



West Fargo Park District

West Fargo, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

WEST FARGO PARK DISTRICT

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WEST FARGO PARK DISTRICT

Park District Officials and Audit Personnel
December 31, 2017

PARK BOARD OFFICIALS

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

AUDIT PERSONNEL

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

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



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

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

INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the West Fargo Park District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the West Fargo Park District, West Fargo, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the West Fargo Park District has restated the prior period financial statements due to new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. The prior period financial statements have also been restated due to adjustments to correct the balance of Special Assessments Payable. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019 on our consideration of the Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Fargo Park Board's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 5, 2019

WEST FARGO PARK DISTRICT

Statement of Net Position

December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 3,777,742
Cash with Fiscal Agent	2,464,709
Intergovernmental Receivable	172,274
Accounts Receivable	58,937
Due from County	7,845
Taxes Receivable	36,044
Special Assessments Receivable	4,178,007
Capital Assets, Net	<u>29,497,989</u>
Total Assets	<u>\$ 40,193,547</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 912,337</u>
LIABILITIES	
Accounts Payable	\$ 20,850
Salaries Payable	64,710
Encumbrance	5,910
Retainage Payable	39,601
Interest Payable	308,046
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	2,438,551
Compensated Absences Payable	34,385
Due After One Year	
Long-Term Debt	26,979,724
Compensated Absences Payable	137,542
Net Pension & OPEB Liability	<u>1,784,670</u>
Total Liabilities	<u>\$ 31,813,989</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 69,818</u>
NET POSITION	
Net Investment in Capital Assets	\$ 40,113
Restricted	
Debt Service	4,889,268
Capital Projects	4,510,706
Culture and Recreation	117,540
Unrestricted	<u>(335,550)</u>
Total Net Position	<u>\$ 9,222,077</u>

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

WEST FARGO PARK DISTRICT

Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					Governmental Activities
General Government	\$ 2,118,306	\$ -	\$ -	\$ -	\$ (2,118,306)
Recreation	4,704,181	1,420,206	564,191	1,139,311	(1,580,473)
Other	68,980	-	-	-	(68,980)
Interest on Long-Term Debt	862,382	-	-	-	(862,382)
Total Governmental Activities	\$ 7,753,849	\$1,420,206	\$ 564,191	\$ 1,139,311	\$ (4,630,141)
General Revenues					
Property Taxes					\$ 3,589,710
Unrestricted Grants and Contributions					660,238
Unrestricted Investment Earnings					14,176
Miscellaneous Revenue					<u>258,597</u>
Total General Revenues					<u>\$ 4,522,721</u>
Change in Net Position					<u>\$ (107,420)</u>
Net Position - January 1					<u>\$ 13,399,808</u>
Prior Period Adjustments					<u>\$ (4,070,311)</u>
Net Position - January 1, as Restated					<u>\$ 9,329,497</u>
Net Position - December 31					<u><u>\$ 9,222,077</u></u>

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

WEST FARGO PARK DISTRICT

Balance Sheet – Governmental Funds

December 31, 2017

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 608,784	\$ 2,213,631	\$ 837,787	\$ 117,540	\$ 3,777,742
Cash with Fiscal Agent	-	2,302,708	162,001	-	2,464,709
Intergovernmental Receivables	172,274	-	-	-	172,274
Accounts Receivable	58,937	-	-	-	58,937
Due from County	4,349	-	3,496	-	7,845
Taxes Receivable	20,021	-	16,023	-	36,044
Special Assessments Receivable	-	-	4,178,007	-	4,178,007
Total Assets	\$ 864,365	\$ 4,516,339	\$ 5,197,314	\$ 117,540	\$ 10,695,558
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 20,850	\$ -	\$ -	\$ -	\$ 20,850
Salaries Payable	64,710	-	-	-	64,710
Encumbrance	277	5,633	-	-	5,910
Total Liabilities	\$ 85,837	\$ 5,633	\$ -	\$ -	\$ 91,470
Deferred Inflows of Resources					
Taxes Receivable	\$ 20,021	\$ -	\$ 16,023	\$ -	\$ 36,044
Certified Special Assessments	-	-	4,178,007	-	4,178,007
Total Deferred Inflows of Resources	\$ 20,021	\$ -	\$ 4,194,030	\$ -	\$ 4,214,051
Total Liabilities and Deferred Inflows of Resources	\$ 105,858	\$ 5,633	\$ 4,194,030	\$ -	\$ 4,305,521
Fund Balances					
Restricted					
Debt Service	\$ -	\$ -	\$ 1,003,284	\$ -	\$ 1,003,284
Capital Projects	-	4,510,706	-	-	4,510,706
Culture and Recreation	-	-	-	1,311	1,311
Assigned					
Capital Projects	-	-	-	116,229	116,229
Unassigned					
General Fund	758,507	-	-	-	758,507
Total Fund Balances	\$ 758,507	\$ 4,510,706	\$ 1,003,284	\$ 117,540	\$ 6,390,037
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 864,365	\$ 4,516,339	\$ 5,197,314	\$ 117,540	\$ 10,695,558

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

WEST FARGO PARK DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2017

Total Fund Balances - Governmental Funds		\$ 6,390,037
<p>Total <i>net position</i> reported for government activities in the statement of net position is different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		29,497,989
<p>Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.</p>		
Property Taxes Receivable	\$ 36,044	
Special Assessments Receivable	<u>4,178,007</u>	4,214,051
<p>Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Deferred Outflows Related to Pensions & OPEB	\$ 912,337	
Deferred Inflows Related to Pensions & OPEB	<u>(69,818)</u>	842,519
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>		
Long-Term Debt	\$ (29,418,275)	
Interest Payable	(308,046)	
Retainage Payable	(39,601)	
Compensated Absences Payable	(171,927)	
Net Pension and OPEB Liability	<u>(1,784,670)</u>	<u>(31,722,519)</u>
Total Net Position of Governmental Activities		<u>\$ 9,222,077</u>

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

WEST FARGO PARK DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended December 31, 2017

	General Fund	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,986,914	\$ -	\$ 1,592,807	\$ -	\$ 3,579,721
Special Assessments	-	-	673,209	-	673,209
Charges for Services	939,159	-	-	133,848	1,073,007
Intergovernmental	660,238	75,000	-	489,191	1,224,429
Interest Income	-	13,925	251	-	14,176
In Lieu of Dedication	-	347,199	-	-	347,199
Miscellaneous	4,174	-	251,373	3,050	258,597
Total Revenues	\$ 3,590,485	\$ 436,124	\$ 2,517,640	\$ 626,089	\$ 7,170,338
EXPENDITURES					
Current					
General Government	\$ 2,121,887	\$ -	\$ -	\$ -	\$ 2,121,887
Recreation	968,691	-	-	680,516	1,649,207
Capital Outlay	-	976,587	919,943	-	1,896,530
Other	-	-	68,980	-	68,980
Debt Service					
Principal	75,000	170,000	7,861,918	-	8,106,918
Interest and Fiscal Charges	-	262,097	438,852	-	700,949
Total Expenditures	\$ 3,165,578	\$ 1,408,684	\$ 9,289,693	\$ 680,516	\$ 14,544,471
Excess (Deficiency) of Revenues Over Expenditures	\$ 424,907	\$ (972,560)	\$ (6,772,053)	\$ (54,427)	\$ (7,374,133)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ 2,875,000	\$ 6,995,000	\$ -	\$ 9,870,000
Bond Premium and Costs	-	(704)	(28,789)	-	(29,493)
Transfers In	-	789,931	459,642	210,269	1,459,842
Transfers Out	(400,364)	(239,573)	(750,000)	(69,905)	(1,459,842)
Total Other Financing Sources and Uses	\$ (400,364)	\$ 3,424,654	\$ 6,675,853	\$ 140,364	\$ 9,840,507
Net Change in Fund Balances	\$ 24,543	\$ 2,452,094	\$ (96,200)	\$ 85,937	\$ 2,466,374
Fund Balance - January 1	\$ 733,964	\$ 2,058,612	\$ 1,099,484	\$ 31,603	\$ 3,923,663
Fund Balance - December 31	\$ 758,507	\$ 4,510,706	\$ 1,003,284	\$ 117,540	\$ 6,390,037

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

WEST FARGO PARK DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 2,466,374

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.

Current Year Capital Outlay	\$ 305,999	
Current Year Capital Contribution	1,139,311	
Current Year Depreciation	<u>(1,076,435)</u>	368,875

The proceeds of debt issuances are reported as other financing sources in governmental funds and contribute to change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities.

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

Issuance of Debt	\$ (9,995,407)	
Special Assessment Financing	(1,380,486)	
Repayment of Debt	<u>8,106,919</u>	(3,268,974)

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

5,908

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

Decrease in Compensated Absences	\$ 3,581	
Decrease in Interest Payable	44,553	
Increase in Retainage Payable	<u>(12,441)</u>	35,693

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

Net Change in Taxes receivable	\$ 9,989	
Net Change in Special Assessments Receivable	<u>466,102</u>	476,091

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

Net Change in Net Pension and OPEB Liability	\$ (798,757)	
Net Change in Deferred Outflows of Resources Related to Pensions	601,639	
Net Change in Deferred Inflows of Resources Related to Pensions	<u>5,731</u>	<u>(191,387)</u>

Change in Net Position of Governmental Activities \$ (107,420)

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Blended Component Unit

West Fargo Park District Building Authority -The West Fargo Park District Building Authority serves only the Park District. The Park District board also serves as the board of the building authority. The primary purpose is to issue bonds for improvements of existing buildings and/or construction of new park building/recreation areas in which specials won't be assessed to finance these projects. In recent years, another significant purpose of the building authority was to issue bonds for improvements of the 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 about the financial activities of the Park District 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 direct expenses and program revenues for the function of the Park District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, interest and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements: 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 District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus 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. Non-exchange transactions, in which the Park District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-30
Equipment/Vehicles	5-20
Improvements	10-30

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

F. Compensated Absences

Vacation leave is earned by Park District employees at the rate of four to sixteen hours per month depending on years of service. Up to 30 days of vacation leave may be carried over at each year-end. Sick leave benefits are earned by full-time employees at the rate of eight hours per month regardless of the years of service. Employees hired before January 1, 2004 can choose one of two irrevocable options for sick leave. The first option allows employees retiring from employment at age sixty-two or older to be paid 100% of accumulated sick leave, not to exceed 960 hours. In addition, any employee retiring from employment whose combined total years of continuous service equals twenty-five (25) years shall be paid 100% for accumulated sick leave, not to exceed nine hundred sixty (960) hours. Sick time will not accumulate after nine hundred sixty (960) hours. The second option allows employees to accumulate unlimited hours of sick leave. Sick time in excess of nine-hundred sixty (960) hours may not be carried over into the following year. Any hours in excess of nine-hundred sixty (960) hours will be paid annually at a rate of 50%. Upon separation of employment, any employee with ten or more years of continuous service shall be paid for 50% of accumulated sick leave at time of separation. Employees hired after January 1, 2004 are subject to the second option.

G. Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount and 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. Other Post-Employment Benefits (OPEB)

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

J. Net Position

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

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.

Restriction net position shown in the net position statement are due to restricted tax levies and restricted federal and state grants/reimbursements.

Unrestricted net position is the portion of net position that is not restricted or reported as net investment in capital assets.

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

J. Fund Balances

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

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

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

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

K. Interfund Transactions

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

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

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

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2017 has been restated for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position of the Park District, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

There was also a prior period adjustment to restate the January 1, 2017 beginning net position to correct errors in special assessments payable.

The effect of the prior period adjustments to beginning net position is as follows:

Beginning Net Position, as previously reported	\$ 13,399,808
Adjustments to restate the January 1, 2017 Net Position	
Net OPEB Liability	(79,498)
Special Assessments Payable adjustment	(3,990,813)
Net Position January 1, 2017, as restated	\$ 9,329,497

NOTE 3: DEPOSITS AND INVESTMENTS

Credit Risk

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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

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

At year ended December 31, 2017, the Park District's carrying amount of deposits was \$6,242,451 and the bank balances were \$6,451,693. Of the bank balances, \$3,464,709 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Park District does not have a formal deposit policy that limits maturities as a means of managing exposure to potential fair value losses arising from increasing interest rates.

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, 2017, the Park District had \$162,000 in certificates of deposit.

NOTE 4: PROPERTY TAXES

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the primary government:

	Balance Jan 1	Increases	Decreases	Balance Dec 31
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 6,326,806	\$ -	\$ -	\$ 6,326,806
Construction in Progress	-	797,678	-	797,678
Total Capital Asset not being depreciated	\$ 6,326,806	\$ 797,678	\$ -	\$ 7,124,484
<i>Capital Assets, Being Depreciated</i>				
Buildings	\$ 16,420,656	\$ -	\$ -	\$ 16,420,656
Equipment/Vehicles	2,184,865	36,531	-	2,221,396
Improvements	11,536,102	611,102	-	12,147,204
Total Capital Assets, Being Depreciated	\$ 30,141,623	\$ 647,633	\$ -	\$ 30,789,256
<i>Less Accumulated Depreciation</i>				
Buildings	\$ 4,113,014	\$ 533,888	\$ -	\$ 4,646,902
Equipment/Vehicles	1,499,632	127,832	-	1,627,464
Improvements	1,726,670	414,715	-	2,141,385
Total Accumulated Depreciation	\$ 7,339,316	\$ 1,076,435	\$ -	\$ 8,415,751
Total Capital Assets Being Depreciated, Net	\$ 22,802,307	\$ (428,802)	\$ -	\$ 22,373,505
Capital Assets, Net	\$ 29,129,113	\$ 368,876	\$ -	\$ 29,497,989

Depreciation expense was charged to the recreation function.

NOTE 6: LONG-TERM LIABILITIES

During the year ended December 31, 2017; the following changes occurred in long-term liabilities for the primary government:

	Bal. Jan 1 Restated	Increases	Decreases	Balance Dec 31	Due Within One Year
<i>Long-Term Debt</i>					
Revenue Bonds	\$ 10,130,000	\$ 2,465,000	\$ 500,000	\$ 12,095,000	\$ 845,000
G.O. Bonds	1,910,000	6,995,000	500,000	8,405,000	1,005,000
Special Assmt. Bonds	3,682,039	410,000	255,068	3,836,971	273,666
Leases Payable	315,000	-	75,000	240,000	75,000
Special Assessments Payable	10,118,169	1,380,486	6,776,850	4,721,805	233,977
Bond Premium	-	125,407	5,908	119,499	5,908
Total Long-Term Debt	\$ 26,155,208	\$ 11,375,893	\$ 8,112,826	\$ 29,418,275	\$ 2,438,551
Compensated Absences *	\$ 175,508	\$ -	\$ 3,581	\$ 171,927	\$ 34,385
Net Pension and OPEB Liability	985,913	798,757	-	1,784,670	-
Total Primary Government	\$ 27,316,629	\$ 12,174,650	\$ 8,116,407	\$ 31,374,872	\$ 2,472,936

* The changes in compensated absences is the net change for the year.

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

Year Ending Dec 31	Revenue Bonds		G.O. Bonds		Special Assmt. Bonds		Leases Payable	Special Assmt. Payable		Bond Premium
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
2018	\$ 820,000	\$ 426,360	\$ 1,005,000	\$ 236,339	\$ 273,666	\$ 111,936	\$ 75,000	\$ 233,977	\$ 204,926	\$ 5,908
2019	415,000	410,085	905,000	176,888	250,293	106,263	75,000	230,571	193,807	5,908
2020	430,000	395,760	840,000	158,958	245,951	100,784	75,000	230,571	170,791	5,908
2021	445,000	380,360	455,000	144,935	246,642	94,623	15,000	230,571	161,442	5,908
2022	455,000	364,912	440,000	135,243	247,366	87,751	-	230,450	152,093	5,908
2023 - 2027	2,450,000	1,575,721	1,765,000	559,462	1,118,052	337,343	-	1,138,885	621,612	29,539
2028 - 2032	2,820,000	1,102,637	1,590,000	339,263	1,100,000	165,525	-	976,934	400,591	29,539
2033 - 2037	2,500,000	564,161	1,405,000	110,593	355,001	26,898	-	886,909	218,823	25,081
2038 - 2042	1,665,000	128,859	-	-	-	-	-	555,825	62,307	5,800
2043 - 2047	95,000	1,605	-	-	-	-	-	7,112	765	-
Total	\$ 12,095,000	\$ 5,350,460	\$ 8,405,000	\$ 1,861,681	\$ 3,836,971	\$ 1,031,123	\$ 240,000	\$ 4,721,805	\$ 2,187,157	\$ 119,499

NOTE 7: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Park District pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability and \$1,249,462 for public asset coverage.

The Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Park District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Park District with blanket fidelity bond coverage in the amount of \$1,850,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Park District has workers compensation with the Workforce, Safety and Insurance. The Park District pays 75% of the insurance premium for single, single plus dependent, or family policy for full time employees.

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

NOTE 8: TRANSFERS

The following is a listing of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 400,364
Capital Improvement Fund	789,931	239,573
Debt Service Fund	459,642	750,000
Non-Major Funds		
Special Revenue Fund	210,269	69,905
Total Transfers	\$ 1,459,842	\$ 1,459,842

Transfers are used to move unrestricted general fund revenues to finance various programs.

NOTE 9: PENSION PLANS

General Information about the 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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no 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.

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

Refunds of Member Account Balance

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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, 2017, the Park District reported a liability of \$1,705,472 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Park District's proportion was .106106 percent, which was an increase of .013102 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Park District recognized pension expense of \$274,230. At December 31, 2017, the Park District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,137	\$ 8,309
Changes of Assumptions	699,358	38,466
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	22,937	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	88,368	17,570
Employer Contributions Subsequent to the Measurement Date	72,291	-
Total	\$ 893,091	\$ 64,345

\$72,291 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

2018	\$ 164,754
2019	196,226
2020	172,331
2021	143,319
2022	79,825

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

Actuarial assumptions

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

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate

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

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Proportionate Share of the Net Pension Liability	\$ 2,315,230	\$ 1,705,472	\$ 1,198,178

Pension plan fiduciary net position

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

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, the Park District reported a liability of \$79,198, for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the Park District's proportion was .100123 percent

For the year ended December 31, 2017 the Park District recognized OPEB expense of \$9,460. At December 31, 2017, the Park District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,932
Changes of Assumptions	7,671	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	2,994
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	547
Employer Contributions Subsequent to the Measurement Date	11,575	-
Total	\$ 19,246	\$ 5,473

\$11,575 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

2018	\$ 64
2019	64
2020	64
2021	64
2022	812
2023	812
Thereafter	318

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

Actuarial assumptions

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

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of re-turn (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major as-set class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net OPEB Liability	\$ 99,147	\$ 79,198	\$ 62,099

NOTE 11: TAX ABATEMENTS

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

At December 31, 2017, the Park District provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

New and Expanding Business

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations.

Single Family Residence

Under NDCC §57-02-08(35), 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.

The total reduction in property tax revenue due to tax abatements is as follows:

Program	Reduction in Property Tax Revenue
New and Expanding Business	\$ 17,553
Single Family Residence	104,723
Total Reduction in Property Tax Revenue	\$ 122,276

NOTE 12: SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Park District issued lease revenue bonds in the amount of \$6,125,000 for the expansion of the Rustad Recreation Center. Future bond principal payments are due annually and range from \$180,000 to \$390,000, with interest between 3.75% to 4.25%. The bonds mature in FY2043.

WEST FARGO PARK DISTRICT

Notes to the Financial Statements – Continued

NOTE 13: COMMITMENTS

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

Project	Contract Amount	Total Completed	Retainage	Total Balance	Contract Remaining
Rustad Center					
Meinecke-Johnson	\$ 5,409,063	\$ -	\$ -	\$ 5,409,063	\$ 5,409,063
Scott's Electric	879,900	-	-	879,900	879,900
Peterson Mechanical	710,240	-	-	710,240	710,240
Keifer Specialty Flooring	188,691	-	-	188,691	188,691
Zerr Berg Architechts	472,209	105,300	-	366,909	366,909
Contingency/Misc.	234,519	59,631	-	174,888	174,888
Total Rustad Center	7,894,622	164,931	-	7,729,691	7,729,691
Young Grandstand					
Naseth Construction	272,769	178,904	17,890	111,755	111,755
Peterson Mechanical	36,183	19,500	1,950	18,633	18,633
Grant's Mechanical	28,797	15,089	1,509	15,217	15,217
Seating Athletic Facility	371,315	365,040	18,252	24,527	24,527
Zerr Berg Architechts	53,230	49,253	-	3,977	3,977
Contingency	11,765	-	-	11,765	11,765
Total Young Grandstand	774,059	627,786	39,601	185,874	185,874
Total Construction in Progress	\$ 8,668,681	\$ 792,717	\$ 39,601	\$ 7,915,565	\$ 7,915,565

Retainages payable of \$39,601 is reported in the government-wide statements for the projects as noted above.

WEST FARGO PARK DISTRICTBudgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,034,500	\$ 2,034,500	\$ 1,986,914	\$ (47,586)
Charges for Services	596,000	596,000	939,159	343,159
Intergovernmental	600,000	600,000	660,238	60,238
Miscellaneous	150,000	150,000	4,174	(145,826)
Total Revenues	<u>\$ 3,380,500</u>	<u>\$ 3,380,500</u>	<u>\$ 3,590,485</u>	<u>\$ 209,985</u>
EXPENDITURES				
Current				
General Government	\$ 2,293,000	\$ 2,293,000	\$ 2,121,887	\$ 171,113
Recreation	982,000	982,000	968,691	13,309
Debt Service				
Principal	75,000	75,000	75,000	-
Total Expenditures	<u>\$ 3,350,000</u>	<u>\$ 3,350,000</u>	<u>\$ 3,165,578</u>	<u>\$ 184,422</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,500</u>	<u>\$ 30,500</u>	<u>\$ 424,907</u>	<u>\$ 394,407</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ -	\$ (187,946)	\$ (400,364)	\$ (212,418)
Net Change in Fund Balances	<u>\$ 30,500</u>	<u>\$ (157,446)</u>	<u>\$ 24,543</u>	<u>\$ 181,989</u>
Fund Balances - January 1	<u>\$ 733,964</u>	<u>\$ 733,964</u>	<u>\$ 733,964</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 764,464</u>	<u>\$ 576,518</u>	<u>\$ 758,507</u>	<u>\$ 181,989</u>

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

WEST FARGO PARK DISTRICT

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2017

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

	2017	2016	2015	2014
Park District's proportion of the net pension liability (asset)	0.106106%	0.093004%	0.096366%	0.093924%
Park District's proportionate share of the net pension liability (asset)	\$ 1,705,472	\$ 906,415	\$ 655,272	\$ 596,156
Park District's covered-employee payroll	\$ 1,083,177	\$ 937,258	\$ 858,506	\$ 791,187
Park District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

	2017	2016	2015	2014
Statutorily required contribution	\$ 78,543	\$ 67,856	\$ 65,210	\$ 61,226
Contributions in relation to the statutorily required contribution	\$ 74,683	\$ 65,891	\$ 60,499	\$ (61,226)
Contribution deficiency (excess)	\$ 3,860	\$ 1,965	\$ 4,711	\$ -
Park District's covered-employee payroll	\$ 1,146,136	\$ 1,053,400	\$ 918,131	\$ 859,911
Contributions as a percentage of covered-employee payroll	6.52%	6.26%	6.59%	7.12%

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

WEST FARGO PARK DISTRICTSchedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2017

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

	2017
Park District's proportion of the net OPEB liability (asset)	0.100123%
Park District's proportionate share of the net OPEB liability (asset)	\$ 79,198
Park District's covered-employee payroll	\$ 1,083,177
Park District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

	2017
Statutory required contribution	\$ 12,591
Contributions in relation to the statutory required contribution	\$ 11,958
Contribution deficiency (excess)	\$ 633
Park District's covered-employee payroll	\$ 1,146,136
Contributions as a percentage of covered-employee payroll	1.04%

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

WEST FARGO PARK DISTRICT

Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The Park District adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The business manager prepares an annual budget for the general fund, debt service fund, capital projects fund, and each special revenue fund of the Park District. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The Park District shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the Park District shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied.
- After the budget hearing and on or before October 7th, the Park District adopts the final budget. The final budget must be filed with the county auditor by October 10th.
- Each budget is controlled by the Park District business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

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

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

NOTE 3: CHANGES OF ASSUMPTIONS

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

WEST FARGO PARK DISTRICT

Notes to the Required Supplementary Information - Continued

NOTE 4: LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The board of commissioners amended the Park District budget for 2017 as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Major Funds			
General Fund	\$ 3,350,000	\$ 187,946	\$ 3,537,946
Capital Projects	1,836,000	448,639	2,284,639
Debt Service	1,916,100	486,142	2,402,242
Non-Major Fund			
Special Revenue Fund	51,000	699,421	750,421

WEST FARGO PARK DISTRICT

Schedule of Fund Activity - Cash Basis

For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Other Fin. Sources	Transfers Out	Disbursements	Balance Dec 31
Major funds							
General Fund	\$ 584,044.89	\$ 3,560,617.08	\$ -	\$ -	\$ 400,364.00	\$ 3,135,513.51	\$ 608,784.46
Capital Improvements Fund							
Capital Improvements	\$ 1,092,246.53	\$ 13,698.33	\$ 125,000.00	\$ -	\$ -	\$ 221,000.00	\$ 1,009,944.86
Shadow Wood 5th	10,341.15	-	-	-	-	-	10,341.15
Park Dedication Fund/Rustad Rec Center	(3,822.68)	-	499,000.00	-	-	491,978.89	3,198.43
Rustad Rec Center Exp	-	-	165,931.04	-	-	164,931.04	1,000.00
Brooks Harbor	200,000.00	211,066.20	-	406,878.52	-	483,707.61	334,237.11
Oak Ridge	123,169.75	-	-	-	23,169.75	-	100,000.00
Eagelwood 2nd	244,031.93	118,970.70	-	-	-	-	363,002.63
The Wilds	11,361.88	92,162.07	-	-	-	60.00	103,463.95
West Creek	22,558.65	-	-	-	-	11,105.00	11,453.65
Butlers 8th	54,652.00	-	-	-	-	-	54,652.00
Christianson	100,000.00	-	-	-	-	-	100,000.00
Heritage Square	151,472.15	-	-	-	51,472.15	-	100,000.00
Golden Wood	51,108.24	-	-	-	-	28,770.76	22,337.48
Bond 44-12-117	1,492.54	8.47	-	-	-	1,498.24	2.77
Building Authority 2017	-	218.11	-	2,467,417.73	164,931.04	-	2,302,704.80
Total Capital Improvement Fund	\$ 2,058,612.14	\$ 436,123.88	\$ 789,931.04	\$ 2,874,296.25	\$ 239,572.94	\$ 1,403,051.54	\$ 4,516,338.83
Debt Service Fund							
Share of Specials	\$ 215,560.71	\$ 671,277.37	124,641.90	\$ -	\$ 105,000.00	\$ 883,063.24	\$ 23,416.74
Share of Special Assessments: Refi of 09	2,048.57	-	45,000.00	-	-	146,539.50	(99,490.93)
Share of Special Assessments: Refi of 13	992.95	333,669.11	60,000.00	-	-	393,334.00	1,328.06
Share of Special Assessments: Refi of 17	-	141,836.36	-	-	-	67,300.00	74,536.36
Recreation Fund	7,653.91	680,304.60	-	-	645,000.00	32,421.79	10,536.72
2012 Revenue Bonds	557,470.03	-	30,000.00	-	-	234,272.79	353,197.24
2013 Lease Revenue Bond	43,634.67	15,000.00	200,000.00	-	-	200,248.78	58,385.89
40th Avenue Special Assess.	6,044.89	4,058.41	-	-	-	7,665.00	2,438.30
Burlington Park Special Assess.	3,326.52	10,856.17	-	-	-	14,271.12	(88.43)
Shadow Wood Special Assess.	17,546.59	20,907.34	-	-	-	17,763.14	20,690.79
Special Assessments; Maple Ridge II	(1,381.18)	29,159.54	-	-	-	30,182.00	(2,403.64)
Special Assessments; Shadow Wood II	33,840.59	415,215.00	-	-	-	168,408.00	280,647.59
Special Assessments; River Bend 14	49,343.42	193,012.17	-	-	-	127,763.00	114,592.59
Building Authority 2007 Reserve	162,000.10	247.19	-	-	-	247.21	162,000.08
Bond 44-10-605	0.98	3.76	-	-	-	3.72	1.02
City of West Fargo Refinance	-	-	-	6,966,210.57	-	6,966,210.57	-
Total Debt Service Fund	\$ 1,098,082.75	\$ 2,515,547.02	\$ 459,641.90	\$ 6,966,210.57	\$ 750,000.00	\$ 9,289,693.86	\$ 999,788.38
Total Major Funds	\$ 3,740,739.78	\$ 6,512,287.98	\$ 1,249,572.94	\$ 9,840,506.82	\$ 1,389,936.94	\$ 13,828,258.91	\$ 6,124,911.67
Nonmajor funds							
Special Revenue Fund							
Arena Capital Improvements	\$ 29,669.33	\$ 8,500.00	\$ 140,364.00	\$ -	\$ -	\$ 62,303.94	\$ 116,229.39
Sponsorship	733.19	125,348.31	-	-	69,905.00	55,161.39	1,015.11
Young Field	1,200.00	492,240.85	69,905.00	-	-	563,050.63	295.22
Total Nonmajor Special Revenue Fund	\$ 31,602.52	\$ 626,089.16	\$ 210,269.00	\$ -	\$ 69,905.00	\$ 680,515.96	\$ 117,539.72
Total Park District	\$ 3,772,342.30	\$ 7,138,377.14	\$ 1,459,841.94	\$ 9,840,506.82	\$ 1,459,841.94	\$ 14,508,774.87	\$ 6,242,451.39

STATE AUDITOR

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

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO OFFICE BRANCH
1655 43RD STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

**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***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Park District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the West Fargo Park District's basic financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *summary of auditor's results and findings* as items 2017-001, 2017-002, 2017-003, and 2017-004 that we consider to be material weaknesses.

WEST FARGO PARK DISTRICT

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

Compliance and Other Matters

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

West Fargo Park District's Response to Findings

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

Purpose of this Report

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 5, 2019

WEST FARGO PARK DISTRICT

Summary of Auditor's Results

For the Year Ended December 31, 2017

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Component Unit – Water Resource District	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

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

WEST FARGO PARK DISTRICT

Schedule of Audit Findings

For the Year Ended December 31, 2017

2017-001 – LACK OF SEGREGATION OF DUTIES

Condition

The West Fargo Park District has only one individual responsible for most accounting functions. 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.

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.

Cause

Due to the Park District'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.

Effect

This increases the risk of misstatement of the Park District's financial statements.

Recommendation

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 the 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.

West Fargo Park District's Response

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

2017-002 – FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

This deficiency is due to limited resources coupled with the fact that the West Fargo Park District may not know how to prepare basic financial statements that comply with GAAP. Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Effect

This increases the risk of misstatement of the Park District's financial statements.

Recommendation

We recognize that the West Fargo Park District is not staffed with personnel fully knowledgeable of GAAP. However, it is important the Park District be aware of this weakness and that management accepts responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP, even if the auditor assisted in drafting those financial statements.

West Fargo Park District's Response

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

2017-003 – ADJUSTING JOURNAL ENTRIES

Condition

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

Criteria

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

Cause

Management of the West Fargo Park District does not have adequate resources to obtain proper internal controls and training to ensure fair presentation of the Park District's financial statements in accordance with GAAP.

Effect

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

Recommendation

We recognize the West Fargo Park District is not staffed with personnel fully knowledgeable of GAAP. However, it is important that management is aware of this weakness and that management accepts responsibility for the audit adjustments. We recommend the West Fargo Park District implement internal controls to ensure financial statements are free from material misstatement.

West Fargo Park District's Response

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

2017-004 – PRIOR PERIOD ADJUSTMENTS

Condition

Special assessments payable were understated in the prior year financial statements by \$3,990,813 which resulted in a prior period adjustment to the current financial statements.

Criteria

West Fargo Park District reports its financial statements in accordance with Generally Accepted Accounting Principles, which requires all account balances to be properly reported.

Cause

West Fargo Park District relies on the City of West Fargo to provide the special assessments payable balances for the financial statements and were not aware of the errors.

Effect

The financial statements and notes regarding special assessments payable would have been misstated by \$3,990,813. In addition, stakeholders of the report would not have accurate information relating to special assessments payable for this entity.

Recommendation

We recommend that the West Fargo Park District keep adequate records of their special assessment payable balances for reporting purposes. We further recommend the West Fargo Park District to review the special assessments payable balances periodically to ensure the balances are appropriate and accurate at any period of time.

West Fargo Park District's Response

We agree and going forward will periodically review the corresponding special assessments payable balances.

STATE AUDITOR

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GOVERNANCE COMMUNICATION

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Park District, West Fargo, North Dakota, for the year ended December 31, 2017, which collectively comprise the Park District's basic financial statements and have issued our report thereon dated March 5, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated December 3, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the West Fargo Park District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the West Fargo Park District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. Application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

Client Provided Adjustments

Intergovernmental Receivables	172,274	
Accounts Receivable	58,937	
Revenue		231,211
Expenditures	20,850	
Accounts Payable		20,850

Audit Adjustments

Due From County	7,845	
Revenue		7,845
Expenditures	64,710	
Salaries Payable		64,710

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 5, 2019.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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FRAUD RISK ASSESSMENT

The West Fargo Park District does not currently prepare a fraud risk assessment of the entire entity. If the Park District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the park district's goals in reporting, reliance, and accountability.

We recommend the West Fargo Park District prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

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This information is intended solely for the use of the governing board and management of the West Fargo Park District, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

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

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 5, 2019

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