



Financial Statements
December 31, 2018

Park District of the City of Fargo

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Park District of the City of Fargo
Commissioners and Officers (Unaudited)
December 31, 2018

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Rusty Papachek	President	June 2020
Jerry Rostad	Vice President	June 2020
Joe Deutsch	Commissioner	June 2022
Vicki Dawson	Commissioner	June 2022
Stacey Griggs	Commissioner	June 2022
Jeff Gunkelman	Clerk and Secretary	
James Larson	Treasurer Ex Officio (December 2018)	
Carolyn Boutain	Treasurer Ex Officio (January 2019 - April 2019)	
Tyson Lund	Treasurer Ex Officio (May 2019 - Present)	
Joel Vettel	Executive Director	



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Park District of the City of Fargo (the Park District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Park District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Park District, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 15 to the financial statements, the Park District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of January 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park District's financial statements. The listing of commissioners and officers and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Park District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Park District's internal control over financial reporting and compliance.

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

Fargo, North Dakota
July 10, 2019

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

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

Financial Highlights

The Park District's governmental net position increased by \$4,878,622 from multiple areas. The largest increase is related to revenues exceeding expenses. Increases were obtained by revenues being higher than budgeted, as well as expenses being lower than budget.

The Park District's business-type net position decreased by \$5,389. The decrease is related to expenses exceeding revenues by amounts higher than budget due to a combination of staffing and repair facility expenses increasing.

Report Layout

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

Management's Discussion and Analysis – This section of the report provides financial highlights, overview and economic factors affecting the Park District.

Basic Financial Statements – Includes Statement of Net Position, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Park District.

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns and deferred outflows of resources, the liabilities it owes and deferred inflows of resources, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of Park District programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Park District's major governmental funds are presented in their own column. Budgetary comparison statements are presented for the General Fund. Statements for the Park District's proprietary funds follow the governmental funds and include net position, revenues, expense, and changes in fund net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Park District's financial condition.

Required Supplementary Information. – This is additional required disclosure of the funding progress of the Park District's OPEB liabilities in accordance with GASB Statement No. 75 and pension liabilities in accordance with GASB Statement No. 68.

Other Supplementary Information. – Readers desiring additional information on The Valley Senior Services, a Component Unit of the Park District. Provided for the reader is a separate balance sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for the Valley Senior Services.

Park District as A Whole

Statement of Net Position at December 31, 2018

During fiscal year 2018 the governmental activities net position increased by \$4,878,622 as shown on Table 2. The increase is from the net operating surplus.

Statement of Activities for the Year Ending December 31, 2018 (Table 2 – page 8)

Governmental Activities

The increase of net position as shown on the statement of activities, Table 2, is from revenues exceeding expenses. Tax revenue and charges for services were more than budget by approximately \$285,000 and \$668,000, respectively.

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

Business-Type Activities

The reduction in net position from the prior years is due to increased expenses from the personnel and operating. Expenses are consistent with budget except for the areas of personnel and repair facility exceeded budget.

Table 1
Statement of Net Position
December 31, 2018
(With Comparative Amounts for 2017)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 37,974,086	\$ 36,235,477	\$ 168,571	\$ 167,144	\$ 38,142,657	\$ 36,402,621
Capital assets	108,662,501	104,684,730	4,381,718	4,626,373	113,044,219	109,311,103
Total assets	146,636,587	140,920,207	4,550,289	4,793,517	151,186,876	145,713,724
Deferred Outflows of Resources	3,523,330	2,982,938	2,608	-	3,525,938	2,982,938
Liabilities						
Current liabilities	1,451,498	1,198,923	1,081,254	1,130,941	2,532,752	2,329,864
Long-term liabilities	44,948,072	43,768,524	2,064,529	2,294,131	47,012,601	46,062,655
Total liabilities	46,399,570	44,967,447	3,145,783	3,425,072	49,545,353	48,392,519
Deferred Inflows of Resources	454,229	512,983	-	-	454,229	512,983
Net Position						
Net investment in capital assets	71,961,576	67,636,960	2,363,401	2,332,242	74,324,977	69,969,202
Restricted for						
Debt service	4,007,623	3,254,490	-	-	4,007,623	3,254,490
Specific projects and programs	7,724,611	8,781,288	-	-	7,724,611	8,781,288
Unrestricted	19,612,308	18,749,977	(956,287)	(963,797)	18,656,021	17,786,180
Total net position	\$ 103,306,118	\$ 98,422,715	\$ 1,407,114	\$ 1,368,445	\$ 104,713,232	\$ 99,791,160

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to the prior year for some areas of the financial statements.

Table 2
Statement of Activities
Year Ending December 31, 2018
(With Comparative Amounts for 2017)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 5,742,487	\$ 6,385,137	\$ 2,263,381	\$ 2,185,469	\$ 8,005,868	\$ 8,570,606
Operating grants and contributions	67,716	104,890	5,450	19,688	73,166	124,578
Capital grants and contributions	162,451	19,342	-	-	162,451	19,342
General Revenues						
Property taxes	14,350,720	13,725,690	-	-	14,350,720	13,725,690
Special assessment collections	2,990,216	1,907,979	-	-	2,990,216	1,907,979
Intergovernmental	2,889,331	2,476,604	-	-	2,889,331	2,476,604
Investment earnings	364,199	96,490	-	-	364,199	96,490
Total revenues	<u>26,567,120</u>	<u>24,716,132</u>	<u>2,268,831</u>	<u>2,205,157</u>	<u>28,835,951</u>	<u>26,921,289</u>
Expenses						
General government	1,055,578	6,885,447	-	-	1,055,578	6,885,447
Recreation	1,321,091	1,136,186	-	-	1,321,091	1,136,186
Major events	231,524	4,696	-	-	231,524	4,696
Cultural arts	224,633	393,576	-	-	224,633	393,576
Concessions	360,545	214,187	-	-	360,545	214,187
Golf	3,236,647	2,662,424	-	-	3,236,647	2,662,424
Facilities	1,003,800	1,640,169	-	-	1,003,800	1,640,169
Neighborhood parks	7,959,835	4,331,478	-	-	7,959,835	4,331,478
Swimming pools	1,012,625	995,958	-	-	1,012,625	995,958
Maintenance	5,082,220	4,658,532	-	-	5,082,220	4,658,532
Courts Plus	-	-	2,474,220	2,421,855	2,474,220	2,421,855
Total expenses	<u>21,488,498</u>	<u>22,922,653</u>	<u>2,474,220</u>	<u>2,421,855</u>	<u>23,962,718</u>	<u>25,344,508</u>
Transfers	(200,000)	(200,000)	200,000	200,000	-	-
Change in Net Position	<u>\$ 4,878,622</u>	<u>\$ 1,593,479</u>	<u>\$ (5,389)</u>	<u>\$ (16,698)</u>	<u>\$ 4,873,233</u>	<u>\$ 1,576,781</u>

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to the prior year for some areas of the financial statements.

Budgetary Highlights

The Park District's General Fund appropriations, exclusive of special assessment additions, increased by approximately \$493,078 from \$18,811,538 (not including Special assessment additions) to \$19,304,616. The increase is from staffing and capital cost increases. The increase in appropriations is financed from increased mill levy value, increased fees and new fees generated from program expansion. Actual General Fund revenues were higher than budget by \$1,462,364. General Fund revenues from all sources were primarily higher than budget.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2018 the Park District has invested \$113,044,219 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$3,733,116.

Table 3
Capital Assets at December 31, 2018
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	\$ 28,369,749	\$ 179,401	\$ 28,549,150
Construction in progress	1,011,795	-	1,011,795
Buildings	42,668,884	110,537	42,779,421
Improvements other than buildings	31,790,376	3,597,573	35,387,949
Machinery and equipment	4,821,697	494,207	5,315,904
Total	\$ 108,662,501	\$ 4,381,718	\$ 113,044,219

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

Changes	Governmental Activities	Business-Type Activities	Total
Land	\$ -	\$ -	\$ -
Construction in progress	(1,940,688)	-	(1,940,688)
Buildings	395,609	(42,788)	352,821
Improvements other than buildings	5,525,003	(185,352)	5,339,651
Machinery and equipment	(2,153)	(16,515)	(18,668)
Total	\$ 3,977,771	\$ (244,655)	\$ 3,733,116

Table 4
Change in Capital Assets

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$ 104,684,730	\$ 4,626,373	\$ 109,311,103
Additions	7,406,015	138,416	7,544,431
Retirement	(19,844)	(2,998)	(22,842)
Depreciation	(3,408,400)	(380,073)	(3,788,473)
Ending Balance	<u>\$ 108,662,501</u>	<u>\$ 4,381,718</u>	<u>\$ 113,044,219</u>

Assets from governmental activities increased by \$3,977,771. Annual depreciation of \$3,408,400 decreased net capital assets. The majority of the capital asset additions were buildings and improvements other than buildings.

Business-type activities assets decreased by \$244,655. Increase to capital assets was from the purchase of a purchase various fitness equipment. The decrease is due to the depreciation of \$380,073 exceeding additions and retirement of assets.

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

Debt Outstanding

As of year-end, the Park District had \$38,988,435 in debt outstanding compared to \$39,509,406 last year. \$3,478,125 of the debt outstanding at December 31, 2018 is due within one year.

	Totals	
	2018	2017
Governmental Activities		
Notes payable	\$ 1,615,000	\$ 1,835,000
Capital leases payable	2,449,187	2,717,680
General obligation and revenue bonds	23,060,000	22,130,000
Special assessments	9,576,738	10,365,090
Compensated absences	269,193	252,662
	36,970,118	37,300,432
Business-Type Activities		
Capital leases payable	1,964,132	2,157,700
Compensated absences	54,185	51,274
	2,018,317	2,208,974
Total	\$ 38,988,435	\$ 39,509,406

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

Request for Information

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

Park District of the City of Fargo
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Valley Senior Services
Assets				
Cash and investments	\$ 16,015,613	\$ -	\$ 16,015,613	\$ 636,422
Restricted cash and investments	-	-	-	139,205
Delinquent property taxes receivable	197,581	-	197,581	-
Special assessments receivable	19,749,199	-	19,749,199	-
Accounts receivable	1,149,441	161,332	1,310,773	258,864
Internal advances	795,354	(795,354)	-	-
Prepaid items	58,217	-	58,217	-
Inventories	8,681	7,239	15,920	-
	<u>37,974,086</u>	<u>(626,783)</u>	<u>37,347,303</u>	<u>1,034,491</u>
Capital assets (net of accumulated depreciation where applicable):				
Land	28,369,749	179,401	28,549,150	-
Construction in progress	1,011,795	-	1,011,795	-
Buildings	42,668,884	110,537	42,779,421	637,203
Improvements other than buildings	31,790,376	3,597,573	35,387,949	-
Machinery and equipment	4,821,697	494,207	5,315,904	631,214
	<u>108,662,501</u>	<u>4,381,718</u>	<u>113,044,219</u>	<u>1,268,417</u>
Total assets	<u>146,636,587</u>	<u>3,754,935</u>	<u>150,391,522</u>	<u>2,302,908</u>
Deferred Outflows of Resources				
Pension plans	3,493,973	-	3,493,973	-
OPEB	29,357	2,608	31,965	6,966
Total deferred outflows of resources	<u>3,523,330</u>	<u>2,608</u>	<u>3,525,938</u>	<u>6,966</u>
Liabilities				
Accounts payable	555,672	143,434	699,106	133,338
Retainage payable	234,876	-	234,876	-
Accrued interest payable	169,354	17,889	187,243	-
Accrued payroll	122,273	27,774	150,047	33,078
Claims incurred but not reported	75,000	-	75,000	-
Unearned revenue	294,323	96,803	391,126	-
Long-term liabilities				
Due in less than one year - notes payable, capital leases payable, general obligation bonds, and special assessments	3,279,931	198,194	3,478,125	-
Due in more than one year - notes payable, capital leases payable, general obligation bonds, special assessments, and compensated absences	33,690,187	1,820,123	35,510,310	85,186
Due in more than one year - OPEB	519,845	46,212	566,057	123,333
Due in more than one year - net pension liability	<u>7,458,109</u>	<u>-</u>	<u>7,458,109</u>	<u>-</u>
Total liabilities	<u>46,399,570</u>	<u>2,350,429</u>	<u>48,749,999</u>	<u>374,935</u>
Deferred Inflows of Resources				
Pension plans	454,229	-	454,229	-
Net Position				
Net investment in capital assets	71,961,576	2,363,401	74,324,977	1,059,898
Restricted for:				
Debt service	4,007,623	-	4,007,623	-
Capital projects	7,724,611	-	7,724,611	-
Unrestricted	<u>19,612,308</u>	<u>(956,287)</u>	<u>18,656,021</u>	<u>875,041</u>
Total net position	<u>\$ 103,306,118</u>	<u>\$ 1,407,114</u>	<u>\$ 104,713,232</u>	<u>\$ 1,934,939</u>

Park District of the City of Fargo
Statement of Activities
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Valley Senior Services
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental activities								
General government	\$ 1,055,578	\$ 827,712	\$ 3,919	\$ -	\$ (223,947)	\$ -	\$ (223,947)	\$ -
Recreation	1,321,091	598,088	17,088	-	(705,915)	-	(705,915)	-
Major events	231,524	11,096	-	-	(220,428)	-	(220,428)	-
Recurring Events	224,633	126,941	23,414	-	(74,278)	-	(74,278)	-
Concessions	360,545	295,630	3,307	-	(61,608)	-	(61,608)	-
Golf	3,236,647	2,360,970	-	-	(875,677)	-	(875,677)	-
Facilities	1,003,800	593,300	-	-	(410,500)	-	(410,500)	-
Neighborhood parks	7,959,835	418,007	-	-	(7,541,828)	-	(7,541,828)	-
Swimming pools	1,012,625	343,868	-	-	(668,757)	-	(668,757)	-
Maintenance	5,082,220	166,875	19,988	162,451	(4,732,906)	-	(4,732,906)	-
Total governmental activities	<u>21,488,498</u>	<u>5,742,487</u>	<u>67,716</u>	<u>162,451</u>	<u>(15,515,844)</u>	<u>-</u>	<u>(15,515,844)</u>	<u>-</u>
Business-type activities								
Courts Plus	2,474,220	2,263,381	5,450	-	-	(205,389)	(205,389)	-
Total primary government	<u>\$ 23,962,718</u>	<u>\$ 8,005,868</u>	<u>\$ 73,166</u>	<u>\$ 162,451</u>	<u>(15,515,844)</u>	<u>(205,389)</u>	<u>(15,721,233)</u>	<u>-</u>
Component unit								
Valley Senior Services	<u>\$ 4,603,267</u>	<u>\$ 1,015,082</u>	<u>\$ 55,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,532,481)</u>
General Revenues and Transfers								
Property taxes					14,350,720	-	14,350,720	-
Special assessment collections					2,990,216	-	2,990,216	-
Intergovernmental					2,889,331	-	2,889,331	3,482,514
Investment earnings					364,199	-	364,199	-
Transfers					(200,000)	200,000	-	-
Total general revenues and transfers					<u>20,394,466</u>	<u>200,000</u>	<u>20,594,466</u>	<u>3,482,514</u>
Change in net position					4,878,622	(5,389)	4,873,233	(49,967)
Net position - beginning, as restated (Note 15)					<u>98,427,496</u>	<u>1,412,503</u>	<u>99,839,999</u>	<u>1,984,906</u>
Net position - ending					<u>\$ 103,306,118</u>	<u>\$ 1,407,114</u>	<u>\$ 104,713,232</u>	<u>\$ 1,934,939</u>

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

Park District of the City of Fargo
Balance Sheet – Governmental Funds
December 31, 2018

	General	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 3,874,677	\$ 3,999,298	\$ 8,141,638	\$ 16,015,613
Delinquent property taxes receivable	162,471	35,110	-	197,581
Special assessments receivable	-	19,749,199	-	19,749,199
Accounts receivable	1,149,441	-	-	1,149,441
Advances due from other funds	795,354	-	-	795,354
Prepaid items	58,217	-	-	58,217
Inventories	8,681	-	-	8,681
	<u>6,048,841</u>	<u>23,783,607</u>	<u>8,141,638</u>	<u>37,974,086</u>
Total assets	<u>\$ 6,048,841</u>	<u>\$ 23,783,607</u>	<u>\$ 8,141,638</u>	<u>\$ 37,974,086</u>
Liabilities				
Accounts payable	\$ 373,521	\$ -	182,151	\$ 555,672
Retainage payable	-	-	234,876	234,876
Accrued payroll	122,273	-	-	122,273
Claims incurred but not reported	75,000	-	-	75,000
Unearned revenue	294,323	-	-	294,323
	<u>865,117</u>	<u>-</u>	<u>417,027</u>	<u>1,282,144</u>
Total liabilities	<u>865,117</u>	<u>-</u>	<u>417,027</u>	<u>1,282,144</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	123,767	26,785	-	150,552
Unavailable revenue - special assessments	-	19,749,199	-	19,749,199
	<u>123,767</u>	<u>19,775,984</u>	<u>-</u>	<u>19,899,751</u>
Total deferred inflows of resources	<u>123,767</u>	<u>19,775,984</u>	<u>-</u>	<u>19,899,751</u>
Fund Balance				
Nonspendable				
Advances due from other funds	795,354	-	-	795,354
Prepaid items	58,217	-	-	58,217
Inventories	8,681	-	-	8,681
Restricted for				
Debt service	-	4,007,623	-	4,007,623
Capital projects	-	-	7,724,611	7,724,611
Assigned for				
Pension	627,391	-	-	627,391
Forestry	979,820	-	-	979,820
Insurance	146,237	-	-	146,237
Medical insurance	301,200	-	-	301,200
Friends of the Depot	24,930	-	-	24,930
Fargo Park District Foundation	100,733	-	-	100,733
Rose Creek development	92,313	-	-	92,313
Pepsi funds	31,727	-	-	31,727
Unassigned	1,893,354	-	-	1,893,354
	<u>5,059,957</u>	<u>4,007,623</u>	<u>7,724,611</u>	<u>16,792,191</u>
Total fund balance	<u>\$ 5,059,957</u>	<u>\$ 4,007,623</u>	<u>\$ 7,724,611</u>	<u>\$ 16,792,191</u>

Park District of the City of Fargo
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 December 31, 2018

Total Funds Balances - Governmental Funds		\$ 16,792,191
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		108,662,501
Compensated absences payable are not due and payable in the current period therefore are not reported as liabilities in the funds.		(269,193)
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(169,354)
Property taxes and specials are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the entity-wide statements as soon as the levy has been certified.		19,899,751
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		3,069,101
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of :		
Bonds, notes and leases payable	\$ (36,700,925)	
Net pension liability	(7,458,109)	
Other post employment benefits payable	(519,845)	(44,678,879)
Total Net Position - Governmental Activities		\$ 103,306,118

Park District of the City of Fargo
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2018

	General	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ 11,763,581	\$ 1,382,143	\$ -	\$ 13,145,724
Special assessment collections	-	2,990,216	-	2,990,216
Intergovernmental revenue	2,889,331	-	-	2,889,331
Charges for services and contributions	5,534,726	-	-	5,534,726
Interest	364,199	-	-	364,199
Grants, trusts and donations	67,716	-	162,451	230,167
Other	147,427	3,175	57,159	207,761
Total revenues	20,766,980	4,375,534	219,610	25,362,124
Expenditures				
Current				
Wages and salaries	9,529,135	-	-	9,529,135
Other	5,514,902	87,103	60,390	5,662,395
Capital outlay	1,035,197	-	6,643,869	7,679,066
Special assessment additions	-	536,109	-	536,109
Debt service				
Principal	488,493	2,684,461	-	3,172,954
Interest and fiscal charges	149,760	975,285	-	1,125,045
Total expenditures	16,717,487	4,282,958	6,704,259	27,704,704
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,049,493	92,576	(6,484,649)	(2,342,580)
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	-	2,290,000	2,290,000
Special assessments financed	-	536,109	-	536,109
Transfers	(3,462,420)	124,448	3,137,972	(200,000)
Total other financing sources (uses)	(3,462,420)	660,557	5,427,972	2,626,109
Net Change in Fund Balances	587,073	753,133	(1,056,677)	283,529
Fund Balances, Beginning of Year	4,472,884	3,254,490	8,781,288	16,508,662
Fund Balances, End of Year	<u>\$ 5,059,957</u>	<u>\$ 4,007,623</u>	<u>\$ 7,724,611</u>	<u>\$ 16,792,191</u>

Park District of the City of Fargo

Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2018

Net Change in Funds Balances - Total Governmental Funds		\$ 283,529
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are		
Capital outlay		7,406,015
Depreciation expense		(3,408,400)
The net effect of the disposal of capital assets is to decrease net position		(19,844)
Property taxes and specials are not considered available for current financial resources and are therefore deferred in the funds. However, they are properly recognized as revenue in the statement of activities as soon as the levy has been certified.		
Current period balance	\$ 19,899,751	
Prior period balance	(18,694,755)	
Current year effect		1,204,996
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid).		
Current period balance	(269,193)	
Prior period balance	252,662	
Current year effect		(16,531)
Interest payable is reported in the government wide statements of net position but is not recorded in the governmental funds.		
Current period balance	(169,354)	
Prior period balance	166,863	
Current year effect		(2,491)
In the statement of activities OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	(490,488)	
Prior period balance	463,161	
Current year effect		(27,327)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(888,170)
Debt proceeds are recognized as revenue in the governmental funds but not on the statement of net position. In the current period these amounts consist of:		
Debt proceeds		(2,290,000)
Special assessments financed		(536,109)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period these amounts consist of:		
Bond principal retirement		3,172,954
Change in Net Position of Governmental Activities		<u>\$ 4,878,622</u>

Park District of the City of Fargo

Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,478,888	\$ 11,478,888	\$ 11,763,581	\$ 284,693
Intergovernmental revenue	2,696,308	2,696,308	2,889,331	193,023
Charges for services and contributions	4,867,143	4,867,143	5,534,726	667,583
Interest	100,000	100,000	364,199	264,199
Grants, trusts and donations	109,413	109,413	67,716	(41,697)
Other	52,864	52,864	147,427	94,563
Total revenues	<u>19,304,616</u>	<u>19,304,616</u>	<u>20,766,980</u>	<u>1,462,364</u>
Expenditures				
Current				
Wages and salaries	9,301,209	9,301,209	9,529,135	(227,926)
Other	5,782,074	5,782,074	5,514,902	267,172
Capital outlay	1,631,000	1,631,000	1,035,197	595,803
Debt service				
Principal	488,493	488,493	488,493	-
Interest and fiscal charges	149,788	149,788	149,760	28
Total expenditures	<u>17,352,564</u>	<u>17,352,564</u>	<u>16,717,487</u>	<u>635,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,952,052	1,952,052	4,049,493	2,097,441
Other Financing Sources (Uses)				
Transfers out	<u>(1,952,052)</u>	<u>(1,952,052)</u>	<u>(3,462,420)</u>	<u>(1,510,368)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	587,073	<u>\$ 587,073</u>
Fund Balance, Beginning of Year			<u>4,472,884</u>	
Fund Balance, End of Year			<u>\$ 5,059,957</u>	

Park District of the City of Fargo
Statement of Net Position – Courts Plus
December 31, 2018

Assets	
Current Assets	
Accounts receivable	\$ 161,332
Inventories	7,239
	<u>168,571</u>
Total current assets	
Capital Assets, Net of Accumulated Depreciation Where Applicable	
Land	179,401
Buildings	110,537
Improvements other than buildings	3,597,573
Machinery and equipment	494,207
Total capital assets	<u>4,381,718</u>
	<u>4,550,289</u>
Total assets	
Deferred Outflows of Resources	
OPEB	<u>2,608</u>
Liabilities	
Accounts payable	143,434
Advances due to other funds	795,354
Accrued interest payable	17,889
Accrued payroll	27,774
Unearned revenue	96,803
Long-term liabilities	
Due in less than one year - capital leases payable	198,194
Due in more than one year - capital leases payable and compensated absences	1,820,123
Due in more than one year - OPEB	<u>46,212</u>
	<u>3,145,783</u>
Total liabilities	
Net Position	
Net investment in capital assets	2,363,401
Unrestricted	<u>(956,287)</u>
	<u>\$ 1,407,114</u>
Total net position	

Park District of the City of Fargo
Statement of Revenue, Expenses and Changes in Net Position – Courts Plus
Year Ended December 31, 2018

Operating Revenues	
Charges for services - membership	\$ 1,303,431
Charges for services - programs	617,301
Charges for services - other	<u>348,099</u>
Total operating revenues	<u>2,268,831</u>
Operating Expenses	
Wages and salaries	1,311,462
Depreciation	380,073
Other	<u>729,869</u>
Total operating expenses	<u>2,421,404</u>
Operating Loss Before Nonoperating Expenses and Transfers In	(152,573)
Nonoperating Expenses	
Interest expense	(49,820)
Loss on disposal of assets	<u>(2,996)</u>
Total nonoperating revenues expenses	<u>(52,816)</u>
Loss Before Transfers In	(205,389)
Transfers In	<u>200,000</u>
Change in Net Position	(5,389)
Total Net Position, Beginning of Year, As Restated (Note 15)	<u>1,412,503</u>
Total Net Position, End of Year	<u><u>\$ 1,407,114</u></u>

Park District of the City of Fargo
Statement of Cash Flows – Courts Plus
Year Ended December 31, 2018

Operating Activities	
Charges for services - membership	\$ 1,301,533
Charges for services - programs	617,301
Charges for services - other	348,099
Payments to employees	(1,288,237)
Payments to other vendors	<u>(641,917)</u>
Net cash from operating activities	<u>336,779</u>
Noncapital Financing Activities	
Transfers received from other funds	200,000
Advances paid to other funds	<u>(153,227)</u>
Net cash from noncapital financing activities	<u>46,773</u>
Capital and Related Financing Activities	
Principal payments on leases	(193,568)
Interest paid	(51,568)
Acquisition of capital assets	<u>(138,416)</u>
Net cash used for capital and related financing activities	<u>(383,552)</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (152,573)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	380,073
Changes in assets and liabilities	
Accounts receivable	(3,233)
Inventories	1,806
Deferred Outflows	(2,608)
Unearned revenue	1,335
Accounts payable	86,146
Accrued payroll	17,809
Compensated absences	2,911
OPEB obligations	<u>5,113</u>
Net cash from operating activities	<u><u>\$ 336,779</u></u>

Note 1 - Purpose and Administration

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

Note 2 - Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting

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

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

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

The Park District reports the following major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for annual payments of principal and interest on long-term general obligation debt.

Capital Projects Fund – The capital projects fund is used to account for financial resources used for the construction of major capital assets.

The Park District reports the following major proprietary fund:

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

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

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

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

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

Other Significant Accounting Policies

Budgets

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

- At the August board meeting, the Finance Director submits to the Board of Park Commissioners a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- The final budget must be adopted on or before October 7 and submitted to the county by October 10.
- Budgets are prepared on a basis which is not materially different from the modified accrual (GAAP) basis.
- The legal level of control is at the fund level.
- Formal budgetary integration is employed as a management control device during the period for the general fund and Valley Senior Services
- Encumbrance accounting is employed in governmental funds. Encumbrances lapse at the end of the year.
- Unencumbered appropriations lapse at year-end.

Cash and Investments

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

Receivables and Credit Policy

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

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

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

Prepaid Items

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

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental of business-type activities columns in the government-wide financial statements. Capital assets are defined by the Park District as assets with an initial, individual cost equal to or greater than \$1,000, except for business-type activities which are capitalized at an individual cost equal to or greater than \$500. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset of materially extend lives are not capitalized.

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

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

Pensions

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

Other Postemployment Benefits

Under the provisions of the various employee contracts the Park District provides access to health coverage until age 65 if certain criteria are met. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at January 1, 2018.

Implementation of GASB Statement No. 75

As of January 1, 2018, the Park District adopted GASB Statement No. No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard improves the usefulness of information about and improves accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). The effect of the implementation of this standard on net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Note 7.

Deferred Outflows and Inflows of Resources

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

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

Compensated Absences

All regular employees are entitled to vacation time with pay based upon length of continuous service. Annual vacation leave may not be accumulated in excess of 240 hours. Upon termination, employees are compensated for unused vacation leave. As of December 31, 2018, accrued vacation was immaterial and did not exceed a normal year's accumulation.

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

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

Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

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

Nonspendable Fund Balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the Park District itself, using its highest level of decision-making authority (i.e., Board of Park Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – amounts the Park District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

Net Position

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

Note 3 - Cash and Investments**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the Park District. At year-end, the Park District's deposits were covered by federal depository insurance or by collateral held in the Park District's name.

Cash Equivalents

At year-end, the Park District's Negotiated Savings are as per the schedule below. The bank balance is covered by federal depository insurance or by collateral held in the Park District's name. The Valley Senior Services also has funds of \$149,274 held at the Fargo-Moorhead Area Foundation in an endowment fund. The Park District's (including the Component Unit) cash and investments at December 31, 2018, are as follows:

	<u>Carrying Value</u>	
Primary Government		
Cash		
Petty cash	\$ 7,600	
Demand Deposits and Negotiated Savings	<u>5,332,097</u>	\$ 5,339,697
Investments		
Certificates of Deposit		<u>10,675,916</u>
		<u>16,015,613</u>
Component Unit		
Cash		
Petty cash	475	
Demand deposits	635,947	
Senior Service Endowment Funds	<u>139,205</u>	<u>775,627</u>
Total		<u>\$ 16,791,240</u>

Investments

Statutes authorize the Park District to invest in a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. As of December 31, 2018, the Park District has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less Than 1 Yr.
Certificates of Deposit	\$ 10,675,916	\$ 10,675,916

Interest Rate Risk

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

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

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

Note 4 - Property Tax

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

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

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

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 28,369,749	\$ -	\$ -	\$ 28,369,749
Construction in progress	2,952,483	3,826,938	(5,767,626)	1,011,795
Capital assets, not being depreciated	31,322,232	3,826,938	(5,767,626)	29,381,544
Capital assets, being depreciated				
Buildings	59,086,116	1,881,182	(8,962)	60,958,336
Improvements other than buildings	34,044,874	6,658,973	(122,074)	40,581,773
Machinery and equipment	13,048,641	806,548	(151,320)	13,703,869
Capital assets, being depreciated	106,179,631	9,346,703	(282,356)	115,243,978
Less accumulated depreciation for				
Buildings	(16,812,841)	(1,484,279)	7,668	(18,289,452)
Improvements other than buildings	(7,779,501)	(1,119,492)	107,596	(8,791,397)
Machinery and equipment	(8,224,791)	(804,629)	147,248	(8,882,172)
	(32,817,133)	(3,408,400)	262,512	(35,963,021)
Net capital assets, depreciated	73,362,498	5,938,303	(19,844)	79,280,957
Total capital assets, net	\$ 104,684,730	\$ 9,765,241	\$ (5,787,470)	\$ 108,662,501
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 179,401	\$ -	\$ -	\$ 179,401
Capital assets, being depreciated				
Buildings	1,283,652	-	-	1,283,652
Improvements other than buildings	5,993,381	57,045	-	6,050,426
Machinery and equipment	1,184,345	81,371	(52,442)	1,213,274
Capital assets, being depreciated	8,461,378	138,416	(52,442)	8,547,352
Less accumulated depreciation for				
Buildings	(1,130,327)	(42,788)	-	(1,173,115)
Improvements other than buildings	(2,210,456)	(242,397)	-	(2,452,853)
Machinery and equipment	(673,623)	(94,888)	49,444	(719,067)
Total accumulated depreciation	(4,014,406)	(380,073)	49,444	(4,345,035)
Net capital assets, depreciated	4,446,972	(241,657)	(2,998)	4,202,317
Total capital assets, net	\$ 4,626,373	\$ (241,657)	\$ (2,998)	\$ 4,381,718

Park District of the City of Fargo

Notes to Financial Statements

December 31, 2018

Depreciation expense for the year ended December 31, 2018 was charged to the following functions/programs:

Governmental activities	
General government	\$ 47,264
Recreation	39,379
Concessions	3,174
Golf	539,755
Facilities	854,309
Neighborhood parks	1,191,974
Swimming pools	166,259
Maintenance	<u>566,286</u>
Total depreciation expense - governmental activities	<u>\$ 3,408,400</u>
Business-type activities	
Courts Plus	<u>\$ 380,073</u>

Capital asset activity for the Valley Senior Services (Component Unit) for year ended December 31, 2018 is as follows:

	<u>Balance 1/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2018</u>
Component Unit				
Capital assets, being depreciated				
Buildings	\$ 1,159,063	\$ 8,287	\$ -	\$ 1,167,350
Machinery and equipment	<u>1,039,592</u>	<u>41,496</u>	<u>-</u>	<u>1,081,088</u>
Capital assets, being depreciated	<u>2,198,655</u>	<u>49,783</u>	<u>-</u>	<u>2,248,438</u>
Less accumulated depreciation for				
Buildings	(451,870)	(78,277)	-	(530,147)
Machinery and equipment	<u>(383,082)</u>	<u>(66,792)</u>	<u>-</u>	<u>(449,874)</u>
Total accumulated depreciation	<u>(834,952)</u>	<u>(145,069)</u>	<u>-</u>	<u>(980,021)</u>
Net capital assets, net	<u>\$ 1,363,703</u>	<u>\$ (95,286)</u>	<u>\$ -</u>	<u>\$ 1,268,417</u>

Note 6 - Long-Term Debt

	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due Within One Year
Governmental Activities					
Notes payable	\$ 1,835,000	\$ -	\$ (220,000)	\$ 1,615,000	\$ 245,000
Capital leases payable	2,717,680	-	(268,493)	2,449,187	277,150
General obligation	22,130,000	2,290,000	(1,360,000)	23,060,000	1,490,000
Special assessments	10,365,090	536,109	(1,324,461)	9,576,738	1,267,781
Compensated absences	252,662	16,531	-	269,193	-
	<u>\$ 37,300,432</u>	<u>\$ 2,842,640</u>	<u>\$ (3,172,954)</u>	<u>\$ 36,970,118</u>	<u>\$ 3,279,931</u>
Business-Type Activities					
Capital leases payable	\$ 2,157,700	\$ -	\$ (193,568)	\$ 1,964,132	\$ 198,194
Compensated absences	51,274	2,911	-	54,185	-
	<u>\$ 2,208,974</u>	<u>\$ 2,911</u>	<u>\$ (193,568)</u>	<u>\$ 2,018,317</u>	<u>\$ 198,194</u>
Component Unit					
Compensated absences	\$ 73,614	\$ 11,572	\$ -	\$ 85,186	\$ -

Notes Payable

Payee	Interest Rate	Maturity Date	Final Balance 12/31/2018
Governmental Activities			
Fargo Public Schools	4.80	05/01/24	\$ 1,615,000

Future maturities on notes payable:

	Principal	Interest	Total
2019	\$ 245,000	\$ 52,325	\$ 297,325
2020	255,000	39,825	294,825
2021	270,000	29,400	299,400
2022	275,000	21,225	296,225
2023	280,000	12,900	292,900
2024	290,000	4,350	294,350
	<u>\$ 1,615,000</u>	<u>\$ 160,025</u>	<u>\$ 1,775,025</u>

Park District of the City of Fargo

Notes to Financial Statements

December 31, 2018

Capital Leases Payable

Payee	Effective Interest Rate	Final Maturity	Balance 12/31/2018 Present Value
Governmental Activities			
US Bank - Osgood 9 hole golf course	1.61%	05/01/23	\$ 965,000
Kinetic Leasing, Inc., Park Maintenance Facility	4.38%	04/01/31	<u>1,484,187</u>
			<u>2,449,187</u>
Business-Type Activities			
Courts Plus Lease - fitness equipment, roof, and indoor playground equipment	2.39%	08/15/27	<u>1,964,132</u>
			<u>\$ 4,413,319</u>

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

	Governmental Activities	Business-type Activities
Land (non-depreciable)	\$ 1,715,876	\$ -
Buildings	2,280,561	3,628,183
Improvements other than building	552,338	-
Machinery and equipment	181,638	101,970
Less accumulated depreciation	<u>(1,395,335)</u>	<u>(1,209,043)</u>
Total	<u>\$ 3,335,078</u>	<u>\$ 2,521,110</u>

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

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

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 277,150	\$ 79,878	\$ 198,194	\$ 46,943	\$ 602,165
2020	280,967	73,305	202,931	42,206	599,409
2021	289,952	66,237	207,781	37,356	601,326
2022	289,111	58,709	212,747	32,390	592,957
2023	303,452	50,706	217,832	27,305	599,295
2024 - 2028	589,330	177,459	924,647	55,901	1,747,337
2029 - 2031	419,225	37,249	-	-	456,474
	<u>\$ 2,449,187</u>	<u>\$ 543,543</u>	<u>\$ 1,964,132</u>	<u>\$ 242,101</u>	<u>\$ 5,198,963</u>

General Obligation and Revenue Bonds

Issue	Date	Final Maturity Date	Interest Rates	Original Issue	Outstanding Debt 12/31/2018
Governmental Activities					
Refunding Improvement - 2010-1	08/10/10	11/01/25	3.04	\$ 675,000	\$ 350,000
Refunding Improvement - 2011-1	11/01/11	11/01/37	3.53	770,000	620,000
Refunding Improvement 2013	09/12/13	11/01/32	3.00-4.00	955,000	760,000
Refunding Improvement 2013	09/12/13	11/01/39	3.00-4.63	700,000	620,000
Refunding Improvement 2014	05/01/14	05/01/39	2.31	9,760,000	7,585,000
Refunding Improvement 2015	09/01/15	11/01/40	3.50	1,545,000	1,425,000
Refunding Improvement 2016	09/01/16	05/01/41	2.00-3.00	5,435,000	5,085,000
Refunding Improvement 2017A	10/10/17	05/01/42	3.00-3.25	1,285,000	1,265,000
Special Assessment Refunding 2017B	10/10/17	04/01/29	3.00	3,310,000	3,060,000
Refunding Improvement 2018A	10/02/18	05/01/43	3.00-4.00	2,290,000	2,290,000
				<u>\$ 26,725,000</u>	<u>\$ 23,060,000</u>

Future maturities on general obligations and revenue bonds:

	Principal	Interest	Total
2019	\$ 1,490,000	\$ 702,851	\$ 2,192,851
2020	1,530,000	651,571	2,181,571
2021	1,565,000	605,290	2,170,290
2022	1,590,000	557,883	2,147,883
2023	1,635,000	513,433	2,148,433
2024 - 2028	6,960,000	1,985,621	8,945,621
2029 - 2033	3,465,000	1,367,469	4,832,469
2034 - 2038	2,960,000	964,161	3,924,161
2039 - 2043	1,865,000	295,300	2,160,300
	<u>\$ 23,060,000</u>	<u>\$ 7,643,579</u>	<u>\$ 30,703,579</u>

The Park District issued refunding improvement bonds totaling \$2,290,000 during 2018 to fund various Park District capital projects. The bond bears interest from 3.00% to 4.00% with a final maturity date of May 1, 2043.

The Park District had special assessments of \$536,109 levied in 2018 by the City of Fargo for multiple properties added by the Park District in 2018. Specials are due at various dates through 2042.

Special Assessments

Uncertified special assessments of \$9,576,738 are due to the City of Fargo on various properties owned by the Park District. Principal and interest payments on the special assessments are recorded in the debt service fund.

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

Note 7 - Other Post-Employment Benefits

A. Plan Description

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

B. Benefits Provided

Eligible participants and their dependents have access to other post-employment benefits of blended medical premiums of \$538 for single coverage, \$957 for single +1 coverage, and \$1,428 for family coverage. The implicit rate subsidy is only until Medicare eligibility.

C. Employees Covered by Benefit Terms

At the valuation date of December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees electing coverage	98
Active employees waiving coverage	<u>18</u>
	<u><u>119</u></u>

D. Total OPEB Liability

The Park District’s total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017.

E. Actuarial Assumptions

The total OPEB liability in the December 31, 2018, measurement was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Expected return rate	N/A
Discount rate	3.31 percent
Healthcare cost trend rates	6.30 percent in FY2018, gradually decreasing over several decades to an ultimate rate of 4.40% in FY2074 and later years.
Mortality	Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017.

The actuarial assumptions used in the December 31, 2018 measurements were based on the results of an actuarial experience study as of December 31, 2017.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

F. Changes in the Total OPEB Liability

Balance at January 1, 2018	\$ 613,947
Changes from the Prior Year	
Service Cost	61,015
Interest Cost	25,028
Assumption Changes	25,539
Benefit Payments	(36,139)
	<hr/>
Net Change	75,443
	<hr/>
Balance at December 31, 2018	<u><u>\$ 689,390</u></u>

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the Park District, as well as what the Park District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.31%	3.31%	4.31%
Total OPEB Liability	\$ 741,903	\$ 689,390	\$ 638,903

The following presents the total OPEB liability of the Park District, as well as what the Park District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical trend rate	5.30%, gradually decreasing to 3.40%	6.30%, gradually decreasing to 4.40%	7.30%, gradually decreasing to 5.40%
Total OPEB Liability	\$ 609,759	\$ 689,390	\$ 783,710

H. OPEB Expense

For the year ended December 31, 2018, the Park District recognized OPEB expense of \$89,115.

Note 8 - Interfund Advances and Transfers

Total advances due to the General Fund as of December 31, 2018 was \$795,354. There is currently no formal repayment schedule.

During the year ended December 31, 2018, the General Fund transferred \$200,000 to the Courts Plus Fund for current and future planned capital projects and \$3,137,972 to the Capital Projects Fund and \$124,448 to the Debt Service Fund for current and future planned capital projects and financing.

Note 9 - Operating Leases

The Park District leases all golf carts from Yamaha Golf & Utility Vehicles. The concessions lease agreement commenced with the 2017 golf season and will terminate at the close of the 2021 golf season. Under the agreement, 37% of the gross revenue on golf carts is remitted to the lessor. Total expense for the rental of golf carts for the year ended December 31, 2018 was \$171,770. Due to the lease payment being contingent upon the renting of golf carts, there are no minimum lease payments recognized.

The Park District leases space for the Osgood Pro Shop from Osgood Investments, LLC. The original lease agreement commences in 2005 with a ten-year term and was automatically renewed on January 1, 2018. The annual rent for the pro shop space is based on a triple net lease. Total annual rental expense for the Osgood Pro Shop for the year ended December 31, 2018 was \$43,707.

The Park District leases space for Valley Senior Services from El Zagal Holding Company. The lease agreement commenced on September 1, 2015 with a ten-year term. The lease has a one-time, five-year option to renew at market value. Total annual rental expense for the Valley Senior Services building for the year ended December 31, 2018 was \$53,646.

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

	Osgood Pro Shop	Valley Senior Services	Total
2019	\$ 27,780	\$ 33,000	\$ 60,780
2020	11,575	33,917	45,492
2021	-	35,750	35,750
2022	-	35,750	35,750
2023	-	35,750	35,750
Thereafter	-	59,583	59,583
	<u>\$ 39,355</u>	<u>233,750</u>	<u>\$ 273,105</u>

Note 10 - Defined Benefit Pension Plan

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

City of Fargo Pension Plan

A. Plan Description

The Park District's pension plan is a cost-sharing multiple employer public employee retirement system. The plan, the Fargo City Employees' Pension Plan, is integrated with social security and, therefore, is considered a supplemental plan. The plan administrator is the City of Fargo. All full-time Park District employees are eligible for participation in the pension plan. The payroll for the employees covered by the pension plan for the year ended December 31, 2018 was \$2,427,364.

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

Membership in the plan on December 31, 2018, is as follows:

Retirees and beneficiaries currently receiving pension payments	23
Terminated vested	26

B. Benefits Provided

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

Pension Plan Benefits

Participants are fully vested in the plan after five years of full-time employment. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin between ages 55 - 65. Non-vested participants are eligible for a full refund of the contributions plus interest at 5%. Vested participants that terminate can elect to receive a deferred vested benefit or a lump sum payment. Lump sum settlements are allowable up to age 55. Lump sum payments are computed as the greater of the actuarial value of plan assets or the "cash balance" in their plan account. The cash balance consists of the employee contributions, plus half of the employers' contribution since January 1, 1990, plus interest at 5%.

Death and Disability Benefits

Employees may be eligible for early, normal or disability retirement. The plan permits early retirements at age 55 with at least 10 years of service. Normal retirement age for full benefits is age 65.

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

C. Contributions

Participant employees contribute to the plan at a rate of 6.5% of salary and the employers contribute at a rate of 8.0% of regular salary for all employees including non-participants. The contribution rates are established by local ordinance, and the employer contribution rate set by the Fargo City Commission. For the year ended December 31, 2018, contributions totaled \$82,409 and \$101,426 for employees and the Park District, respectively.

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

D. Pension Costs

At December 31, 2018, the Park District reported a liability of \$1,785,110 for its proportionate share of the City of Fargo Pension Plan's net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on the Park District's contributions received by the City of Fargo Pension Plan during the measurement period for employer payroll paid dates from January 1, 2018 through December 31, 2018, relative to the total plan contributions received from the City of Fargo. At December 31, 2018 the Employer's proportion was 10.73 percent, which was an increase of 1.42 percent from December 31, 2017.

For the year ended December 31, 2018, the Park District recognized pension expense of \$216,198. At December 31, 2018, the Park District reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,053	\$ 10,504
Changes of assumptions	6,157	98,787
Net difference between projected and actual earnings on pension plan investments	424,096	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	149,666	43,361
Employer contributions subsequent to the measurement date	-	-
	<u> </u>	<u> </u>
Total	<u><u>\$ 625,972</u></u>	<u><u>\$ 152,652</u></u>

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

Year Ended December 31,		
2019	\$	139,789
2020		72,418
2021		101,516
2022		159,597
2023		-
Thereafter		-

E. Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	2.50%
Investment rate of return	7.25%, net of investment expenses
Index rate	3.71%

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2018 was applied to these base rates after 2006.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2018. They are the same as the assumptions used in the December 31, 2018, funding actuarial valuation for the City of Fargo Pension Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return. This is accomplished by weighting the expected future real arithmetic rates of return by the current asset allocation percentage (or target allocation, if available); adjusting for the difference between arithmetic and geometric average returns; and adding expected inflation (2.50%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	42.00%	5.58%
International equity	16.00%	5.71%
Emerging markets equity	7.00%	6.80%
Core fixed income	26.00%	2.27%
Investment grade corporate	2.25%	2.56%
High yield	2.25%	4.50%
Emerging markets debt	2.25%	4.12%
Bank loans	2.25%	1.63%
Totals	100.00%	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of December 31, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the December 31, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of December 31, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2018.

G. Pension Liability Sensitivity

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	\$ 2,536,402	\$ 1,785,110	\$ 1,145,129

H. Pension Plan Fiduciary Net Position

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

North Dakota Public Employee Retirement System

A. Plan Descriptions

The Park District's pension plan is a cost-sharing multiple employer public employee retirement system. The plan, the North Dakota Public Employee Retirement System (NDPERS), is integrated with social security and, therefore, is considered a supplemental plan. The plan administrator is the North Dakota Public Employee Retirement System Pension Plan. All full-time Park District employees are eligible for participation in the pension plan. The payroll for the employees covered by the pension plan for the year ended December 31, 2018 was \$3,453,384.

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

Membership in the plan on December 31, 2018, is as follows:

Retirees and beneficiaries currently receiving pension payments	-
Terminated vested	-

B. Benefits Provided

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

C. Contributions

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

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

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

For the year ended December 31, 2018, contributions totaled \$247,557 and \$291,532 for employees and the Park District, respectively.

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

D. Pension Costs

At December 31, 2018, the Park District reported a liability of \$5,672,999 for its proportionate share of the NDPER's net pension liability. The net pension liability was measured as of July 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Park District's proportion of the net pension liability was based on the Park District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2018 the Employer's proportion was 0.336156 percent and at the beginning of the year it was 0.306625 percent.

For the year ended December 31, 2018, the Park District recognized pension expense of \$1,125,907. At December 31, 2018, the Park District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,017	\$ 193,006
Changes of assumptions	2,047,835	80,971
Net difference between projected and actual earnings on pension plan investments	-	27,600
Changes in proportion and differences between employer contributions and proportionate share of contributions	661,182	-
Employer contributions subsequent to the measurement date	<u>143,967</u> *	<u>-</u>
Total	<u><u>\$ 2,868,001</u></u>	<u><u>\$ 301,577</u></u>

*\$143,967 is reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 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:

<u>Year Ended December 31,</u>	
2019	\$ 773,916
2020	697,797
2021	581,041
2022	334,294
2023	35,409
Thereafter	-

E. Actuarial Assumptions

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

Inflation	2.50%
Salary increases	4% to 20.00% including inflation
Investment rate of return	7.75%, net of investment expenses

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2017. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.00%	6.05%
International equity	21.00%	6.71%
Private equity	7.00%	10.20%
Domestic fixed income	23.00%	1.45%
Global real assets	19.00%	5.11%
Cash equivalents	0.00%	0.00%
Totals	100.00%	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.32 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

G. Pension Liability Sensitivity

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

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	\$ 7,708,551	\$ 5,672,999	\$ 3,774,397

H. Pension Plan Fiduciary Net Position

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

Note 11 - Medical Self-Insurance

The Park District is self-insured with respect to certain employee medical costs. The Park District implemented the self-insurance medical plan January 1, 2006. Terms of the plan include a stop-loss provision which limits the Park District's liability to \$25,000 per individual or approximately \$792,265 in aggregate annually. The following is the activity for the year ended December 31, 2018:

Claims incurred but not reported at beginning of year	\$ 78,000
Claims incurred	713,821
Claims paid	<u>(716,821)</u>
Claims incurred but not reported at end of year	<u>\$ 75,000</u>

Note 12 - Risk Management

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

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

Note 13 - Commitments

Construction

As of December 31, 2018, the Park District had commitments on multiple projects, totaling approximately \$551,789.

Note 14 - Joint Power Agreement with other Governmental Entities

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

Note 15 - Adoption of New Standard

As of January 1, 2018, the Park District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities, Courts Plus, and Valley Senior Services were restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability as follows:

	Governmental Activities	Courts Plus	Valley Senior Services
Net Position, December 31, 2017, as previously reported	\$ 98,422,715	\$ 1,368,445	\$ 1,910,892
Remove previously reported OPEB liability previously reported under GASB Statement No. 45	467,942	85,157	183,701
Add total OPEB liability under GASB Statement No. 75 at December 31, 2017	(463,161)	(41,099)	(109,687)
Net Position, January 1, 2018, as restated	\$ 98,427,496	\$ 1,412,503	\$ 1,984,906

Note 16 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the Park District. The first statement issued but not yet implemented that will significantly affect the Park District is statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. This statement will be implemented at the Park District in the year ended December 31, 2019.

The second statement issued but not yet implemented that will significantly affect the Park District is statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the Park District in the year ended December 31, 2019.

The third statement issued but not yet implemented that will significantly affect the Park District is statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve the information that is being disclosed related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will increase the usefulness of governments' financial statements by requiring improved information to be disclosed related to debt, including direct borrowings and direct placements. This statement will be implemented at the Park District in the year ended December 31, 2019.

The final statement issued but not yet implemented that will significantly affect the Park District is statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the Park District in the year ended December 31, 2020.

Management has not yet determined the effect these pronouncements will have on the Park District's financial statements.



Required Supplementary Information
December 31, 2018

Park District of the City of Fargo

Park District of the City of Fargo
 Schedule of Changes in the City's Total OPEB Liability and Related Ratios
 December 31, 2018

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

Service cost	\$	61,015
Interest		25,028
Changes of assumptions		25,539
Benefit payments		<u>(36,139)</u>
Net change in total OPEB liability		75,443
Total OPEB liability - beginning		<u>613,947</u>
Total OPEB liability - ending		<u><u>\$ 689,390</u></u>
Covered-employee payroll	\$	5,220,425
Total OPEB liability as a percentage of covered-employee payroll		13.2%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Changes in the City's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Park District of the City of Fargo

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

December 31, 2018

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

<u>Pension Plan</u>	<u>Measurement Date</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Employer's Covered-Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
City of Fargo Pension Plan	12/31/2018	12.15%	\$ 1,785,110	\$ 2,427,364	73.5%	75.2%
City of Fargo Pension Plan	12/31/2017	10.73%	\$ 1,071,680	\$ 2,326,752	46.1%	82.8%
City of Fargo Pension Plan	12/31/2016	10.04%	\$ 1,468,596	\$ 2,599,184	56.5%	74.1%
City of Fargo Pension Plan	12/31/2015	10.56%	\$ 1,732,437	\$ 2,730,717	63.4%	70.8%
NDPERS	6/30/2018	0.3362%	\$ 5,672,999	\$ 3,453,384	164.3%	62.8%
NDPERS	6/30/2017	0.3066%	\$ 4,928,470	\$ 3,130,157	157.5%	70.5%
NDPERS	6/30/2016	0.2372%	\$ 2,311,609	\$ 2,390,278	96.7%	70.5%
NDPERS	6/30/2015	0.2224%	\$ 1,511,942	\$ 1,980,866	76.3%	77.2%

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

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (c)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/c)</u>
City of Fargo Pension Plan	12/31/2018	\$ 212,010	\$ 201,386	\$ 10,624	\$ 2,427,364	8.3%
City of Fargo Pension Plan	12/31/2017	\$ 242,716	\$ 226,331	\$ 16,385	\$ 2,326,752	9.7%
City of Fargo Pension Plan	12/31/2016	\$ 233,338	\$ 185,188	\$ 48,150	\$ 2,599,184	7.1%
City of Fargo Pension Plan	12/31/2015	\$ 209,247	\$ 154,258	\$ 54,989	\$ 2,730,717	5.6%
NDPERS	12/31/2018	\$ 254,357	\$ 243,475	\$ 10,882	\$ 3,453,384	7.1%
NDPERS	12/31/2017	\$ 226,975	\$ 202,726	\$ 24,249	\$ 3,130,157	6.5%
NDPERS	12/31/2016	\$ 173,052	\$ 164,318	\$ 8,734	\$ 2,390,278	6.9%
NDPERS	12/31/2015	\$ 150,463	\$ 141,237	\$ 9,226	\$ 2,154,119	6.6%

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



Other Supplementary Information
December 31, 2018

Park District of the City of Fargo

Park District of the City of Fargo
Balance Sheet – Modified Accrual Basis Valley Senior Services
December 31, 2018

Assets

Cash and investments	\$ 636,422
Restricted cash	139,205
Accounts receivable	<u>258,864</u>
Total assets	<u><u>\$ 1,034,491</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 133,338
Accrued payroll	<u>33,078</u>
Total liabilities	<u>166,416</u>

Fund Balance

Unassigned	<u>868,075</u>
Total liabilities and fund balance	<u><u>\$ 1,034,491</u></u>

Park District of the City of Fargo
 Statements of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual – Modified Accrual Basis Valley Senior Services
 December 31, 2018

	Original and Final Budget	Actual	Variance With Budget
Revenues			
Intergovernmental revenue	\$ 3,702,180	\$ 3,482,514	\$ (219,666)
Charges for services and contributions	904,646	876,069	(28,577)
Grants, trusts and donations	20,000	55,704	35,704
Other	105,897	139,013	33,116
Total revenues	<u>4,732,723</u>	<u>4,553,300</u>	<u>(179,423)</u>
Expenditures			
Current			
Wages and salaries	2,526,585	2,604,735	(78,150)
Other	1,920,708	1,853,658	67,050
Capital	90,000	56,560	33,440
Total expenditures	<u>4,537,293</u>	<u>4,514,953</u>	<u>22,340</u>
Net Change in Fund Balance	<u>\$ 195,430</u>	38,347	<u>\$ (157,083)</u>
Fund Balance, Beginning of Year		<u>829,728</u>	
Fund Balance, End of Year		<u>\$ 868,075</u>	