



# West Fargo Park District

West Fargo, North Dakota

## Audit Report

For the Year Ended December 31, 2016

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

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For the Year Ended December 31, 2016

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WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

OFFICIALS  
For the Year Ended December 31, 2016

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**PARK BOARD OFFICIALS**

December 31, 2016

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



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

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

**Other Matters**

*Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, notes to the required, supplementary information, and pension schedules* on pages 28-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018 on our consideration of West Fargo Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Fargo Park Board's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 10, 2018

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

STATEMENT OF NET POSITION  
December 31, 2016

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash and Investments	\$ 3,614,758
Cash with Fiscal Agent	163,494
Intergovernmental Receivable	156,416
Accounts Receivable	47,493
Due from County	3,184
Taxes Receivable	26,055
Special Assessments Receivable	357,361
Long-Term Receivable:	
Long-Term Special Assessments Receivable	3,354,544
Capital Assets (not being depreciated):	
Land	6,326,806
Capital Assets (net of depreciation):	
Buildings	12,307,641
Equipment/Vehicles	685,233
Improvements	9,809,433
Total Capital Assets	29,129,113
Total Assets	\$ 36,852,418
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension	\$ 310,698
<b><u>LIABILITIES:</u></b>	
Accounts Payable	\$ 30,467
Salaries Payable	25,305
Encumbrance	5,910
Retainage Payable	84,154
Interest Payable	295,605
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Revenue Bonds Payable	500,000
G.O. Bond Payable	500,000
Special Assessment Bonds Payable	255,069
Capital Lease Payable	75,000
Special Assessments Payable	359,575
Compensated Absences	35,102
Portion Due or Payable After One Year:	
Revenue Bonds Payable	9,630,000
G.O. Bond Payable	1,410,000
Special Assessment Bonds Payable	3,426,970
Capital Lease Payable	240,000
Special Assessments Payable	5,767,781
Compensated Absences	140,406
Net Pension Liability	906,415
Total Liabilities	\$ 23,687,759
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension	\$ 75,549
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	\$ 6,964,718
Restricted for:	
Debt Service	4,522,977
Capital Projects	1,974,458
Culture and Recreation	35,922
Unrestricted	(98,267)
Total Net Position	\$ 13,399,808

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

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	\$ 2,016,025	\$ -	\$ -	\$ -	\$ (2,016,025)
Recreation	2,848,617	746,201	-	170,545	(1,931,871)
Interest on Long-Term Debt	773,113	-	-	-	(773,113)
<b>Total Governmental Activities</b>	<b>\$ 5,637,755</b>	<b>\$ 746,201</b>	<b>\$ -</b>	<b>\$ 170,545</b>	<b>\$ (4,721,009)</b>
<u>General Revenues:</u>					
Taxes:					
Property taxes, levied for general purposes					\$ 1,866,506
Property taxes, levied for special revenue					787
Property taxes, levied for debt service					1,447,833
State Aid Distribution					653,334
Unrestricted Investment Interest					11,640
Miscellaneous					186,265
<b>Total General Revenues</b>					<b>\$ 4,166,365</b>
<b>Change in Net Position</b>					<b>\$ (554,644)</b>
Net Position - January 1					\$ 14,579,390
Prior Period Adjustments					(624,938)
<b>Net Position - January 1, as restated</b>					<b>\$ 13,954,452</b>
<b>Net Position - December 31</b>					<b>\$ 13,399,808</b>

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

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	MAJOR FUNDS			Other Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Debt Service Funds		
<b>ASSETS</b>					
Cash and Investments	\$ 584,321	\$ 2,062,752	\$ 936,082	\$ 31,603	\$ 3,614,758
Cash with Fiscal Agent	-	1,493	162,001	-	163,494
Intergovernmental Receivables	156,416	-	-	-	156,416
Accounts Receivable	47,493	-	-	-	47,493
Due from County	1,783	-	1,401	-	3,184
Taxes Receivable	14,543	-	11,512	-	26,055
Special Assessments Receivable	-	-	357,361	-	357,361
Long-Term Special Assessments Receivable	-	-	3,354,544	-	3,354,544
<b>Total Assets</b>	<b>\$ 804,556</b>	<b>\$ 2,064,245</b>	<b>\$ 4,822,901</b>	<b>\$ 31,603</b>	<b>\$ 7,723,305</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 30,467	\$ -	\$ -	\$ -	\$ 30,467
Salaries Payable	25,305	-	-	-	25,305
Encumbrance	277	5,633	-	-	5,910
<b>Total Liabilities</b>	<b>\$ 56,049</b>	<b>\$ 5,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,682</b>
<b>Deferred Inflows of Resources:</b>					
Taxes Receivable	\$ 14,543	\$ -	\$ 11,512	\$ -	\$ 26,055
Certified Special Assessments	-	-	357,361	-	357,361
Uncertified Special Assessments	-	-	3,354,544	-	3,354,544
<b>Total Deferred Inflows of Resources</b>	<b>\$ 14,543</b>	<b>\$ -</b>	<b>\$ 3,723,417</b>	<b>\$ -</b>	<b>\$ 3,737,960</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 70,592</b>	<b>\$ 5,633</b>	<b>\$ 3,723,417</b>	<b>\$ -</b>	<b>\$ 3,799,642</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Debt Service	\$ -	\$ -	\$ 1,099,484	\$ -	\$ 1,099,484
Capital Projects	-	2,058,612	-	-	2,058,612
Culture and Recreation	-	-	-	1,934	1,934
<b>Assigned:</b>					
Capital Projects	-	-	-	29,669	29,669
<b>Unassigned:</b>					
General Fund	733,964	-	-	-	733,964
<b>Total Fund Balances</b>	<b>\$ 733,964</b>	<b>\$ 2,058,612</b>	<b>\$ 1,099,484</b>	<b>\$ 31,603</b>	<b>\$ 3,923,663</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 804,556</b>	<b>\$ 2,064,245</b>	<b>\$ 4,822,901</b>	<b>\$ 31,603</b>	<b>\$ 7,723,305</b>

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



WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2016

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Total <i>Fund Balances</i> for Governmental Funds	\$	3,923,663
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 6,326,806	
Buildings, net of accumulated depreciation	12,307,641	
Equipment/Vehicles, net of accumulated depreciation	685,233	
Improvements, net of accumulated depreciation	<u>9,809,433</u>	29,129,113

Some of the Park District's taxes and special assessments will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

Taxes Receivable	\$ 26,055	
Special Assessments Receivable	357,361	
Long-Term Special Assessments Receivable	<u>3,354,544</u>	3,737,960

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 310,698	
Deferred Inflows Related to Pensions	<u>(75,549)</u>	235,149

Long-term liabilities applicable to the Park's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position. Balances at December 31, 2016 are:

Accrued Interest on Outstanding Debt	\$ (295,605)	
Revenue Bonds Payable	(10,130,000)	
G.O Bonds Payable	(1,910,000)	
Special Assessment Bonds Payable	(3,682,039)	
Leases Payable	(315,000)	
Special Assessments Payable	(6,127,356)	
Retainage Payable	(84,154)	
Compensated Absences	(175,508)	
Net Pension Liability	<u>(906,415)</u>	<u>(23,626,077)</u>

Total Net Position of Governmental Activities	\$	<u>13,399,808</u>
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The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	MAJOR FUNDS			Other Governmental Funds	Total Governmental Funds
	General	Capital Improvements	Debt Service Funds		
<u>Revenues:</u>					
Taxes	\$ 1,861,838	\$ -	\$ 1,446,559	\$ -	\$ 3,308,397
Special Assessments	-	-	427,017	-	427,017
Charges for Services	700,845	-	-	45,356	746,201
Intergovernmental	653,334	-	-	-	653,334
Interest Income	-	11,427	213	-	11,640
Miscellaneous	169,982	-	15,083	1,200	186,265
<b>Total Revenues</b>	<b>\$ 3,385,999</b>	<b>\$ 11,427</b>	<b>\$ 1,888,872</b>	<b>\$ 46,556</b>	<b>\$ 5,332,854</b>
<u>Expenditures:</u>					
Current:					
General Government	\$ 1,996,009	\$ -	\$ -	\$ -	\$ 1,996,009
Recreation	796,664	-	96,013	72,441	965,118
Capital Outlay	-	4,306,463	905,058	-	5,211,521
Debt Service:					
Principal	75,000	165,000	1,490,272	-	1,730,272
Interest and Fiscal Charges	-	251,548	477,931	-	729,479
<b>Total Expenditures</b>	<b>\$ 2,867,673</b>	<b>\$ 4,723,011</b>	<b>\$ 2,969,274</b>	<b>\$ 72,441</b>	<b>\$ 10,632,399</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 518,326	\$ (4,711,584)	\$ (1,080,402)	\$ (25,885)	\$ (5,299,545)
<u>Other Financing Sources (Uses):</u>					
Debt Proceeds	\$ -	\$ 575,000	\$ -	\$ -	\$ 575,000
Bond Discount	-	(5,750)	-	-	(5,750)
Special Assessment Financing	-	-	814,833	-	814,833
Transfers In	11,448	4,093,672	954,874	25,686	5,085,680
Transfers Out	(612,787)	(3,874,297)	(598,596)	-	(5,085,680)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (601,339)</b>	<b>\$ 788,625</b>	<b>\$ 1,171,111</b>	<b>\$ 25,686</b>	<b>\$ 1,384,083</b>
<b>Net Change in Fund Balances</b>	<b>\$ (83,013)</b>	<b>\$ (3,922,959)</b>	<b>\$ 90,709</b>	<b>\$ (199)</b>	<b>\$ (3,915,462)</b>
Fund Balance - January 1	\$ 816,977	\$ 5,981,571	\$ 1,008,775	\$ 31,802	\$ 7,839,125
Fund Balance - December 31	\$ 733,964	\$ 2,058,612	\$ 1,099,484	\$ 31,603	\$ 3,923,663

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

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (3,915,462)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation in the audit period.

Capital Outlay	\$ 3,982,397	
Capital Contributions	170,545	
Depreciation Expense	<u>(1,056,085)</u>	3,096,857

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

Issuance of Bonds	\$ (575,000)	
Issuance of City Special Assessments	<u>(814,833)</u>	(1,389,833)

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

Repayment of Bond Principal	\$ 1,269,499	
Repayment of Loan Principal	80,000	
Repayment of Capital Lease	75,000	
Repayment of Special Assessments Principal	<u>305,772</u>	1,730,271

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

Increase in Compensated Absences	\$ (20,016)	
Decrease in Retainage Payable	273,012	
Increase in Interest Payable	<u>(37,884)</u>	215,112

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

Increase in Taxes Receivable	\$ 6,729	
Increase in Certified Special Assessments Receivable	38,649	
Decrease in Uncertified Special Assessments Receivable	<u>(295,121)</u>	<u>(249,743)</u>

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

Increase in Net Pension Liability	\$ (251,143)	
Increase in Deferred Outflows of Resources Related to Pensions	208,709	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>588</u>	<u>(41,846)</u>

Change in Net Position of Governmental Activities \$ (554,644)

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

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WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**Blended Component Unit**

West Fargo Park District Building Authority

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

**B. Basis of Presentation**

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

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

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

The park district reports the following major governmental funds:

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

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

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

### **C. Measurement Focus and Basis of Accounting**

*Government-Wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Park gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

**D. Cash, Cash Equivalents and Investments**

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

**E. Capital Assets**

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

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

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

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

**F. Compensated Absences**

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

Employees hired before January 1, 2004 can choose one of two irrevocable options for sick leave. The first option allows employees retiring from employment at age sixty-two or older to be paid 100% of accumulated sick leave not to exceed 960 hours. In addition, any employee retiring from employment whose combined total years of continuous service equals twenty-five (25) years shall be paid 100% for accumulated sick leave, not to exceed nine hundred sixty (960) hours. Sick time will not accumulate after nine hundred sixty (960) hours. The second option allows employees to accumulate unlimited hours of sick leave. Sick time in excess of nine-hundred sixty (960) hours may not be carried over into the following year. Any hours in excess of nine-hundred sixty (960) hours will be paid annually at a rate of 50%. Upon separation of employment, any employee with ten or more years of continuous service shall be paid for 50% of accumulated sick leave at time of separation.

**G. Long-Term Obligations**

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

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

**H. Pension**

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

**I. Fund Balances / Net Position**

**Fund Balance**

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

**Fund Balance Spending Policy:**

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

**Minimum Fund Balance Policy & Budget Stabilization:**

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

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

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

**WEST FARGO PARK DISTRICT**

## Notes to the Financial Statements – Continued

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

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

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

West Fargo Park District did not have any non-spendable balances reported in the balance sheet at December 31, 2016.

Restricted fund balances are reported for the debt service funds, capital projects funds, and various functions within the special revenue funds for general government and culture and recreation related to restricted tax levies, and amounts restricted by state and federal grants.



**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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Assigned fund balance is reported in the arena capital improvement fund for funds authorized by the governing board to be used on capital projects at the discretion of the Park District's management.

Unassigned fund balances are reported for the remaining portion of the general fund.

**Net Position**

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

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

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

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

**I. Interfund Transactions**

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

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

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

**NOTE 2: DEPOSITS AND INVESTMENTS**

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

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

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

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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At year ended December 31, 2016, the park district's carrying amount of deposits was \$3,778,252, and the bank balance was \$3,815,788. Of the bank balances, \$1,043,421 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2016, the park district held certificates of deposit in the amount of \$162,000, which are all considered deposits.

Concentration of Credit Risk:

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

Cash with Fiscal Agent:

Cash with fiscal agent totaling \$163,494 at December 31, 2016 is an account held for the building authority 2007 bonds and for a construction fund.

**NOTE 3: INTERGOVERNMENTAL RECEIVABLES**

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

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of money due the park district at December 31, 2016 for park arena rentals. No allowance has been established for estimated uncollectible accounts receivable.

**NOTE 5: TAXES RECEIVABLE**

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

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

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

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

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

**NOTE 6: DUE FROM COUNTY TREASURER**

Due from county treasurer represents the amount of taxes collected prior to year-end by Cass County that remain on hand at the county, until they are distributed to the park district shortly after December 31, 2016.

**NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE**

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

**NOTE 8: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE**

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

**NOTE 9: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences in actual and expected experience and district contributions made subsequent to the measurement date.

**NOTE 10: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

<b>Primary Government</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,326,806	\$ -	\$ -	\$ -	\$ 6,326,806
Construction in Progress	5,771,986	3,983,714	-	(9,755,700)	-
<b>Total Capital Asset not being depreciated</b>	<b>\$ 12,098,792</b>	<b>\$ 3,983,714</b>	<b>\$ -</b>	<b>\$ (9,755,700)</b>	<b>\$ 6,326,806</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 8,678,703	\$ -	\$ -	\$ 7,741,953	\$16,420,656
Equipment/Vehicles	2,041,238	169,227	25,600	-	2,184,865
Improvements	9,522,355	-	-	2,013,747	11,536,102
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 20,242,296</b>	<b>\$ 169,227</b>	<b>\$ 25,600</b>	<b>\$ 9,755,700</b>	<b>\$30,141,623</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 3,579,126	\$ 533,889	\$ -	\$ -	\$ 4,113,015
Equipment/Vehicles	1,396,457	128,775	25,600	-	1,499,632
Improvements	1,333,247	393,422	-	-	1,726,669
<b>Total Accumulated Depreciation</b>	<b>\$ 6,308,830</b>	<b>\$ 1,056,086</b>	<b>\$ 25,600</b>	<b>\$ -</b>	<b>\$ 7,339,316</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 13,933,466</b>	<b>\$ (886,859)</b>	<b>\$ -</b>	<b>\$ 9,755,700</b>	<b>\$22,802,307</b>
<b>Primary Government - Capital Assets, Net</b>	<b>\$ 26,032,258</b>	<b>\$ 3,096,855</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$29,129,113</b>

Depreciation expense totaling \$1,056,086 was charged to the recreation function.

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

**NOTE 11: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

**NOTE 12: SALARIES PAYABLE**

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

**NOTE 13: LONG-TERM LIABILITIES****Changes in Long-Term Liabilities:**

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

<b>Governmental Activities</b>	<b>Bal. Jan 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Revenue Bonds	\$ 10,045,000	\$ 575,000	\$ 490,000	\$ 10,130,000	\$ 500,000
G.O. Bonds	2,435,000	-	525,000	1,910,000	500,000
Special Assmt. Bonds	3,936,539	-	254,500	3,682,039	255,069
Leases Payable	390,000	-	75,000	315,000	75,000
Special Assessments. Payable	5,618,295	814,833	305,772	6,127,356	359,575
Compensated Absences *	155,492	20,016	-	175,508	35,102
Net Pension Liability*	655,272	251,143	-	906,415	-
<b>Total</b>	<b>\$ 23,315,598</b>	<b>\$ 1,660,992</b>	<b>\$ 1,730,272</b>	<b>\$ 23,246,318</b>	<b>\$ 1,724,746</b>

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

Outstanding debt (excluding compensated absences and net pension liability) at December 31, 2016 consists of the following issues:

**Revenue Bonds:**

\$2,590,000 Building Authority 2013 Lease Revenue Bond, due in annual installments of \$105,000 to \$185,000 through 2033; with interest at 3.0% to 4.75%.	\$ 2,305,000
\$575,000 Building Authority 2016 Lease Revenue Refunding Bonds, due in annual installments of \$25,000 to \$30,000 through 20; with interest at 2.0% to 3.75%.	575,000
\$1,620,000 Building Authority 2012 Lease Revenue Refunding Bonds, due in annual installments of \$225,000 to \$510,000 through 2018; with interest at 1.35% to 1.5%.	735,000
\$6,680,000 Lease Revenue Refunding Bonds Series 2016, due in annual installments of \$170,000 to \$795,000 through 2040; with interest at 3% to 4%.	<u>6,515,000</u>
<b>Total Revenue Bonds Payable</b>	<b>\$ 10,130,000</b>

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

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**General Obligation Bonds:**

\$1,760,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2009, due in annual installments of \$40,000 to \$130,000 through 2022; with interest at 3.00% to 3.65%.	\$ 520,000
\$2,555,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2014, due in annual installments of \$310,000 to \$370,000 through 2020; with interest at 1.45% to 2.0%.	<u>1,390,000</u>
Total G.O. Bonds Payable	<u>\$ 1,910,000</u>

**Special Assessment Bonds:**

\$112,000 Refunding Improvement Bond of 2003, due in annual installments of \$7,000 to \$14,000 through 2018; with interest at 3.8%.	\$ 21,000
\$170,000 Park District Improvement Warrant of 2007 due in annual installments of \$11,000 to \$12,000 through 2022; with interest at 5.0%.	71,000
\$185,000 Park District Improvement Warrant of 2008 due in annual installments of \$10,957 to \$16,925 through 2024; with interest at 4.95%.	115,039
\$1,605,000 Park District Improvement Warrant of 2012 due in annual installments of \$95,000 to \$135,000 through 2024; with interest at 1.5% to 3.05%.	1,055,000
\$1,000,000 Refunding Improvement Bonds of 2012 due in annual installments of \$20,000 to \$120,000 through 2032; with interest at 0.8% to 3.15%.	920,000
\$1,580,000 Refunding Improvement Bonds of 2014 due in annual installments of \$75,000 to \$80,000 through 2035; with interest at .09% to 4.0%.	<u>1,500,000</u>
Total Special Assessment Bonds	<u>\$ 3,682,039</u>

**Special Assessments Payable:**

Special Assessments Payable to the park district represents special assessment taxes levied against the park district for the district's share of the benefit derived from city-funded improvements. Payable in annual installments of \$16,436 to \$337,855 through 2038; with various interest rates.	<u>\$ 6,127,356</u>
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**Lease Payable:**

\$765,000 Capital Lease from Red River Valley Fair Association for a Soccer Subdivision. Payments of \$75,000 are due annually through 2020 and one payment of \$15,000 due in 2021. No interest is accrued.	<u>\$ 315,000</u>
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**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

The annual requirements to amortize the outstanding debt (excluding compensated absences and net pension liability) are as follows:

Year Ending December 31	Revenue Bonds		G.O. Bonds		Special Assmt. Bonds		Spec. Assmt. Payable		Leases Pay.
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2017	\$ 500,000	\$ 362,060	\$ 500,000	\$ 37,548	\$ 255,069	\$ 104,301	\$ 337,844	\$ 243,167	\$ 75,000
2018	820,000	349,079	485,000	26,422	258,666	99,398	337,844	248,694	75,000
2019	315,000	334,304	445,000	16,676	235,293	94,100	337,855	233,942	75,000
2020	330,000	322,979	390,000	7,845	230,951	88,996	337,828	219,190	75,000
2021	345,000	310,579	50,000	2,373	231,641	83,210	300,624	204,438	15,000
2022 - 2026	1,895,000	1,356,108	40,000	730	1,060,419	319,918	1,404,439	830,692	-
2027 - 2031	2,245,000	976,034	-	-	990,000	166,097	1,327,113	543,910	-
2032 - 2036	2,120,000	508,644	-	-	420,000	25,890	1,232,533	268,210	-
2037 - 2041	1,560,000	125,962	-	-	-	-	511,276	47,359	-
Total	\$10,130,000	\$ 4,645,749	\$1,910,000	\$ 91,594	\$ 3,682,039	\$ 981,910	\$ 6,127,356	\$ 2,839,602	\$ 315,000

**NOTE 14: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt (bonds, leases, loans, and special assessments) outstanding at December 31, 2016.

**NOTE 15: DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pensions for the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions.

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

**NOTE 16: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The West Fargo Park District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability and \$1,227,462 for public asset coverage.

The West Fargo Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The West Fargo Park District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$1,200,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

## WEST FARGO PARK DISTRICT

### Notes to the Financial Statements – Continued

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

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

#### NOTE 17: PENSION PLAN

##### **General Information about the NDPERS Pension Plan**

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

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

##### **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 monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

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

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

**WEST FARGO PARK DISTRICT**

## Notes to the Financial Statements – Continued

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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

At December 31, 2016, the West Fargo Park District reported a liability of \$906,415 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Employer's proportion was .093004 percent, which was a decrease of .003362 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$117,971. At December 31, 2016, the Employer 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	\$ 13,616	\$ 8,393
Changes of Assumptions	83,560	45,031
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	8,860	22,125
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	126,458	-
District Contributions Subsequent to the Measurement	78,204	-
<b>Total</b>	<b>\$ 310,698</b>	<b>\$ 75,549</b>



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

\$78,204 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 the 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.

2017	\$	28,341
2018		28,341
2019		55,927
2020		34,977
2021		9,359
Thereafter		-

**Actuarial Assumptions**

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, 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%.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
District's Proportionate Share of the Net Pension Liability	\$ 1,285,732	\$ 906,415	\$ 586,820

**Pension Plan Fiduciary Net Position**

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

**NOTE 18: TRANSFERS**

The park district made the following transfers in 2016:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 11,448	\$ 612,787
Capital Improvement Fund	4,093,672	3,874,297
Debt Service Fund	954,874	598,596
<b>Non-Major Funds:</b>		
Arena Capital Improvements	25,686	-
<b>Total Transfers</b>	<b>\$ 5,085,680</b>	<b>\$ 5,085,680</b>

**NOTE 19: COMMITMENTS**

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

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Total Balance</b>	<b>Contract Remaining</b>
<b>Rustad Center</b>					
Meinecke-Johnson	\$ 5,779,755	\$ 5,779,755	\$ 20,000	\$ 20,000	\$ 20,000
Scott's Electric	628,792	628,792	64,154	64,154	64,154
Peterson Mechanical	716,120	716,120	-	-	-
<b>Total Construction in Progress</b>	<b>\$ 7,124,667</b>	<b>\$ 7,124,667</b>	<b>\$ 84,154</b>	<b>\$ 84,154</b>	<b>\$ 84,154</b>

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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Retainages payable of \$84,154 is reported in the government wide statements for the projects as noted above.

**NOTE 20: PRIOR PERIOD ADJUSTMENT**

There was a prior period adjustment to restate the January 1, 2016 beginning net position to correct errors in special assessments payable.

The effect of the prior period adjustments to beginning net position for the errors in special assessments is as follows:

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 14,579,390
Adjustments to restate the January 1, 2016 Net position:	
Special Assessments Payable adjustment	(624,938)
Net Position January 1, 2016, as restated	\$ 13,954,452

**NOTE 21: SUBSEQUENT EVENT**

The Park District issued General Obligation Special Assessment bonds in the amount of \$6,995,000 to pay off special assessment to the City of West Fargo. Additionally, the park district issued Refunding Improvement Bonds in the amount of \$410,000 for park improvements.

**NOTE 22: TAX ABATEMENTS**

Certain political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. West Fargo Park District and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

West Fargo Park District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

**New and Expanding Business:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the West Fargo Park District Commission will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city/county services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City/County?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 80%, Year 3 — 60%, Year 4 — 40%, Year 5 — 20%.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$19,946

**Public Charity Exemption:**

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption Criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$463

**Single Family Residence:**

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all of the following conditions are met:

- a. The governing body of the city/county, for property within city/county limits, or the governing body of the county, for property outside city/county limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2016 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$123,417

**Commercial and Residential:**

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-02.2-03) and the guidelines stated below. The following criteria are only guidelines.

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**WEST FARGO PARK DISTRICT**

Notes to the Financial Statements – Continued

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Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city and county, for property within city limits and by the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city and county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city and county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$1,831

**Childhood Services Exemption**

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

2016 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$1,818

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,900,250	\$ 1,900,250	\$ 1,861,838	\$ (38,412)
Charges for Services	625,000	625,000	700,845	75,845
Intergovernmental	900,000	900,000	653,334	(246,666)
Miscellaneous	123,000	123,000	169,982	46,982
Total Revenues	<u>\$ 3,548,250</u>	<u>\$ 3,548,250</u>	<u>\$ 3,385,999</u>	<u>\$ (162,251)</u>
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,038,000	\$ 2,038,000	\$ 1,996,009	\$ 41,991
Recreation	803,000	803,000	796,664	6,336
Debt Service:				
Principal	75,000	75,000	75,000	-
Total Expenditures	<u>\$ 2,916,000</u>	<u>\$ 2,916,000</u>	<u>\$ 2,867,673</u>	<u>\$ 48,327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 632,250</u>	<u>\$ 632,250</u>	<u>\$ 518,326</u>	<u>\$ (113,924)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 11,448	\$ 11,448
Transfers Out	(234,000)	(434,828)	(612,787)	(177,959)
Total Other Financing Sources (Uses)	<u>(234,000)</u>	<u>\$ (434,828)</u>	<u>\$ (601,339)</u>	<u>\$ (166,511)</u>
Net Change in Fund Balances	<u>\$ 398,250</u>	<u>\$ 197,422</u>	<u>\$ (83,013)</u>	<u>\$ (280,435)</u>
Fund Balances - January 1	<u>\$ 816,977</u>	<u>\$ 816,977</u>	<u>\$ 816,977</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,215,227</u>	<u>\$ 1,014,399</u>	<u>\$ 733,964</u>	<u>\$ (280,435)</u>

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

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

PENSION SCHEDULES  
For the Year Ended December 31, 2016

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.093004%	0.096366%	0.093924%
District's proportionate share of the net pension liability (asset)	\$ 906,415	\$ 655,272	\$ 596,156
District's covered-employee payroll	\$ 937,258	\$ 858,506	\$ 791,187
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 67,856	\$ 65,210	\$ 56,333
Contributions in relation to the statutorily required contribution	\$ (65,891)	\$ (60,499)	\$ (56,333)
Contribution deficiency (excess)	\$ 1,965	\$ 4,711	\$ -
District's covered-employee payroll	\$ 937,258	\$ 858,506	\$ 791,187
Contributions as a percentage of covered-employee payroll	7.03%	7.60%	7.12%

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

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

Annual budgets are prepared by the Business Manager and are adopted by the governing board on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. Budgetary comparison schedules are presented for the general fund and any major special revenue funds.

- The park board adopts an “appropriated budget” on the modified accrual basis of accounting.
- Annually on or before September tenth, the park district prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund, each special revenue fund of the park district.
- The park board shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the park board shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied.
- After the budget hearing and on or before October 7th, the park board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- Each budget is controlled by the park district business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

**NOTE 2: BUDGET AMENDMENTS**

BUDGET AMENDMENTS

The park board amended the budget for 2016 as follows:

	<b>EXPENDITURES/TRANSFERS OUT</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<u>Major Funds:</u>			
General Fund	\$ 3,225,000	\$ 200,829	\$ 3,425,829
Capital Projects	3,772,100	1,330,374	5,102,474
Debt Service	1,249,040	227,512	1,476,552
<u>Non-Major Fund:</u>			
Arena Capital Improvement	25,000	319	25,319
Sponsorship	20,000	27,122	47,122



**WEST FARGO PARK DISTRICT**

Notes to the Required Supplementary Information - Continued

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**NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS**

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2016 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.

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2016

	Balance 1-1-16	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-16
<b>Major Fund:</b>							
General Fund	\$ 577,655.53	\$ 3,420,770.43	\$ 11,447.67	\$ -	\$ 601,338.98	\$ 2,824,489.76	\$ 584,044.89
<b>Capital Improvements Funds (Major):</b>							
Capital Improvements	\$ 1,153,246.48	\$ 10,862.45	\$ -	\$ -	\$ -	\$ 71,862.40	\$ 1,092,246.53
Shadow Wood 5th	10,341.15	-	-	-	-	-	10,341.15
Park Dedication Fund/Rustad Rec Center	978,924.20	-	4,093,672.29	-	168,000.50	4,908,418.67	(3,822.68)
Brooks Harbor	229,569.13	-	-	-	29,569.13	-	200,000.00
Oak Ridge	123,169.75	-	-	-	-	-	123,169.75
Eagelwood 2nd	244,031.93	-	-	-	-	-	244,031.93
The Wilds	11,361.88	-	-	-	-	-	11,361.88
West Creek	22,558.65	-	-	-	-	-	22,558.65
Butlers 8th	54,652.00	-	-	-	-	-	54,652.00
Christianson	132,055.04	-	-	-	32,055.04	-	100,000.00
Heritage Square	151,472.15	-	-	-	-	-	151,472.15
Golden Wood	(484,286.12)	-	-	569,250.00	-	33,855.64	51,108.24
Bond 44-12-117	3,645,610.83	564.09	-	-	3,644,672.29	10.09	1,492.54
<b>Total Capital Improvement Funds</b>	<b>\$ 6,272,707.07</b>	<b>\$ 11,426.54</b>	<b>\$ 4,093,672.29</b>	<b>\$ 569,250.00</b>	<b>\$ 3,874,296.96</b>	<b>\$ 5,014,146.80</b>	<b>\$ 2,058,612.14</b>
<b>Debt Service Funds (Major):</b>							
Share of Specials	\$ 75,322.99	\$ 391,923.37	344,624.67	\$ -	\$ -	\$ 596,310.32	\$ 215,560.71
Share of Special Assessments: Refi of 09	1,299.09	131,417.98	35,000.00	-	-	165,668.50	2,048.57
Share of Special Assessments: Refi of 13	8,698.44	373,132.51	30,000.00	-	-	410,838.00	992.95
Recreation Fund	14,351.88	551,310.61	-	-	550,000.00	8,008.58	7,653.91
2012 Revenue Bonds	558,143.46	83.36	236,000.00	-	-	236,756.79	557,470.03
2011 Improvement Bond	20,880.01	-	60,652.98	-	-	81,532.99	-
2013 Lease Revenue Bond	29,885.53	15,000.00	200,000.00	-	-	201,250.86	43,634.67
40th Avenue Special Assess.	9,077.25	4,898.64	-	-	-	7,931.00	6,044.89
Burlington Park Special Assess.	3,401.30	14,750.59	-	-	-	14,825.37	3,326.52
Shadow Wood Special Assess.	21,118.24	14,191.49	-	-	-	17,763.14	17,546.59
Special Assessments; Maple Ridge II	(578.94)	26,180.82	-	-	-	26,983.06	(1,381.18)
Special Assessments; Shadow Wood II	453.93	158,590.68	48,595.92	-	-	173,799.94	33,840.59
Special Assessments; Shadow Wood 12	(70,927.54)	119,523.46	-	-	48,595.92	-	-
Special Assessments; River Bend 14	180,019.47	88,881.06	-	-	-	219,557.11	49,343.42
Building Authority 2007 Reserve	162,000.20	208.11	-	-	-	208.21	162,000.10
Bond 44-10-605	1.63	4.49	-	-	-	5.14	0.98
<b>Total Debt Service Funds</b>	<b>\$ 1,013,146.94</b>	<b>\$ 1,890,097.17</b>	<b>\$ 954,873.57</b>	<b>\$ -</b>	<b>\$ 598,595.92</b>	<b>\$ 2,161,439.01</b>	<b>\$ 1,098,082.75</b>
<b>Total Major Funds</b>	<b>\$ 7,863,509.54</b>	<b>\$ 5,322,294.14</b>	<b>\$ 5,059,993.53</b>	<b>\$ 569,250.00</b>	<b>\$ 5,074,231.86</b>	<b>\$ 10,000,075.57</b>	<b>\$ 3,740,739.78</b>
<b>Special Revenue Funds (Nonmajor):</b>							
Social Security	\$ 11,447.67	\$ -	\$ -	\$ -	\$ 11,447.67	\$ -	\$ -
Arena Capital Improvements	21,802.33	7,500.00	25,686.00	-	-	25,319.00	29,669.33
Sponsorship	10,000.00	37,854.98	-	-	-	47,121.79	733.19
Young Field	-	1,200.00	-	-	-	-	1,200.00
<b>Total Nonmajor Special Revenue Funds</b>	<b>\$ 43,250.00</b>	<b>\$ 46,554.98</b>	<b>\$ 25,686.00</b>	<b>\$ -</b>	<b>\$ 11,447.67</b>	<b>\$ 72,440.79</b>	<b>\$ 31,602.52</b>
<b>Total - All Funds</b>	<b>\$ 7,906,759.54</b>	<b>\$ 5,368,849.12</b>	<b>\$ 5,085,679.53</b>	<b>\$ 569,250.00</b>	<b>\$ 5,085,679.53</b>	<b>\$ 10,072,516.36</b>	<b>\$ 3,772,342.30</b>



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise West Fargo Park District's basic financial statements, and have issued our report thereon dated January 10, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2016-001].

**Compliance and Other Matters**

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

**WEST FARGO PARK DISTRICT**

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

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**West Fargo Park District's Response to Findings**

West Fargo Park District's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. West Fargo Park District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
January 10, 2018

WEST FARGO PARK DISTRICT  
West Fargo, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

**Section I - Summary of Auditor's Results**

Financial Statements

Type of Auditor's Reports Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified	<u>  X  </u> Yes	<u>      </u> No
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Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> No
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Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No
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**Section II - Financial Statement Findings**

**2016-001 – Lack of Segregation of Duties**

**Condition:**

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

**Effect:**

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

**Cause:**

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

**Criteria:**

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

**Recommendation:**

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

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

**Views of Responsible Officials:**

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

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

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

(701) 328-2220