

BARNES COUNTY
VALLEY CITY, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

BARNES COUNTY

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BARNES COUNTY
LIST OF OFFICIALS
DECEMBER 31, 2017

Commissioners:	Cindy Schwehr John Froelich Mike Metcalf Rodger Berntson Bill Carlblom
Auditor:	Beth Didier
Treasurer:	Vicki Zinck
Sheriff:	Randy McClafllin
County Recorder:	Jody Pfaff
States Attorney:	Carl Martineck

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

County Commission
Barnes County
Valley City, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and aggregate remaining fund information of Barnes County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Barnes County as of December 31, 2017, and the changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

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

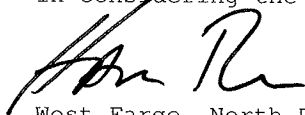
Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Barnes County's basic financial statements. The Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated November 1, 2018, on my considerations of the County's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and Barnes agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 County's internal control over financial reporting and compliance.



West Fargo, North Dakota
November 1, 2018

PO Box 816 West Fargo, ND 58078 Phone (701) 281-0483 Cell 212-3908

BARNES COUNTY
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2017

	PRIMARY GOVERNMENT	
	GOVERNMENTAL ACTIVITIES	COMPONENT UNITS
ASSETS		
Cash and investments	8,477,925.31	381,574.27
Capital assets (net of accumulated depreciation)	3,374,922.02	822,360.79
Total Assets	11,852,847.33	1,203,935.06
LIABILITIES		
Long-term liabilities:		-
Due within one year:		
Bonds payable	105,000.00	-
Notes payable	43,616.96	-
Due after one year:		
Bonds payable	-	-
Notes payable	399,698.69	
Total liabilities	548,315.65	-
DEFERRED INFLOWS OF RESOURCES		
Taxes paid in advance	1,900,683.53	75,964.28
NET POSITION		
Net investment in capital assets	2,826,606.37	822,360.79
Restricted for:		
General government		-
Unrestricted	6,577,241.78	305,609.99
Total net position	9,403,848.15	1,127,970.78

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (expense) Revenue & Changes in Net Assets	Component units
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	3,775,787.94			(3,775,787.94)	394,164.71
Public safety	1,778,539.35			(1,778,539.35)	200,705.98
Health and welfare	1,313,323.62	531,141.82	444,126.01	(338,055.79)	
Highways	4,251,517.78	555,543.17	1,583,371.70	(2,112,602.91)	
Relief and charities	1,337,822.24		252,140.79	(1,085,681.45)	
Weed control	290,006.02	12,470.93	39,886.13	(237,648.96)	
Culture and recreation	96,914.30	-		(96,914.30)	
Capital outlays	-			-	111,773.22
Interest expense	3,382.25			(3,382.25)	
Total Governmental Activities	12,847,293.50	1,099,155.92	2,319,524.63	(9,428,612.95)	706,643.91
General Revenues					
Property taxes				7,093,890.17	512,377.98
Intergovernmental				1,290,738.57	222,393.76
Charges				177,267.72	
Interest income				46,697.20	
Licenses and permits				39,219.00	
Other revenue				393,674.66	207,602.60
Total General revenues				9,041,487.32	942,374.34
Change in Net Assets				(387,125.63)	235,730.43
Net Position- January 1				9,790,973.78	892,240.35
Net Position- December 31				9,403,848.15	1,127,970.78

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2017

	GENERAL	HIGHWAY FUNDS	SOCIAL SERVICE FUND	CITY-COUNTY HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	2,982,013.04	3,965,494.07	189,044.58	293,475.22	1,047,898.40	8,477,925.31
Total Assets	2,982,013.04	3,965,494.07	189,044.58	293,475.22	1,047,898.40	8,477,925.31
 LIABILITIES						
Accounts Payable	-	-	-	-	-	-
Prepaid taxes	1,196,390.22	251,343.94	-	109,031.62	343,917.75	1,900,683.53
Total Liabilities	1,196,390.22	251,343.94	-	109,031.62	343,917.75	1,900,683.53
 FUND BALANCE						
Restricted for General Government Unassigned	1,785,622.82	3,714,150.13	189,044.58	184,443.60	703,980.65	4,791,618.96
Total Fund Balance	1,785,622.82	3,714,150.13	189,044.58	184,443.60	703,980.65	6,577,241.78
Total liabilities, deferred inflows of resources and fund balances	2,982,013.04	3,965,494.07	189,044.58	293,475.22	1,047,898.40	8,477,925.31

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2017

Total Fund Balances for Governmental Funds		6,577,241.78
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	13,228,240.66	
Less accumulated depreciation	9,853,318.64	
Net capital assets		3,374,922.02

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets. Balances at year end are:

Bonds payable	(105,000.00)
Leases payable	-
Notes payable	(443,315.65)

Total Net Assets of Governmental Activities	9,403,848.15
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The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017

	GENERAL	HIGHWAY FUNDS	SOCIAL SERVICE FUND	CITY-COUNTY HEALTH FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	3,408,746.31	1,161,847.32	1,200,996.78	300,692.52	1,021,607.24	7,093,890.17
Intergovernmental	786,165.17	1,583,371.70	252,140.79	442,126.01	546,459.53	3,610,263.20
Charges for services	130,307.40	555,543.17	-	531,141.82	59,431.25	1,276,423.64
Interest and other	343,186.99	37,345.21	8,544.70	47,942.69	42,571.27	479,590.86
Total Revenues	4,668,405.87	3,338,107.40	1,461,682.27	1,321,903.04	1,670,069.29	12,460,167.87
Current:						
General government	2,847,370.19				1,354,891.65	4,202,261.84
Public safety	1,636,495.46				142,043.89	1,778,539.35
Health and welfare				1,447,025.41	-	1,447,025.41
Highways		3,584,454.29			356,425.72	3,940,880.01
Relief and charities			1,337,822.24		-	1,337,822.24
Culture and recreation					198,146.80	198,146.80
Capital outlay	-			-	-	-
Debt Service						
Principal					100,000.00	100,000.00
Interest expense					8,382.25	8,382.25
Total Expenditures	4,483,865.65	3,584,454.29	1,337,822.24	1,447,025.41	2,159,890.31	13,013,057.90
Excess revenues (expenditures)	184,540.22	(246,346.89)	123,860.03	(125,122.37)	(489,821.02)	(552,890.03)
Other Financing Sources (Uses):						
Transfers in	3,895.55	941,886.26			270,830.97	1,216,612.78
Transfers out	(270,751.00)	(750,000.00)			(195,861.78)	(1,216,612.78)
Bond proceeds					-	-
Total other financing sources and uses	(266,855.45)	191,886.26	-	-	74,969.19	-
Net change in fund balances	(82,315.23)	(54,460.63)	123,860.03	(125,122.37)	(414,851.83)	(552,890.03)
Fund balance- beginning	1,867,938.05	3,768,610.76	65,184.55	309,565.97	1,118,832.48	7,130,131.81
Fund balance- ending	1,785,622.82	3,714,150.13	189,044.58	184,443.60	703,980.65	6,577,241.78

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances- Total Governmental Funds (552,890.03)

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

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

Current year capital outlay	432,291.80	
Current year depreciation expense	417,394.47	14,897.33

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000.00
45,867.07

Change in Net Assets of Governmental Activities (387,125.63)

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
STATEMENT OF ASSETS AND LIABILITIES- FIDUCIARY FUNDS
DECEMBER 31, 2017

AGENCY
FUNDS

ASSETS

Cash and investments 3,692,171.33

Total Assets 3,692,171.33

LIABILITIES

Prepaid taxes 201,338.12

Due to Other Groups 3,490,833.21

Total liabilities 3,692,171.33

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
 COMBINING STATEMENT OF NET POSITION- COMPONENT UNITS- MODIFIED CASH BASIS
 DECEMBER 31, 2017

	WATER RESOURCE	AIRPORT AUTHORITY	TOTAL
ASSETS			
Cash and investments	239,123.62	206,845.02	445,968.64
Accounts receivable	51,065.64		51,065.64
Taxes receivable	57,116.99		57,116.99
Intergovernmental receivable			-
Contract for deed			-
Capital assets (net of accumulated depreciation)		822,360.79	822,360.79
Total Assets	347,306.25	1,029,205.81	1,376,512.06
LIABILITIES			
Accounts Payable	172,577.00	-	172,577.00
Deferred revenue	-		-
Long-term liabilities:			-
Due within one year:			
Bonds payable		-	-
Notes payable		-	-
Due after one year:			-
Bonds payable			-
Notes payable			-
Total liabilities	172,577.00	-	172,577.00
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance	75,964.28		75,964.28
NET POSITION			
Invested in capital assets, net of related debt		822,360.79	822,360.79
Restricted for:			
Capital projects			-
Debt service			-
Unrestricted	98,764.97	206,845.02	305,609.99
Total net position	98,764.97	1,029,205.81	1,127,970.78

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
 COMBINING STATEMENT OF ACTIVITIES- COMPONENT UNITS- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2017

	WATER RESOURCE	AIRPORT AUTHORITY	TOTAL
Expenditures			
General government	394,164.71		394,164.71
Public safety	-	200,705.98	200,705.98
Highways and streets			-
Economic development	-		-
Other capital outlays	111,773.22	-	111,773.22
Interest expense			-
Depreciation- Unallocated			-
Total Expenditures	505,937.93	200,705.98	706,643.91
Revenue			
Property taxes	219,845.44	292,532.54	512,377.98
Intergovernmental	134,317.76	88,076.00	222,393.76
Charges for services		78,813.99	78,813.99
Miscellaneous	124,938.53	3,518.19	128,456.72
Interest income	195.28	136.61	331.89
Total Revenues	479,297.01	463,077.33	942,374.34
Change in Net Position	(26,640.92)	262,371.35	235,730.43
Net Position- January 1	125,405.89	766,834.46	892,240.35
Net Position- December 31	98,764.97	1,029,205.81	1,127,970.78

The accompanying notes are an integral part of these financial statements.

BARNES COUNTY
VALLEY CITY, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Barnes County (County) have been prepared in conformity with the modified cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are two component units: Airport Authority and Water Resource District.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the County. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

BARNES COUNTY

Notes to Financial Statements- Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental fund:

General Fund. The General Fund is the primary operating fund of the County and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Highway- The Highway fund is used to account for highway activity for the County. Primary revenue sources are taxes and state aid.

Social service- The Social Service fund is used to account for health and welfare activity for the County. Primary revenue sources are taxes and state aid.

City County Health- The City County Health fund is used to account for health activity for the County. Primary revenue sources are taxes and state aid.

The County reports the following fund types:

Agency Funds. These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency fund is used to account for various deposits of other governments funds.

BARNES COUNTY
Notes to Financial Statements- Continued

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

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

BARNES COUNTY
Notes to Financial Statements- Continued

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

D. Budgets

Based upon available financial information and requests by the department heads, the commission and auditor prepares the County budget. The budget is prepared for the general and special revenue funds on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

County taxes are levied by the county commission on or before the October meeting. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County during the year ended December 31, 2017 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

F. COMPENSATED ABSENCES

Vested or accumulated vacation leave is reported in government-wide statement of net assets. Compensation for unused vacation leave will be granted for all 12 month employees upon termination of employment with the County based on the current rate of pay.

BARNES COUNTY
Notes to Financial Statements- Continued

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Permanent Buildings	50
Equipment	10

H. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

BARNES COUNTY
Notes to Financial Statements- Continued

I. Fund Balance/ Net Position

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the County commission-the County's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the County's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the County's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

BARNES COUNTY
Notes to Financial Statements- Continued

The Commission has not set a General Fund minimum fund balance.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the County budget for 2017.

EXPENDITURES OVER APPROPRIATIONS

The County overspent the General fund budget by \$474,284; the Social Service budget by \$83,250; Highway budget by \$220,113; and City-County Health budget by \$639,875. No remedial action is required.

NOTE 3 DEPOSITS

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

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

BARNES COUNTY

Notes to Financial Statements- Continued

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

At December 31, 2017, the County's carrying amount of deposits was \$13,540,179. Of the bank balances, \$450,491 was covered by Federal Depository Insurance. The remaining balance of \$13,089,688 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the County to invest in:(1) 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.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

Concentration of Credit Risk

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

BARNES COUNTY
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

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

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

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

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

NOTE 5: CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Balance December 31
Construction in progress				
Bldgs and Improvements	6,615,791			6,615,791
Vehicles & Equipment	6,180,157	64,079		6,180,157
Total Cap Assets	12,795,948	64,079		12,795,948
Less accumulated depreciation for:				
Buildings & Improve	4,968,520	64,532		4,968,520
Vehicles & Equip	4,467,404	318,139		4,467,404
Total Accumulated Dep	9,435,924	382,672		9,435,924
Capital Assets, Net	3,360,025			3,360,025

Depreciation Expense was charged to functions/programs of the County as follows:

Governmental Activities:	
General government	56,864
Public safety	46,295
Highways	279,513
Total Dep Exp-Gov Activities	382,672

BARNES COUNTY
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2017, the following changes occurred in liabilities reported in long-term debt:

	Payable 2015	Increases	Decreases	Payable Due Within 2017	One Year
Bonds payable	210,000		105,000	105,000	105,000
Notes payable	489,183		45,867	443,316	43,617
TOTAL	699,183		150,867	548,316	148,617

Debt payable at December 31, 2017, is comprised of the following individual issues:

Bonds Payable:

Bridge Bond of 2015 due in annual installments of \$95,000 to 105,000 including interest at 2.0-3.0% through June 2018	<u>105,000</u>
Total Long-Term Debt	105,000

The annual long-term debt service requirements for bonds payable, as of December 31, 2017, are as follows:

Year Ending December 31 2018	GOVERNMENTAL ACTIVITIES	
	Long-Term Debt Principal	Interest
	105,000	788

NOTES PAYABLE

Note payable at local bank due in monthly installments of \$5,979, including interest at 5.50%, through June 2025 when balance of loan is due. Note used to purchase City-County Health building.	443,316
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BARNES COUNTY
Notes to Financial Statements- Continued

The County is obligated to the following note payable agreements at December 31, 2017 are shown below:

2017	71,627
2018	71,627
2019	71,627
2020	71,627
2021	71,627
2022-2025	<u>265,584</u>
	623,719
Less amount representing interest	<u>134,536</u>
Principal balance remaining	489,183

NOTE 7. FUND BALANCE

Fund balance in the various funds has been restricted or assigned for the following purposes:

Restricted for Debt Service \$0

NOTE 8. DEFICIT IN FUND BALANCE

The County has a deficit of \$28,817 in the Weed Control Fund, \$5,712 in the County Agent Fund and \$19,875 in the Bridge Fund. These deficits will be eliminated by grants and transfers.

NOTE 9: TRANSFERS

The County transfers operating revenues between funds. The County transfers Highway distribution funds to the Road & Bridge fund- \$1,000,000; FICA Fund to General fund- \$322,882; General Fund to 911 Fund- \$477,585; General Fund to Winter Show Fund- \$187,034; General Fund to Correction Fund- \$511,875; General Fund to County Park Fund- \$74,620; General Fund to Insurance Reserve Fund- \$50,079

BARNES COUNTY
Notes to Financial Statements- Continued

NOTE 10: PENSION PLANS

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The Barnes County participates in the North Dakota Public Employees Retirement System (NDPERS) - Main System. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

A. DESCRIPTION OF PENSION PLAN

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the governor, one member appointed by the Attorney General; one member appointed by the State Health Officer, three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

B. PENSION BENEFITS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members 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 of (65). 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.

BARNES COUNTY
Notes to Financial Statements- Continued

C. DEATH AND DISABILITY BENEFITS

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

D. 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.

BARNES COUNTY
Notes to Financial Statements- Continued

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 25 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

E. MEMBER AND EMPLOYER CONTRIBUTIONS

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

F. PENSION EXPENSE RELATED TO PENSIONS

For the year ended December 31, 2017, the County recognized pension expense of \$396,706.

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

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

BARNES COUNTY
Notes to Financial Statements- Continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for NDPERS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

BARNES COUNTY
Notes to Financial Statements- Continued

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

NOTE 11: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The County has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

BARNES COUNTY
 FUND EQUITY
 DECEMBER 31, 2017

FUND	FD #	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN(OUT)	ENDING BALANCE
		-----	-----	-----	-----	-----
GENERAL	1	1,867,938.05	4,668,405.87	4,483,865.65	(266,855.45)	1,785,622.82
CITY COUNTY HEALTH	10	309,565.97	1,321,903.04	1,447,025.41		184,443.60
VETERANS SERVICE	11	-	104,080.47	106,960.25	79.97	(2,799.81)
SOCIAL SERVICES	12	65,184.55	1,461,682.27	1,337,822.24		189,044.58
HIGHWAY DISTRIBUTION	13	1,261,978.24	1,197,726.01	-	(750,000.00)	1,709,704.25
ROAD AND BRIDGE	14	571,701.96	835,655.88	1,800,950.41	941,886.26	548,293.69
COUNTY PARK	15	88,416.31	157,156.58	198,146.80	78,010.00	125,436.09
WEED CONTROL	16	(28,816.77)	268,849.61	302,221.02		(62,188.18)
EMERGENCY	17	492,405.10	6,039.98	-		498,445.08
ADVERTISING	18	-	-	-		-
SOCIAL SECURITY	19	-	713.99	-	(713.99)	-
COUNTY AGENT	20	(5,712.76)	143,162.03	146,327.48	(1,837.54)	(10,715.75)
FARM TO MARKET	22	1,934,930.56	1,304,725.51	1,783,503.88		1,456,152.19
ECONOMIC DEVELOP	23	180,185.56	156,814.41	302,000.00		34,999.97
FLOOD	25	23,209.00	-	-		23,209.00
CORRECTIONAL CENTER	26	-	3,213.02	-	(3,213.02)	-
COMPREHENSIVE HEALTH	27	-	-	-		-
INSURANCE RESERVE	28	-	111.91	-	(111.91)	-
COUNTY BRIDGE	30	274,771.53	286,789.76	356,425.72	(191,886.26)	13,249.31
CONTRACT PROJECT	31	2,584.00	-	-		2,584.00
BRIDGE 2009	32	(19,875.30)	106,764.17	108,382.25		(21,493.38)
FRONTAGE ROAD	33	11,236.64	-	-		11,236.64
COUNTY AGENT REVOLV	34	6,643.12	1,829.00	2,130.03	1,837.54	8,179.63
FLOOD 2010	35	-	-	-		-
COMMUNITY SERVICE	36	42,538.68	23,741.93	11,099.27		55,181.34
LOOSESTRIFE WEED	37	21,549.82	-	-		21,549.82
HOMELAND SECURITY	40	28,446.41	42,872.33	65,114.84		6,203.90
FLOOD 2009	41	-	-	-		-
FLOOD 2013	43	-	-	-		-
TRUCK REGULATORY	45	-	-	-		-
SHERIFF'S REVOLVING	57	540.00	2,240.00	1,925.00		855.00
SOIL CONSERVATION	69	177.76	77,431.51	77,597.32	-	11.95
FLOOD 2011	71	-	-	-		-
911	77	-	-	-		-
WINTER SHOW	79	-	973.93	193,778.21	192,741.00	(63.28)
OLDER PERSONS	80	355.63	214,576.46	214,908.10	63.40	87.39
AMBULANCE	81	177.75	72,708.20	72,874.02		11.93
911 WIRELESS	96	-	-	-		-
		-----	-----	-----	-----	-----
		7,130,131.81	12,460,167.87	13,013,057.90	0.00	6,577,241.78

BARNES COUNTY

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2017

Barnes County
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Harold J. Rotunda

Certified Public Accountant

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

Independent Auditor's Report

County Commission
Barnes County
Valley City, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Barnes County as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated November 1, 2018.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2017-1).

Compliance and Other Matters

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

County's Response to Findings

Barnes County's response to the finding identified in my audit is described in the accompanying schedule of findings. Barnes County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Harold Rotunda, CPA

November 1, 2018

BARNES COUNTY
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses?	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2017-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

BARNES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Recommendation

While I recognize that the County office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the County.

Client Response

At the present time, the County has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.