 31, 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or fund balance, or cash flows of the Park District of the City of Fargo

Note B – Summary of Significant Accounting Policies

The discretely presented component unit accounts for the Park District's federal grant activity. Expenditures reported in the schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Aging Cluster	93.045 / 93.053
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Costs

None Reported