

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**WEST FARGO PARK DISTRICT
WEST FARGO, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



WEST FARGO PARK DISTRICT
West Fargo, North Dakota

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For the Year Ended December 31, 2012

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WEST FARGO PARK DISTRICT
West Fargo, North Dakota

PARK BOARD OFFICIALS

December 31, 2012

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

STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Park Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of December 31, 2012, 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 18 to the financial statements, the financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 24-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014 on our consideration of West Fargo Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Fargo Park Board's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 29, 2014

WEST FARGO PARK DISTRICT
West Fargo, North Dakota
STATEMENT OF NET POSITION
December 31, 2012

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 3,178,281
Restricted Assets:	
Cash and Investments	162,001
Accounts receivable	41,407
Intergovernmental receivable	201,651
Due from County	7,966
Taxes receivable	34,561
Special assessments receivable	186,433
Long-term receivable:	
Long-term special assessments receivable	2,480,547
Capital Assets (not being depreciated):	
Land	6,326,806
Capital Assets (net of depreciation):	
Buildings	2,556,413
Equipment/Vehicles	723,231
Improvements	5,100,548
Total Capital Assets	<u>\$ 14,706,998</u>
Total Assets	<u>\$ 20,999,845</u>
LIABILITIES:	
Accounts payable	\$ 31,574
Interest payable	277,577
Salaries Payable	6,968
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Revenue bonds payable	215,000
G.O. bond payable	175,000
Special assessment bonds payable	192,948
Loans payable	100,000
Capital lease payable	75,000
Special assessments payable	527,471
Compensated absences	25,390
Portion Due or Payable After One Year:	
Revenue bonds payable	1,405,000
G.O. bond payable	975,000
Special assessment bonds payable	2,733,936
Loans payable	280,000
Capital lease payable	540,000
Special assessments payable	5,612,389
Compensated absences	101,559
Total Liabilities	<u>\$ 13,274,812</u>
NET POSITION:	
Net investment in capital assets	\$ 1,875,254
Restricted for:	
Debt service	3,166,259
Capital Projects	1,713,260
Culture and Recreation	320,347
General Government	1,841
Unrestricted	<u>648,072</u>
Total Net Position	<u>\$ 7,725,033</u>

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	\$ 1,449,055	\$ -	\$ -	\$ -	\$ (1,449,055)
Recreation	3,444,253	533,915	1,406,385	2,134,769	630,816
Interest on Long-Term Debt	534,352	-	-	-	(534,352)
Total Governmental Activities	\$ 5,427,660	\$ 533,915	\$ 1,406,385	\$ 2,134,769	\$ (1,352,591)
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes, levied for general purposes				\$ 1,218,636	
Property taxes, levied for special revenue				526,124	
Property taxes, levied for debt service				952,640	
State aid distribution				743,743	
Unrestricted investment interest				13,147	
Miscellaneous				139,722	
Total General Revenues				\$ 3,594,012	
Change in Net Position				\$ 2,241,421	
Net Position - January 1				\$ 6,139,738	
Prior Period Adjustments				(656,126)	
Net Position - January 1, as restated				\$ 5,483,612	
Net Position - December 31				\$ 7,725,033	

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Recreation Fund	Park Dedication Fund	Capital Improvements	Debt Service Funds		
<u>ASSETS</u>							
Cash and Investments	\$ 547,628	\$ 9,898	\$ 304,055	\$ 1,338,143	\$ 602,803	\$ 375,754	\$ 3,178,281
Intergovernmental Receivables	201,651	-	-	-	-	-	201,651
Accounts Receivable	41,407	-	-	-	-	-	41,407
Taxes Receivable	15,715	5,225	-	-	12,638	983	34,561
Due from County	3,737	1,169	-	-	2,839	221	7,966
Special Assessments Receivable	-	-	-	-	186,433	-	186,433
Long-Term Receivable:							
Long-Term Special Assess. Receivable	-	-	-	-	2,480,547	-	2,480,547
Restricted Assets:							
Cash with Fiscal Agent	-	-	-	-	162,001	-	162,001
Total Assets	\$ 810,138	\$ 16,292	\$ 304,055	\$ 1,338,143	\$ 3,447,261	\$ 376,958	\$ 6,292,847
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts Payable	\$ 28,149	\$ -	\$ -	\$ -	\$ 3,425	\$ -	\$ 31,574
Salaries Payable	6,968	-	-	-	-	-	6,968
Total Liabilities	\$ 35,117	\$ -	\$ -	\$ -	\$ 3,425	\$ -	\$ 38,542
<u>Deferred Inflows of Resources:</u>							
Certified Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ 186,433	\$ -	\$ 186,433
Uncertified Special Assessments	-	-	-	-	2,480,547	-	2,480,547
Taxes Receivable	15,715	5,225	-	-	12,638	983	34,561
Total Deferred Inflows of Resources	\$ 15,715	\$ 5,225	\$ -	\$ -	\$ 2,679,618	\$ 983	\$ 2,701,541
Total Liabilities and Deferred Inflows of Resources	\$ 50,832	\$ 5,225	\$ -	\$ -	\$ 2,683,043	\$ 983	\$ 2,740,083
<u>Fund Balances:</u>							
<u>Restricted:</u>							
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 764,218	\$ -	\$ 764,218
Culture & Recreation	-	11,067	-	-	-	370,232	381,299
General Government	-	-	-	-	-	858	858
<u>Committed:</u>							
Culture & Recreation	-	-	-	1,338,143	-	-	1,338,143
<u>Assigned:</u>							
Culture & Recreation	-	-	304,055	-	-	4,885	308,940
<u>Unassigned:</u>	<u>759,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>759,306</u>
Total Fund Balances	\$ 759,306	\$ 11,067	\$ 304,055	\$ 1,338,143	\$ 764,218	\$ 375,975	\$ 3,552,764
Total Liabilities and Fund Balances	\$ 810,138	\$ 16,292	\$ 304,055	\$ 1,338,143	\$ 3,447,261	\$ 376,958	\$ 6,292,847

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* for Governmental Funds \$ 3,552,764

Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 6,326,806	
Buildings, net of accumulated depreciation	2,556,413	
Equipment/Vehicles, net of accumulated depreciation	723,231	
Improvements, net of accumulated depreciation	<u>5,100,548</u>	
Total Capital Assets		14,706,998

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

Taxes Receivable	\$ 34,561	
Special Assessments Receivable	186,433	
Long-term Special Assessments Receivable	<u>2,480,547</u>	2,701,541

Long-term liabilities applicable to the Park's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities--both current and long-term--are reported in the statement of net position. Balances at December 31, 2012 are:

Accrued Interest on Bonds	\$ (277,577)	
Special Assessment Bonds Payable	(2,926,884)	
G.O Bonds Payable	(1,150,000)	
Revenue Bonds Payable	(1,620,000)	
Special Assessments Payable	(6,139,860)	
Loans Payable	(380,000)	
Leases Payable	(615,000)	
Compensated Absences	<u>(126,949)</u>	
Total Long-Term Liabilities		<u>(13,236,270)</u>

Total Net Position of Governmental Activities \$ 7,725,033

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Recreation Fund	Park Dedication Fund	Capital Improvements	Debt Service Funds		
<u>Revenues:</u>							
Taxes	\$ 1,225,382	\$ 377,840	\$ 75,000	\$ -	\$ 954,614	\$ 75,167	\$ 2,708,003
Special Assessments	-	-	-	-	80,114	-	80,114
Charges for Services	504,539	-	-	-	-	29,376	533,915
Intergovernmental	743,743	-	-	-	-	-	743,743
Interest Income	-	-	-	11,674	1,473	-	13,147
Donations/Sponsorships	-	3,024	696,938	-	132,158	574,265	1,406,385
Miscellaneous	139,151	-	-	-	571	-	139,722
Total Revenues	\$ 2,612,815	\$ 380,864	\$ 771,938	\$ 11,674	\$ 1,168,930	\$ 678,808	\$ 5,625,029
<u>Expenditures:</u>							
Current:							
General Government	\$ 1,442,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,442,955
Recreation	580,920	169,107	159,394	-	-	150,968	1,060,389
Capital Outlay	-	-	-	-	1,904,009	-	1,904,009
Debt Service:							
Principal	75,000	-	-	-	2,713,458	-	2,788,458
Interest and Fiscal Charges	-	-	-	-	374,781	-	374,781
Total Expenditures	\$ 2,098,875	\$ 169,107	\$ 159,394	\$ -	\$ 4,992,248	\$ 150,968	\$ 7,570,592
Excess (Deficiency) of Revenues Over Expenditures	\$ 513,940	\$ 211,757	\$ 612,544	\$ 11,674	\$ (3,823,318)	\$ 527,840	\$ (1,945,563)
<u>Other Financing Sources (Uses):</u>							
Debt Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 2,620,000	\$ -	\$ 2,620,000
Bond Discounts	-	-	-	-	(36,440)	-	(36,440)
Cost of Issuance	-	-	-	-	(13,700)	-	(13,700)
Transfers In	-	-	-	826,162	611,165	-	1,437,327
Transfers Out	(460,000)	(192,890)	(336,919)	-	(13,700)	(433,818)	(1,437,327)
Total Other Financing Sources and Uses	\$ (460,000)	\$ (192,890)	\$ (336,919)	\$ 826,162	\$ 3,167,325	\$ (433,818)	\$ 2,569,860
Net Change in Fund Balances	\$ 53,940	\$ 18,867	\$ 275,625	\$ 837,836	\$ (655,993)	\$ 94,022	\$ 624,297
Fund Balance - January 1	\$ 707,962	\$ (7,800)	\$ 28,430	\$ 500,307	\$ 1,420,211	\$ 281,953	\$ 2,931,063
Prior Period Adjustments	(2,596)	-	-	-	-	-	(2,596)
Fund Balance - Jan. 1 as restated	\$ 705,366	\$ (7,800)	\$ 28,430	\$ 500,307	\$ 1,420,211	\$ 281,953	\$ 2,928,467
Fund Balance - December 31	\$ 759,306	\$ 11,067	\$ 304,055	\$ 1,338,143	\$ 764,218	\$ 375,975	\$ 3,552,764

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 624,297

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

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

Capital Outlay	\$ 2,525,862	
Depreciation Expense	<u>(474,129)</u>	2,051,733

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposal of Capital Assets		(3,403)
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The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net position.

Issuance of Bonds	\$ (1,620,000)	
Issuance of Special Assessment Bonds	(1,000,000)	
Issuance of City Special Assessments	<u>(2,528,185)</u>	(5,148,185)

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

Repayment of Bond Principal	\$ 2,202,479	
Repayment of Loan Principal	100,000	
Repayment of Capital Lease	75,000	
Repayment of Special Assessments Principal	<u>410,979</u>	2,788,458

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

Net Change in Compensated Absences	\$ (6,100)	
Net Change in Interest Payable	<u>(109,431)</u>	(115,531)

Because some property taxes and special assessments will not be collected for several months after year-end they are not considered as available resources in the governmental funds. Special assessments levied in the current period are not considered as available resources in the governmental funds; however, they are revenues in the statement of activities. Likewise, collections of current special assessments are reported as revenues in the governmental funds; however, they are a reduction of receivables in the statement of activities. The net effect is: However, they are revenues in the statement of activities.

Net Change in Taxes Receivable	\$ (10,603)	
Net Change in Certified Special Assessments Receivable	1,933,633	
Net Change in Uncertified Special Assessments Receivable	<u>121,022</u>	2,044,052

Change in Net Position of Governmental Activities		<u>\$ 2,241,421</u>
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The notes to the financial statements are in integral part of this statement.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

BLENDED COMPONENT UNIT

The West Fargo Park District Building Authority serves only the West Fargo Park District. The park district board also serves as the board of the building authority. The sole purpose of the building authority is to issue bonds for improvements to the Memorial Arena and to lease this structure to the park district. The funds of the building authority are blended with the debt service and capital projects funds of the park district.

B. Basis of Presentation

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

The statement of activities presents a comparison between the direct expenses and program revenues for the functions of the Park District's governmental activities. Direct expenses are clearly identifiable to a particular function. The Park District has no indirect expenses. Program revenues include fees and charges for services that benefit from the services provided. Revenues that are not classified as program revenues, including all taxes and donations, are presented as general revenues.

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

The park district reports the following major governmental funds:

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

Recreation Fund. The recreation fund is used to account for the accumulation of resources for various large improvement projects that are legally restricted from taxes levied.

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.

Park Dedication Fund. The park dedication fund is used to receipt seed money for the construction of parks and other permanent improvement. The primary sources of revenue in this fund are donations and payments received from the City in lieu of Park dedication. Taxes are also levied for this fund.

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 G.O. bonds debt.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Cash, Cash Equivalents and Investments

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

F. Capital Assets

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

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

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

ASSETS	YEARS
Buildings	15 – 30
Equipment/Vehicles	5 – 20
Improvements	20 – 40

G. Compensated Absences

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

Employees hired before January 1, 2004 can choose one of two irrevocable options for sick leave. The first option allows employees retiring from employment at age sixty-two or older to be paid 100% of accumulated sick leave not to exceed 960 hours. In addition, any employee retiring from employment whose combined total years of continuous service equals twenty-five (25) years shall be paid 100% for accumulated sick leave, not to exceed nine hundred sixty (960) hours. Sick time will not accumulate after nine hundred sixty (960) hours.

The second option allows employees to accumulate unlimited hours of sick leave. Sick time in excess of nine-hundred sixty (960) hours may not be carried over into the following year. Any hours in excess of nine-hundred sixty (960) hours will be paid annually at a rate of 50%. Upon separation of employment, any employee with ten or more years of continuous service shall be paid for 50% of accumulated sick leave at time of separation.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

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

I. Fund Balances / Net Position

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

Fund Balance Reporting and Governmental Fund Type Definitions

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

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

West Fargo Park District did not have any non-spendable balances reported in the balance sheet at December 31, 2012.

Restricted fund balances are reported for the debt service funds (\$764,218) and various functions within the special revenue funds for culture and recreation related to restricted tax levies, and amounts restricted by state and federal grants/contracts totaling (\$381,299). In addition, there is \$858 restricted for general government in the social security fund.

Committed fund balance is reported in the capital improvement fund (\$1,338,143) for funds committed by the governing board to close out various capital projects and for debt service.

Assigned fund balance is reported in the arena capital improvement fund (\$4,885) and \$304,055 in the park dedication fund for funds authorized by the governing board to be used on capital projects at the discretion of the Park District's management.

Unassigned fund balances are reported for the remaining portion of the general fund (\$759,306).

Net Position:

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

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

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

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

J. Interfund Transactions

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

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

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

NOTE 2: BUDGETS & BUDGETING

BUDGETS

Based upon available financial information and requests by the governing board, the Business Manager prepares the preliminary budget. The budget is prepared for the general fund, special revenue funds, and debt service funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

BUDGET AMENDMENTS

The park board amended the budget for 2012 as follows:

	EXPENDITURES		
	Original Budget	Amendments	Amended Budget
<u>Major Funds:</u>			
General	\$2,258,000	\$47,518	\$2,305,518
<u>Non-Major Funds:</u>			
Social Security	74,000	312	74,312

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2012, the park district's carrying amount of deposits was \$3,340,282 and the bank balance was \$3,472,538. Of the bank balances, \$409,026 was covered by Federal Depository Insurance, \$162,001 was deposited with the Bank of North Dakota, and the remaining bank balances totaling \$2,901,512 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2012, the park district held certificates of deposit in the amount of \$162,001, which are all considered deposits.

Concentration of Credit Risk:

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

NOTE 4: INTERGOVERNMENTAL RECEIVABLES

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

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of money due the park district at December 31, 2012 for park arena rentals. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 6: TAXES RECEIVABLE

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

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

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

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

NOTE 7: SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 8: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 9: DEFERRED INFLOWS OF RESOURCES

West Fargo Park Board early implemented provisions of GASB 65 "Items Previously Reported as Assets and Liabilities" during the year ended December 31, 2012. Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available at year-end.

WEST FARGO PARK DISTRICT
Notes to the Financial Statements - Continued

Deferred inflows in the governmental fund modified accrual basis financial statements as of December 31, 2012 for the park consisted of the following:

Delinquent property taxes receivable (general fund)	\$ 15,715
Delinquent property taxes receivable (Recreation fund- major)	5225
Delinquent property taxes receivable (Debt Service-Major)	12,638
Delinquent property taxes receivable (non-major funds)	983
Delinquent special assessments receivable (debt service funds)	186,433
Long-Term Uncertified Special Assessments Receivable	2,480,547
Total Deferred Revenue	\$2,701,541

NOTE 10: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012:

Governmental Activities (FY2012):	Balance January 1	Increases	Transfers	Decreases	Balance December 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 5,561,806	\$ 765,000	\$ -	\$ -	\$ 6,326,806
Construction In Progress	514,910	1,865,514	(2,380,424)	-	-
Total Capital Assets, Not Being Depreciated	\$ 6,076,716	\$2,630,514	\$(2,380,424)	\$ -	\$ 6,326,806
<i>Capital assets being depreciated:</i>					
Buildings	\$ 5,417,159	\$ 14,850	\$ -	\$ -	\$ 5,432,009
Equipment/Vehicles	1,557,823	271,352	-	41,527	1,787,648
Improvements	2,952,678	374,145	2,380,424	-	5,707,247
Total Capital Assets, Being Depreciated	\$ 9,927,660	\$ 660,347	\$ 2,380,424	\$41,527	\$12,926,904
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,704,913	\$ 170,683	\$ -	\$ -	\$ 2,875,596
Equipment/Vehicles	990,787	111,754	-	38,124	1,064,417
Improvements	415,008	191,691	-	-	606,699
Total Accumulated Depreciation	\$ 4,110,708	\$ 474,128	\$ -	\$38,124	\$ 4,546,712
Total Capital Assets Being Depreciated, Net	\$ 5,816,952	\$ 186,219	\$ 2,380,424	\$ 3,403	\$ 8,380,192
Governmental Activities - Capital Assets, Net	\$11,893,668	\$2,816,733	\$ -	\$ 3,403	\$14,706,998

Depreciation expense totaling \$474,128 was charged to the recreation function.

NOTE 11: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2012 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 12: SALARIES PAYABLE

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

NOTE 13: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities:

Long-term liability activity for the year ended December 31, 2012 was as follows:

Governmental Activities	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Revenue Bonds	\$1,980,000	\$1,620,000	\$1,980,000	\$ 1,620,000	\$ 215,000
G.O. Bonds	1,345,000	-	195,000	1,150,000	175,000
Special Assessments Bond	1,954,362	1,000,000	27,478	2,926,884	192,948
Loans	480,000		100,000	380,000	100,000
Special Assessments	3,330,954	3,219,885	410,979	6,139,860	527,471
Capital Lease	-	690,000	75,000	615,000	75,000
Compensated Absences Payable	126,949	-	-	126,949	25,390
TOTAL	\$9,217,265	\$6,529,885	\$2,788,457	\$12,958,693	\$1,310,809

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

Revenue Bonds – Governmental Activities:

Lease revenue bonds are repaid with the proceeds of a lease of buildings from the West Fargo Park District Building Authority to the West Fargo Park District. Lease revenue bonds currently outstanding are as follows:

\$1,620,000 Building Authority 2011 Refunding Improvement Bond,
due in annual installments of \$215,000 to \$510,000 through 2018;
with interest at 0.65% to 1.5%.

\$1,620,000

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Lease Revenue Bonds	
	Principal	Interest
2013	\$ 215,000	\$18,644
2014	225,000	16,933
2015	220,000	14,710
2016	225,000	12,094
2017	225,000	9,169
2018-2022	510,000	3,825
Totals	\$1,620,000	\$75,374

Debt Defeasance:

The Park District had \$3,455,000 Building Authority Lease Revenue Bonds Payable of 2007, due in annual installments of \$215,000 to \$540,000 through 2018; with interest at 4.0% to 4.3% with a principal balance of \$1,980,000 and interest balance of \$329,135 at the end of the previous fiscal year. The Park District defeased the remaining debt with the above stated revenue bond debt with interest at 0.65% to 1.5% with a principal balance of \$1,620,000 and interest balance of \$75,374. The net cash flows of the new debt is \$1,536,912 and the net cash flows of the old debt is \$1,708,000 resulting in a cash flow savings of \$171,088. The net present value of the cash flow savings is \$166,297.

General Obligation Bonds – Governmental Activities

The park district issued general obligation debt in the current year to refinance the city's special assessments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the park district must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. General obligation bonds currently outstanding are as follows:

\$1,760,000 G.O. Special Assessment Bond Prepayment Bonds, Series 2009, due in annual installments of \$215,000 to \$40,000 through 2022; with interest at 2.00% to 3.65%. \$1,150,000

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Special Assmt. Bonds	
	Principal	Interest
2013	\$ 175,000	\$ 33,160
2014	155,000	28,648
2015	155,000	23,998
2016	145,000	19,498
2017	130,000	15,373
2018-2022	390,000	27,334
Totals	\$1,150,000	\$148,009

Special Assessment Bonds – Governmental Activities

The park district also issued special assessment debt in prior years to provide funds for the construction of park equipment. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the park district must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds currently outstanding are as follows:

\$112,000 Refunding Improvement Bond of 2003, due in annual installments of \$7,000 to \$14,000 through 2018; with interest at 3.8%.	\$ 49,000
\$170,000 Park District Improvement Warrant of 2007 due in annual installments of \$11,000 to \$12,000 through 2022; with interest at 5.0%.	115,000
\$185,000 Park District Improvement Warrant of 2008 due in annual installments of \$8,606 to \$16,925 through 2024; with interest at 4.95%.	157,884
\$1,605,000 Park District Improvement Warrant of 2011 due in annual installments of \$95,000 to \$145,000 through 2024; with interest at 2.642%.	1,605,000
\$1,000,000 Refunding Improvement Bonds of 2012 due in annual installments of \$20,000 to \$120,000 through 2032; with interest at 0.8% to 3.15%.	<u>1,000,000</u>
Total Special Assessment Bonds	<u>\$2,926,884</u>

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds	
	Principal	Interest
2013	\$ 172,948	\$ 47,603
2014	173,440	45,210
2015	163,957	42,321
2016	154,499	39,015
2017	175,069	60,981
2018-2022	788,918	242,597
2023-2027	618,052	135,642
2028-2032	600,000	47,250
Totals	\$2,926,884	\$767,464

Special Assessments Payable:

Special Assessments Payable to the park district represents special assessment taxes levied against the park district for the district's share of the benefit derived from city-funded improvements. Payable in annual installments of \$13 to \$510,470 through 2041; with interest at 3.8% to 6%.

\$6,139,860

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessments Payable	
	Principal	Interest
2013	\$ 527,471	\$ 279,319
2014	520,591	250,542
2015	520,591	226,619
2016	520,591	202,695
2017	520,591	178,772
2018-2022	1,842,032	554,625
2023-2027	624,669	297,437
2028-2032	574,562	174,319
2033-203	488,761	60,055
Totals	\$6,139,860	\$2,224,381

Loans Payable:

\$480,000 Loan from State Bank & Trust for various park improvements. Interest rate will be at 3.850% with payments of \$80,000 to \$100,000 through 2016.

\$ 380,000

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Loans Payable	
	Principal	Interest
2013	100,000	12,683
2014	100,000	8,839
2015	100,000	4,989
2016	80,000	1,533
Totals	\$ 380,000	\$ 28,044

Leases Payable:

\$765,000 Capital Lease from Red River Valley Fair Association for a Soccer Subdivision. Payments of \$75,000 are due annually through 2020 and one payment of \$15,000 due in 2021. No interest will be accrued. \$615,000

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

GOVERNMENTAL ACTIVITIES	
Year Ending December 31	Loans Payable Principal
2013	\$ 75,000
2014	75,000
2015	75,000
2016	75,000
2017	75,000
2018-2022	240,000
Totals	\$615,000

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds, leases and loans) outstanding at December 31, 2012.

NOTE 15: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The West Fargo Park District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and two million automobile liability and \$454,705 for public asset coverage.

The West Fargo Park District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The West Fargo Park District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$880,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 16: PENSION PLAN

The West Fargo Park District contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, Post Office Box 1214, Bismarck, North Dakota, 58502-1214.

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. The West Fargo Park District has elected to contribute the employees required contribution. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the park district are established and may be amended by the State legislature. The West Fargo Park District's required and actual contributions to NDPERS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$46,863, \$37,528, and \$35,213, respectively.

Employees have the option to voluntarily contribute to any deferred program as a payroll deduction in addition to the West Fargo Park District's contribution.

NOTE 17: TRANSFERS

The park district made the following transfers in 2012:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 460,000
Recreation Fund	-	192,890
Park Dedication	-	336,919
Capital Improvements	826,162	-
Debt Service Funds	611,165	13,700
Nonmajor Funds:		
Shadow Wood 5 th	-	38,000
Maple Ridge	-	65,540
The Preserve 2nd	-	108,340
The Preserve 4th	-	59,741
Prairie Heights	-	51,733
Midland 3rd	-	52,248
Westview	-	58,215
Total Transfers	\$1,437,327	\$1,437,327

NOTE 18: PRIOR PERIOD ADJUSTMENT

There were prior period adjustments for the period ending December 31, 2012 for Governmental Wide Activities and Government Fund Statements involving adjustments to beginning capital assets, debt, and, compensated absences and to the beginning fund balance to correct the beginning general fund balance.

	Amounts
Net Position as previously reported	\$6,139,738
Adjustments to restate the January 1, 2012 net position for the following:	
Net Adjustment to Compensated Absence	36,830
Net Adjustment to Capital Assets	765,000
Net Adjustment to Capital Leases Payable	(690,000)
Net Adjustments to Special Assessments Payable	(691,700)
Net Adjustment to MAB	(2,596)
Net Position January 1, 2012 as restated	<u>\$5,483,612</u>

	Amounts
Total Governmental Fund Balance as previously reported	\$2,931,063
Adjustments to restate the January 1, 2012 Total Governmental Fund Balance for the following:	
General Fund	(2,596)
Total Governmental Fund Balance, January 1, 2012 as restated	<u>\$2,928,467</u>

NOTE 19: SUBSEQUENT EVENT

At the June 12th 2013 Park Board meeting, by unanimous vote of the Board, it was agreed to issue \$2,555,000 Park District of the City of West Fargo general obligation special assessment prepayment bonds series 2013. The bond is to refund the remaining special assessments on the Rendezvous Park parcel. \$2,555,000 of refunding bonds with interest rates ranging from 3% to 4.75% was issued to reduce its total debt service payments by approximately \$274,000.

At the August 14th 2013 Park Board meeting, the board carried a motion to approve \$2,590,000 West Fargo Park District Building Authority Lease Revenue Bonds Series 2013 to finance the Veterans Memorial Pool Replacement. The interest rate on the bond ranges from 3% to 4.75% with the repayment terms of the bond starting from May 1st 2014 through May 1st 2033.

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,234,200	\$ 1,234,200	\$ 1,225,382	\$ (8,818)
Charges for services	513,500	513,500	504,539	(8,961)
Intergovernmental	425,000	425,000	743,743	318,743
Miscellaneous	109,000	109,000	139,151	30,151
Total Revenues	<u>\$ 2,281,700</u>	<u>\$ 2,281,700</u>	<u>\$ 2,612,815</u>	<u>\$ 331,115</u>
<u>Expenditures:</u>				
Current:				
General government	\$ 1,655,000	\$ 1,702,518	\$ 1,442,955	\$ 259,563
Recreation	603,000	603,000	580,920	22,080
Debt Service:				
Principal	-	-	75,000	(75,000)
Total Expenditures	<u>\$ 2,258,000</u>	<u>\$ 2,305,518</u>	<u>\$ 2,098,875</u>	<u>\$ 206,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 23,700</u>	<u>\$ (23,818)</u>	<u>\$ 513,940</u>	<u>\$ 537,758</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ (250,000)	\$ (460,000)	\$ (210,000)
Net Change in Fund Balances	<u>\$ 23,700</u>	<u>\$ (273,818)</u>	<u>\$ 53,940</u>	<u>\$ 327,758</u>
Fund Balances - January 1	\$ 707,962	\$ 707,962	\$ 707,962	-
Prior Period Adjustments	(2,596)	(2,596)	(2,596)	-
Restated Fund Balance - January 1	<u>\$ 705,366</u>	<u>\$ 705,366</u>	<u>\$ 705,366</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 729,066</u>	<u>\$ 431,548</u>	<u>\$ 759,306</u>	<u>\$ 327,758</u>

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest Income	\$ -	\$ -	\$ 11,674	\$ 11,674
<u>Expenditures:</u>				
<u>Current:</u>				
Recreation	\$ 481,329	\$ 481,329	\$ -	481,329
Excess (Deficiency) of Revenues Over Expenditures	\$ (481,329)	\$ (481,329)	\$ 11,674	\$ 493,003
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 826,162	\$ 826,162
Net Change in Fund Balances	\$ (481,329)	\$ (481,329)	\$ 837,836	\$ 1,319,165
Fund Balances - January 1	\$ 500,307	\$ 500,307	\$ 500,307	\$ -
Fund Balances - December 31	\$ 18,978	\$ 18,978	\$ 1,338,143	\$ 1,319,165

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
RECREATION FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 385,780	\$ 385,780	\$ 377,840	\$ (7,940)
Donations/Sponsorships	-	-	3,024	3,024
Total Revenues	<u>\$ 385,780</u>	<u>\$ 385,780</u>	<u>\$ 380,864</u>	<u>\$ (4,916)</u>
<u>Expenditures:</u>				
Current:				
Recreation	<u>\$ 192,890</u>	<u>\$ 192,890</u>	<u>\$ 169,107</u>	<u>\$ 23,783</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 192,890</u>	<u>\$ 192,890</u>	<u>\$ 211,757</u>	<u>\$ 18,867</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (192,890)</u>	<u>\$ (192,890)</u>	<u>\$ (192,890)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,867</u>	<u>\$ 18,867</u>
Fund Balances - January 1	<u>\$ (7,800)</u>	<u>\$ (7,800)</u>	<u>\$ (7,800)</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (7,800)</u>	<u>\$ (7,800)</u>	<u>\$ 11,067</u>	<u>\$ 18,867</u>

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Special Revenue Funds. Budgetary comparison schedules are presented for the general fund and any major special revenue funds.

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

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Revenues	Transfers In	Debt Proceeds	Bond Discount	Transfers Out	Expenditures	Balance 12-31-12
Major Fund:								
General Fund	\$ 506,588.03	\$2,599,147.03	\$ -	\$ -	\$ -	\$ 460,000.00	\$2,095,518.39	\$ 550,216.67
Special Revenue Funds (Major):								
Recreation Fund	\$ 6,874.29	\$ 379,695.22	\$ -	\$ -	\$ -	\$ 192,890.00	\$ 183,781.22	\$ 9,898.29
Park Dedication Fund	28,429.58	771,938.01	-	-	-	336,918.91	159,394.10	304,054.58
Capital Improvements	500,307.38	11,673.69	826,161.65	-	-	-	-	1,338,142.72
Debt Service Funds (Major):								
Building Authority 2007 Reserve	\$ 280,003.05	\$ 1,472.99	\$ -	\$1,620,000.00	\$24,300.00	\$ 13,700.00	\$1,701,475.50	\$ 186,300.54
Share of Specials	(18,987.67)	765,913.72	-	-	-	-	621,810.03	125,116.02
Share of Special Assessments: Refi	133.50	235,860.95	-	-	-	-	233,747.00	2,247.45
Ball Field Improvements	9,702.00	2,500.00	-	-	-	-	-	12,202.00
2007 Revenue Bonds	159,894.42	79,657.66	413,287.00	-	-	-	333,663.05	319,176.03
2011 Improvement Bond	116,897.07	572.00	116,553.00	-	-	-	120,974.92	113,047.15
40th Avenue Special Assess.	18,258.89	5,461.20	-	-	-	-	8,995.00	14,725.09
Burlington Park Special Assess.	28,819.46	11,304.43	-	-	-	-	17,287.56	22,836.33
Special Assess.; Shadow Wood II	880,623.70	12,327.59	81,325.00	1,000,000.00	-	-	1,978,300.18	(4,023.89)
Shadow Wood Special Assess.	831.03	26,684.79	-	-	-	-	17,763.14	9,752.68
Special Assess.; Maple Ridge II	27,529.87	24,335.60	-	-	-	-	38,301.29	13,564.18
Total Debt Service Funds (Major)	\$1,503,705.32	\$1,166,090.93	\$ 611,165.00	\$2,620,000.00	\$24,300.00	\$ 13,700.00	\$5,072,317.67	\$ 814,943.58
Total Major Funds	\$2,545,904.60	\$4,928,544.88	\$1,437,326.65	\$2,620,000.00	\$24,300.00	\$1,003,508.91	\$7,511,011.38	\$3,017,255.84
Special Revenue Funds (Nonmajor):								
Social Security	\$ 2.61	\$ 74,945.94	\$ -	\$ -	\$ -	\$ -	\$ 74,311.79	\$ 636.76
Heritage Square	151,472.15	-	-	-	-	-	-	151,472.15
Christianson 1st	37,971.98	-	-	-	-	-	-	37,971.98
Shadow Wood 5th	48,341.15	-	-	-	-	38,000.00	-	10,341.15
Maple Ridge	-	65,540.08	-	-	-	65,540.08	-	-
The Preserve 2nd	-	108,339.82	-	-	-	108,339.82	-	-
The Preserve 4th	-	59,741.27	-	-	-	59,741.27	-	-
Shadow Creek	-	170,447.06	-	-	-	-	-	170,447.06
Prairie Heights	-	51,733.33	-	-	-	51,733.33	-	-
Midland 3rd	-	52,248.10	-	-	-	52,248.10	-	-
Westview	-	58,215.14	-	-	-	58,215.14	-	-
Stockyard Corner	5,445.00	8,000.00	-	-	-	-	-	13,445.00
Arena Capital Improvements	38,720.28	29,376.00	-	-	-	-	63,211.00	4,885.28
Total Nonmajor Special Revenue Funds	\$ 281,953.17	\$ 678,586.74	\$ -	\$ -	\$ -	\$ 433,817.74	\$ 137,522.79	\$ 389,199.38
Total - All Funds	\$2,827,857.77	\$5,607,131.62	\$1,437,326.65	\$2,620,000.00	\$24,300.00	\$1,437,326.65	\$7,648,534.17	\$3,406,455.22

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Fargo Park District, West Fargo, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise West Fargo Park District's basic financial statements, and have issued our report thereon dated January 29, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2012-01].

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. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a significant deficiency [2012-02].

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 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

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 29, 2014

WEST FARGO PARK DISTRICT
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Reports Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

Section II - Financial Statement Findings

2012-01 – Lack of Segregation of Duties

Condition:

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

Effect:

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

Cause:

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

Criteria:

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

Recommendation:

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

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

Views of Responsible Officials:

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.

2012-02 – Prior Period Adjustments - Capital Assets/Debt/Compensated Absence

Condition:

Per review of the results of our capital asset tests of the Park District's capital asset listing, a net amount of \$765,000 of adjustments was proposed to correct errors in the capital asset listing. Also, based on testing conducted in the compensated absences program, a net increase in the compensated absences liability of \$36,830 was proposed to correct prior period errors related to sick leave accruals. Lastly, net increases in Capital Lease Payable of \$690,000 and Special Assessments Payable of \$691,700 were needed to correct errors in the long term debt schedule.

Effect:

Prior period errors in capital assets, compensated absences, and debt resulted in a prior period adjustment to beginning net position totaling \$653,530. Prior period errors in compensated absences and debt totaled \$36,830 and \$1,381,700 increases to these liabilities. Prior period errors in capital assets netted to an increase of \$765,000 to beginning net capital asset balances, resulting in an increase to land cost. The effect of these errors also resulted in an emphasis of a matter in the auditor's opinion.

Cause:

Regarding capital assets, the primary cause was a missing land purchase from the prior audit. Regarding compensated absences, sick leave reported during the prior audit resulting in an understatement of the December 31, 2011 sick leave compensated absences liability balance. Regarding debt, the primary cause was a missing capital lease for a soccer field and missing special assessments payable.

Criteria:

Generally Accepted Accounting Principles (GAAP) require qualifying expenses to be capitalized at their proper cost. Debt and compensated absences should be reported at the proper amounts. Proper internal controls surrounding capital assets, debt, and compensated absences ensure that capital assets, debt, and compensated absences balances and activity are fairly stated.

Recommendation:

We recommend that West Fargo Park District ensure proper amounts of capital assets, debt, and compensated absences are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset. The county should also prepare a detailed addition and deletion summary of assets for each year. Detailed debt records should include all beginning balances and activity relating to the debt along with a proper amortization schedule. Additionally, it is recommended that proper sick leave balances are accrued based on applicable related policies in place at each year-end.

Views of responsible official:

I agree with the statements and recommendations stated above.