

**BENSON COUNTY
MINNEWAUKAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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BENSON COUNTY
COUNTY OFFICIALS
AS OF DECEMBER 31, 2018

Michael Steffan
Ron Carlson

Commissioner- Chairman
Commissioner- Vice Chairman

David Davidson
Doris Griffin
Ron Stadum

Commissioner
Commissioner
Commissioner

Bonnie Erickson

Auditor/Treasurer

Steve Rohrer
Rhoda Pfeifer
James Wang
Lucia Jacobson

Sheriff
Register of Deeds
State's Attorney
Superintendent of Schools

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Benson County
Minnewaukan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit includes 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 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 discretely presented component unit, each major fund and the aggregate remaining fund information of Benson County, as of December 31, 2018, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Also discussed in Note 1 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is 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 budgetary comparison information, the schedule of employer contributions to the NDPERS retirement fund, the schedule of employer and non-employer proportionate share of the net pension liability, the schedule of employer contributions to the OPEB fund, and the schedule of employer and non-employer proportionate share of the net OPEB liability 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of fund activity as listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The roster of county officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an 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 January 23, 2020 on our consideration of the County's internal control over financial reporting and 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 County'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 Benson County's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 23, 2020

BENSON COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government	Component Unit
	Governmental Activities	Water Resource District
ASSETS		
Cash and investments	\$ 4,052,857	\$ 99,558
Accounts receivable	37,126	-
Taxes receivable	88,249	22,008
Road receivables	61,903	-
Intergovernmental receivable	18,633	-
Capital assets (net of accumulated depreciation):		
Land	180,636	-
Infrastructure	13,516,448	-
Buildings	96,333	-
Machinery and vehicles	2,499,008	-
Furniture and equipment	51,579	-
Total capital assets	16,344,004	-
Total assets	20,602,772	121,566
DEFERRED OUTFLOWS OF RESOURCES		
Cost sharing defined benefit pension plan-NDPERS main	1,149,348	-
Cost sharing defined benefit pension plan-NDPERS law enforcement	99,130	-
Cost sharing defined benefit OPEB plan	26,308	-
Total deferred outflows of resources	1,274,786	-
LIABILITIES		
Accounts payable	177,740	-
Unearned income	220,727	-
Long-term liabilities:		
Due within one year:		
Capital lease payable	7,711	-
Compensated absences payable	85,000	-
Due after one year:		
Capital leases payable	33,228	-
Compensated absences payable	28,237	-
Net pension liability - main	2,938,600	-
Net pension liability - law enforcement	118,794	-
Net OPEB liability	141,419	-
Total liabilities	3,751,456	-
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied - subs. years	365,217	-
Cost sharing defined benefit pension plan-NDPERS main	234,645	-
Cost sharing defined benefit pension plan-NDPERS law enforcement	29,070	-
Cost sharing defined benefit OPEB plan	11,672	-
Total deferred inflows of resources	640,604	-
NET POSITION		
Net investment in capital assets	16,303,065	-
Restricted for:		
Public safety	54,231	-
Highways	1,157,266	-
Health and welfare	112,754	-
Culture and recreation	177	-
Conservation of natural resources	40,893	121,566
Economic development	9,253	-
Special purposes	54,263	-
Unrestricted	(246,404)	-
Total net position	\$ 17,485,498	\$ 121,566

See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Water Resource District
Governmental Activities:						
General government	\$ 2,426,885	\$ 153,256	\$ 422,670	\$ -	\$ (1,850,959)	\$ -
Public safety	835,416	27,250	17,131	-	(791,035)	-
Highways	3,571,339	483,060	-	2,501,219	(587,060)	-
Health and welfare	998,108	13,902	1,086,331	-	102,125	-
Culture and recreation	-	-	362	-	362	-
Conser. of natural resources	212,000	-	20,615	-	(191,385)	-
Economic development	-	-	1,428	-	1,428	-
Other	152,175	5,907	26,768	-	(119,500)	-
Total governmental activities	\$ 8,195,923	\$ 683,375	\$ 1,575,305	\$ 2,501,219	(3,436,024)	-
Component Unit:						
Water Resource Board	\$ 97,162	\$ 35,287	\$ -	\$ -		\$ (61,875)
General Revenues:						
Taxes:						
Property taxes; levied for general purposes					2,426,588	\$ 89,545
Non restricted grants and contributions					394,319	-
Earnings on investments					42,331	12
Miscellaneous revenue					55,727	795
Total general revenues					2,918,965	90,352
Change in net position					(517,059)	28,477
Net position - January 1					18,133,731	93,089
Prior period adjustment - see Note 21					(131,174)	-
Net position - January 1 restated					18,002,557	93,089
Net position - December 31					\$ 17,485,498	\$ 121,566

See Notes to the Basic Financial Statements

BENSON COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	County Road and Bridge	Social Service	County Poor Relief	Federal Aid 6 Mill	Flood of 2011	Flood of 2013	Other Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	\$ 2,218,833	\$ -	\$ 110,423	\$ 17,705	\$ 378,906	\$ 2,602	\$ 134,109	\$ 1,190,279	\$ 4,052,857
Accounts receivable	2,190	-	-	-	-	-	-	34,936	37,126
Taxes receivable	38,988	5,758	-	2,024	4,842	-	-	36,637	88,249
Road receivables	-	61,903	-	-	-	-	-	-	61,903
Intergovernmental receivable	2,006	16,365	262	-	-	-	-	-	18,633
Due from other funds	57,157	-	-	-	-	-	-	-	57,157
Total assets	\$ 2,319,174	\$ 84,026	\$ 110,685	\$ 19,729	\$ 383,748	\$ 2,602	\$ 134,109	\$ 1,261,852	\$ 4,315,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
<u>Liabilities:</u>									
Accounts payable	\$ 6,696	\$ 52,810	\$ 3,066	\$ -	\$ 36,551	\$ -	\$ 27,366	\$ 51,251	\$ 177,740
Due to other funds	-	57,157	-	-	-	-	-	-	57,157
Unearned revenue	-	-	-	-	-	2,602	106,743	111,382	220,727
Total liabilities	6,696	109,967	3,066	-	36,551	2,602	134,109	162,633	455,624
<u>Deferred Inflows of Resources</u>									
Property taxes collected - subs. years	136,941	30,689	-	-	24,123	-	-	173,464	365,217
Property taxes collected - delinquent	38,988	5,758	-	2,024	4,842	-	-	36,637	88,249
Total deferred inflows of resources	175,929	36,447	-	2,024	28,965	-	-	210,101	453,466
<u>Fund Balances:</u>									
Restricted for:									
Public safety	-	-	-	-	-	-	-	49,096	49,096
Highways	-	-	-	-	318,232	-	-	865,756	1,183,988
Health and welfare	-	-	107,619	17,705	-	-	-	12,322	137,646
Culture and recreation	-	-	-	-	-	-	-	177	177
Conservation of natural resources	-	-	-	-	-	-	-	37,579	37,579
Economic development	-	-	-	-	-	-	-	9,253	9,253
Special purposes	-	-	-	-	-	-	-	55,314	55,314
Unassigned	2,136,549	(62,388)	-	-	-	-	-	(140,379)	1,933,782
Total fund balances	2,136,549	(62,388)	107,619	17,705	318,232	-	-	889,118	3,406,835
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,319,174	\$ 84,026	\$ 110,685	\$ 19,729	\$ 383,748	\$ 2,602	\$ 134,109	\$ 1,261,852	\$ 4,315,925

See Notes to the Basic Financial Statements

BENSON COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total *Fund Balances* for Governmental Funds \$ 3,406,835

Total *Net Position* reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 62,481,910	
Less Accumulated Depreciation	<u>(46,137,906)</u>	
Net Capital Assets		16,344,004

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit and OPEB plans in the governmental activities are not financial resources, and therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.

999,399

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.

88,249

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities- both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:

Capital Lease Payable	(40,939)	
Compensated Absences	(113,237)	
Net Pension Liability	(3,057,394)	
Net OPEB Liability	<u>(141,419)</u>	
Total Long-Term Liabilities		<u>(3,352,989)</u>

Total Net Position of Governmental Activities

\$ 17,485,498

See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	County Road and Bridge	Social Service	County Poor Relief	Federal Aid 6 Mill	Flood of 2011	Flood of 2013	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>									
Taxes	\$ 1,072,164	\$ 153,724	\$ -	\$ 6,073	\$ 128,588	\$ -	\$ -	\$ 1,062,001	\$ 2,422,550
Licenses, permits and fees	475	-	-	-	-	-	-	-	475
Intergovernmental	783,133	-	906,495	-	1,325,587	-	27,366	1,428,262	4,470,843
Charges for services	180,506	410,663	13,902	-	-	-	-	78,306	683,377
Interest income	42,331	-	-	-	-	-	-	-	42,331
Miscellaneous	23,151	19,061	2,092	-	-	-	-	10,947	55,251
Total revenues	<u>2,101,760</u>	<u>583,448</u>	<u>922,489</u>	<u>6,073</u>	<u>1,454,175</u>	<u>-</u>	<u>27,366</u>	<u>2,579,516</u>	<u>7,674,827</u>
<u>Expenditures:</u>									
Current:									
General government	1,147,926	-	-	-	-	-	-	247,639	1,395,565
Public safety	316,030	-	-	-	-	-	-	495,968	811,998
Highways	-	1,130,660	-	-	1,375,645	-	27,366	956,749	3,490,420
Health and welfare	21,290	-	959,523	-	-	-	-	16,825	997,638
Conser. of natural resources	-	-	-	-	-	-	-	212,000	212,000
Other	42,756	-	-	-	-	-	-	109,419	152,175
Capital outlay	-	97,901	-	-	-	-	-	-	97,901
Total expenditures	<u>1,528,002</u>	<u>1,228,561</u>	<u>959,523</u>	<u>-</u>	<u>1,375,645</u>	<u>-</u>	<u>27,366</u>	<u>2,038,600</u>	<u>7,157,697</u>
Excess (deficiency) of revenues over expenditures	<u>573,758</u>	<u>(645,113)</u>	<u>(37,034)</u>	<u>6,073</u>	<u>78,530</u>	<u>-</u>	<u>-</u>	<u>540,916</u>	<u>517,130</u>
<u>Other financing sources (uses):</u>									
Issuance of capital lease	-	40,939	-	-	-	-	-	-	40,939
Transfers in	456,808	600,000	-	-	-	-	-	-	1,056,808
Transfers out	(10,000)	-	-	(456,808)	-	-	-	(590,000)	(1,056,808)
Total other financing sources and uses	<u>446,808</u>	<u>640,939</u>	<u>-</u>	<u>(456,808)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(590,000)</u>	<u>40,939</u>
Net change in fund balances	<u>1,020,566</u>	<u>(4,174)</u>	<u>(37,034)</u>	<u>(450,735)</u>	<u>78,530</u>	<u>-</u>	<u>-</u>	<u>(49,084)</u>	<u>558,069</u>
Fund balance - January 1	<u>1,115,983</u>	<u>(58,214)</u>	<u>144,653</u>	<u>468,440</u>	<u>239,702</u>	<u>-</u>	<u>-</u>	<u>938,202</u>	<u>2,848,766</u>
Fund balance - December 31	<u>\$ 2,136,549</u>	<u>\$ (62,388)</u>	<u>\$ 107,619</u>	<u>\$ 17,705</u>	<u>\$ 318,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 889,118</u>	<u>\$ 3,406,835</u>

See Notes to the Basic Financial Statements

BENSON COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in *Fund Balances* - Total Governmental Funds \$ 558,069

The change in *Net Position* reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 97,901	
Current Year Depreciation Expense	<u>(772,572)</u>	(674,671)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded debt repayment.

Capital Lease Debt Issuance		(40,939)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences		(5,195)
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Changes in deferred outflows and inflows of resources related to net pension liability		(303,588)
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Change in net pension liability		(59,165)
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Change in net OPEB liability		4,392
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of:

Net increase in taxes receivable		<u>4,038</u>
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Change in Net Position of Governmental Activities		<u>\$ (517,059)</u>
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See Notes to the Basic Financial Statements

BENSON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2018

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	\$ 946,352
	<u> </u>
<u>Liabilities:</u>	
Due to other governments	\$ 946,352
	<u> </u>

See Notes to the Basic Financial Statements

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Benson County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of Benson 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 are 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 criterion includes appointing a voting majority of an organization's governing body and (1) the ability of Benson 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 Benson County.

Based on these criteria, the component unit discussed below is included within the County's reporting entity because of the significance of its operational or financial relationship with the County.

Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit.

Discretely Presented Component Unit: The component unit column in the government-wide financial statements includes the financial data of the County's one component unit. The component unit is reported in a separate column to emphasize that it is legally separate from the County.

Benson County Water Resource District: The Benson County Water Resource District governing board is appointed by the County's governing body. The County's governing body has the County to disapprove, amend, or approve the water resource district budget.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Benson County and its component unit, Benson County Water Resource District. 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 non-exchange transactions.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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 non-major funds.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

County Road and Bridge Fund. This is the County's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

Social Service Fund. This is the County's primary health and welfare fund. It accounts for all financial resources related to health and welfare, except property taxes and those required to be accounted for in another fund.

County Poor Relief Fund. This is the County's fund used to levy property taxes for health and welfare purposes. These funds are transferred to the Social Service Fund.

Federal Aid 6 Mill Fund. This is the County's fund used to account for graveling expenditures for county roadway maintenance, repairs and improvements.

Flood of 2011 Fund. This is the County's fund used to account for repairs and improvements of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies.

Flood of 2013 Fund. This is the County's fund used to account for repairs and improvements of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies.

Additionally, the County reports the following fund type:

The County reports the following fiduciary fund:

Agency Fund. This fund accounts for assets held 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.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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 position 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. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. The investments consist of certificates of deposits.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 is not capitalized.

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

Buildings and Infrastructure	99 years
Machinery, Vehicles, Furniture and Equipment	5 – 30 years

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

F. Compensated Absences

Full time regular County employees are granted vacation benefits from 1 to 1.75 days per month depending on tenure with the County. Part time employees are granted vacation on the same scale, prorated for average hours worked per week. Vacation benefits may accrue to a total of 21 days. Social Service employees are granted vacation benefits from 1 to 2 days per month depending on tenure with the county and may accrue a maximum of 240 hours. All unused vacation will be paid out to all employees upon termination of employment. Unused sick leave benefits for regular County employees are allowed to accumulate up to 120 days. Once an employee has reached their maximum sick leave level, they are eligible to trade any additional sick leave awarded at a rate of one day of vacation for six days of sick leave. Upon termination of employment, sick leave will be converted to one fully compensated day for six sick leave days and paid to the employee. Vested or accumulated leave is reported in the government-wide statements.

G. Long-Term Obligations

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

H. Interfund Transactions

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

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

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

I. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of County Commissioners.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the County's intended use. These constraints are established by the Board of County Commissioners and/or management. Pursuant to Board Resolution, the County's management is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

BENSON COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2018

J. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the County's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those 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.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The County has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS pension and OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has three types of items, one which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, *property taxes levied -subs. years* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The County also has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS pension and OPEB plan and is reported on the statement of net position.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Excess of Actual Expenditures over Budget

Expenditures exceeded budget in the following funds for the year ended December 31, 2018:

Fund	
County Road and Bridge	\$ 103,561
Federal Aid 6 Mill	1,175,645

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

No remedial action is anticipated or required by the County regarding these excess expenditures as covered by unbudgeted revenues.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

At the year ended December 31, 2018, the County's carrying amount of deposits was \$4,999,213 and the bank balance was \$5,026,216. The bank balances at December 31, 2018 consisted of \$906,439 that was covered by Federal Depository Insurance. The remaining balance of \$4,119,777 was collateralized with securities held by the pledging financial institution's agent in the County's name.

At the year ended December 31, 2018, the Benson County Water Resource District's (a discretely presented component unit of Benson County) carrying amount of deposits was \$99,558 and the bank balance was \$100,712. The bank balance at December 31, 2018 was covered by Federal Depository Insurance.

Credit Risk

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

As of December 31, 2018, the County held certificates of deposit in the amount of \$1,500,049, which are all considered deposits.

Concentration of Credit Risk

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

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of money due from charges for services provided by various County offices and interest earned on bank deposits. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 5 ROAD RECEIVABLE

Road receivables consist of money due to the highway department for roadwork performed for townships, cities, etc. No allowance has been established for estimated uncollectible road receivables.

NOTE 6 TAXES RECEIVABLE

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for estimated uncollectible taxes receivable.

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

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

NOTE 7 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various welfare and emergency management programs. These amounts consist of a mix of state and federal dollars.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 8 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 180,636	\$ -	\$ -	\$ 180,636
Capital assets being depreciated				
Infrastructure	57,640,200	-	-	57,640,200
Buildings	316,300	-	-	316,300
Machinery and vehicles	3,956,147	97,901	(18,400)	4,035,648
Furniture and equipment	<u>309,126</u>	<u>-</u>	<u>-</u>	<u>309,126</u>
Total capital assets being depreciated	<u>62,221,773</u>	<u>97,901</u>	<u>(18,400)</u>	<u>62,301,274</u>
Less accumulated depreciation				
Infrastructure	(43,541,580)	(582,172)	-	(44,123,752)
Buildings	(217,802)	(2,165)	-	(219,967)
Machinery and vehicles	(1,374,703)	(180,337)	18,400	(1,536,640)
Furniture and equipment	<u>(249,649)</u>	<u>(7,898)</u>	<u>-</u>	<u>(257,547)</u>
Total accumulated depreciation	<u>(45,383,734)</u>	<u>(772,572)</u>	<u>18,400</u>	<u>(46,137,906)</u>
Net capital assets being depreciated	<u>16,838,039</u>	<u>(674,671)</u>	<u>-</u>	<u>16,163,368</u>
Net capital assets for governmental activities	<u>\$ 17,018,675</u>	<u>\$ (674,671)</u>	<u>\$ -</u>	<u>\$ 16,344,004</u>

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

General government	\$ 626,825
Public safety	23,418
Highways	121,859
Health and welfare	<u>470</u>
	<u>\$ 772,572</u>

NOTE 9 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open accounts for goods and services received prior to December 31, 2018 and chargeable to the appropriations for the years then ended, but paid for subsequent to that date.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 UNEARNED REVENUE

Unearned revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Amounts unearned were for grant revenues in excess of grant expenditures in Flood funds.

NOTE 11 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in liabilities for Benson County:

	Balance 1/1/2018	Additions	Retired	Balance 12/31/2018	Due Within One Year
Compensated absences	\$ 108,042	\$ 5,195	\$ -	\$ 113,237	\$ 85,000
Capital lease	-	40,939	-	40,939	7,711
Totals	<u>\$ 108,042</u>	<u>\$ 46,134</u>	<u>\$ -</u>	<u>\$ 154,176</u>	<u>\$ 92,711</u>

Compensated absences are typically liquidated from the general fund.

The capital lease bears an interest rate of 3% and matures in August 2023. Future maturities for the years ended December 31 are as follows:

Year Ending	Capital Leases Principal	Interest	Total
2019	\$ 7,711	\$ 1,228	\$ 8,939
2020	7,942	997	8,939
2021	8,181	758	8,939
2022	8,426	513	8,939
2023	8,679	260	8,939
Totals	<u>\$ 40,939</u>	<u>\$ 3,756</u>	<u>\$ 44,695</u>

The piece of equipment for which this capital lease is under has a total cost of \$49,889 and accumulated depreciation of \$4,989 as of December 31, 2018.

NOTE 12 RELATED ORGANIZATION

Benson County is also responsible for levying a property tax for the Benson County Council on Aging and Benson County Job Authority but the County's accountability for these entities does not extend beyond the levying of the tax. In 2018, the County remitted \$37,000 to the Benson County Council on Aging and \$47,552 to the Benson County Job Authority.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 RISK MANAGEMENT

Benson 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Benson County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of four million dollars per occurrence for general liability, four million dollars per occurrence for automobile, and \$2,734,724 for public assets.

Benson County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Benson County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$225,000,000 dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Benson County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. Benson County has workers compensation with the North Dakota Workforce Safety and Insurance. The County provides health insurance benefits for all regular full and part-time employees. The County contributes up to \$734 per month per employee for insurance.

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

NOTE 14 DEFINED BENEFIT PENSION PLAN – STATEWIDE

Substantially, all employees of the County are required by state law to belong to a pension plan administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

North Dakota Public Employees Retirement System

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. 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 (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service. Members of the Law Enforcement 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 (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System or 55 for the Law Enforcement system or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Main System Plan members are required to contribute 7% and employers contribute 7.12% of covered compensation. Contribution rates for the Law Enforcement System are established as follows:

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

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

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

At December 31, 2018, the County reported a liability of \$3,057,394 for its proportionate share of the net pension liability. The net pension liability consisted of \$2,938,600 to the Main System pension plan and \$118,794 to the Law Enforcement pension plan with prior Main System Service. 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 County's proportion of the net pension liability was based on the County's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2018, the County's proportion was 0.174128 percent for the Main System and 0.509752 percent for the Law Enforcement plan, which was a decrease of 0.004069 and a decrease of 0.098973, respectively, from the prior year.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

For the year ended December 31, 2018, the County recognized pension expense of \$463,297 for the Main System plan and \$35,415 for the Law Enforcement plan. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,779	\$ 99,977
Changes of assumptions	1,060,773	41,943
Net difference between projected and actual earnings on pension plan investments	-	14,296
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,654	78,429
Employer contributions subsequent to the measurement date	<u>65,142</u>	<u>-</u>
Total	<u>\$ 1,149,348</u>	<u>\$ 234,645</u>

For the Main System plan, \$65,142 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

For the Law Enforcement plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,196	\$ 2,495
Changes of assumptions	58,354	1,937
Net difference between projected and actual earnings on pension plan investments	-	3,326
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,040	21,312
Employer contributions subsequent to the measurement date	8,540	-
Total	\$ 99,130	\$ 29,070

For the Law Enforcement plan, \$8,540 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

For the Main System plan:

Year ending December 31:	Pension Expense Amount
2019	\$ 280,968
2020	242,039
2021	208,231
2022	114,570
2023	3,753

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

For the Law Enforcement plan:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ 22,328
2020	20,889
2021	8,785
2022	9,061
2023	457

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary Increases	<u>Service at Beginning of Year</u>	<u>State Employee</u>	<u>Non-State Employee</u>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	Age*		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

* Age-based salary increase rate apply for employees with three or more years of service

Investment rate of return 7.75%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages 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 Retiree Mortality Table set back one year for males (not set back for females) multiplied by 125%.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County'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:

For the Main System plan:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	<u>\$ 3,993,011</u>	<u>\$ 2,938,600</u>	<u>\$ 2,058,728</u>

For the Law Enforcement plan:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	<u>\$ 183,338</u>	<u>\$ 118,794</u>	<u>\$ 66,354</u>

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 15 OTHER POST EMPLOYMENT BENEFITS

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

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

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

OPEB Benefits

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

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

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

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

At December 31, 2018, the County reported a liability of \$141,419 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the County's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the County's proportion was 0.179564 percent.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

For the year ended December 31, 2018, the County recognized OPEB expense of \$16,551. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,234	\$ 2,922
Changes of assumptions	11,604	-
Net difference between projected and actual earnings on pension plan investments	-	3,042
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,708
Employer contributions subsequent to the measurement date	10,470	-
Total	\$ 26,308	\$ 11,672

There is \$10,470 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

Year ending December 31:	Pension Expense Amount
2019	\$ 260
2020	260
2021	260
2022	1,603
2023	1,357
Thereafter	425

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37.00%	5.80%
Small Cap Domestic Equities	9.00%	7.05%
International Equities	14.00%	6.20%
Core-Plus Fixed Income	40.00%	1.46%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net OPEB liability	<u>\$ 178,929</u>	<u>\$ 141,419</u>	<u>\$ 109,263</u>

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 16 DEFICIT BALANCES

The following funds were in a deficit position at December 31, 2018:

<u>Special Revenue Funds:</u>	
County Road and Bridge	\$ (62,388)
Law Enforcement	(70,352)
Emergency Disaster	(37,533)
Comprehensive Health	(7,470)
Veteran's Service Officer	(2,057)
Senior Citizens	(1,363)
Homeland Security	(15,661)
Emergency Admin - 2011	(5,282)
Emergency Admin - 2013	(661)
Total	<u>\$ (202,767)</u>

Benson County plans to eliminate these deficits with transfers from another fund and future revenues.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements 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 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the County's financial statements.

NOTE 18 CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 19 TAX ABATEMENTS

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

At December 31, 2018, the local governments within the County provided tax abatements to individuals and commercial entities in the form of property tax exemptions under the following criteria.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

New Business

Under NDCC §40-57.1-03, a municipality may grant a partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements used in or necessary to the operation of a project for a period not exceeding five years from the date of commencement of project operations. A municipality may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations. As of December 31, 2018, the County has not valued exempt properties.

Charitable Organization

Under NDCC §57-02-08(8), buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to NDCC §23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit is exempt.

NOTE 20 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2018, is as follows:

Due to/from other funds:		
Receivable Fund	Payable Fund	Amount
General	County Road	\$ 57,157
Interfund Transfers:		
Transfer In	Transfer Out	Amount
General	County Poor Relief	\$ 456,808
County Road and Bridge	General	10,000
County Road and Bridge	Highway Tax Distribution	470,000
County Road and Bridge	Other Governmental Funds	120,000
	Total	\$ 1,056,808

Interfund loans were made to compensate for funds with negative cash balances.

Property tax levies were transferred into the county road and bridge funds to cover operating expenses. The State changed funding for Social Services so they can only carry over \$100,000 and thus the County transferred the excess balance to the general fund.

BENSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 21 PRIOR PERIOD ADJUSTMENT

The County has recorded a prior period adjustment to its December 31, 2017 government wide financial statements due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which required a prior period adjustment to net OPEB liability and related deferred outflows as of January 1, 2018. The cumulative effect of implementing this GASB statement was an increase in net OPEB liability of \$145,811, an increase in deferred outflows – OPEB \$24,594, and an increase in deferred inflows – OPEB of \$9,957, on the Statement of Net Position. The adjustments resulted in a decrease of \$131,174 in net position.

NOTE 22 SUBSEQUENT EVENTS

No significant events occurred subsequent to the County's year end. Subsequent events have been evaluated through January 23, 2020, which is the date these financial statements were available to be issued.

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,099,230	\$ 1,099,230	\$ 1,072,164	\$ (27,066)
Licenses, permits and fees	-	-	475	475
Intergovernmental	691,972	691,972	783,133	91,161
Charges for services	184,550	184,550	180,506	(4,044)
Interest income	18,000	18,000	42,331	24,331
Miscellaneous	17,500	17,500	23,151	5,651
Total revenues	<u>2,011,252</u>	<u>2,011,252</u>	<u>2,101,760</u>	<u>90,508</u>
<u>Expenditures:</u>				
Current:				
General government	1,222,430	1,222,430	1,147,926	74,504
Public safety	319,787	319,787	316,030	3,757
Health and welfare	21,684	21,684	21,290	394
Other	65,500	65,500	42,756	22,744
Total expenditures	<u>1,629,401</u>	<u>1,629,401</u>	<u>1,528,002</u>	<u>101,399</u>
Excess (deficiency) of revenues over expenditures	<u>381,851</u>	<u>381,851</u>	<u>573,758</u>	<u>191,907</u>
<u>Other financing sources (uses):</u>				
Transfers in	-	-	456,808	456,808
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>446,808</u>	<u>446,808</u>
Net change in fund balances	<u>381,851</u>	<u>381,851</u>	<u>1,020,566</u>	<u>638,715</u>
Fund balance - January 1	<u>1,115,983</u>	<u>1,115,983</u>	<u>1,115,983</u>	<u>-</u>
Fund balance - December 31	<u>\$ 1,497,834</u>	<u>\$ 1,497,834</u>	<u>\$ 2,136,549</u>	<u>\$ 638,715</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 156,340	\$ 156,340	\$ 153,724	\$ (2,616)
Charges for services	370,000	370,000	410,663	40,663
Miscellaneous	12,000	12,000	19,061	7,061
Total revenues	<u>538,340</u>	<u>538,340</u>	<u>583,448</u>	<u>45,108</u>
<u>Expenditures:</u>				
Current:				
Highways	1,125,000	1,125,000	1,130,660	(5,660)
Capital outlay	-	-	97,901	(97,901)
Total expenditures	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,228,561</u>	<u>(103,561)</u>
Excess (deficiency) of revenues over expenditures	<u>(586,660)</u>	<u>(586,660)</u>	<u>(645,113)</u>	<u>(58,453)</u>
<u>Other financing sources (uses):</u>				
Issuance of capital lease	-	-	40,939	40,939
Transfers in	-	-	600,000	600,000
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>640,939</u>	<u>640,939</u>
Net change in fund balances	<u>(586,660)</u>	<u>(586,660)</u>	<u>(4,174)</u>	<u>582,486</u>
Fund balance - January 1	<u>(58,214)</u>	<u>(58,214)</u>	<u>(58,214)</u>	<u>-</u>
Fund balance - December 31	<u>\$ (644,874)</u>	<u>\$ (644,874)</u>	<u>\$ (62,388)</u>	<u>\$ 582,486</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – SOCIAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Intergovernmental	\$ 920,861	\$ 920,861	\$ 906,495	\$ (14,366)
Charges for services	-	-	13,902	13,902
Miscellaneous	-	-	2,092	2,092
Total revenues	<u>920,861</u>	<u>920,861</u>	<u>922,489</u>	<u>1,628</u>
<u>Expenditures:</u>				
Current:				
Health and welfare	<u>1,020,861</u>	<u>1,020,861</u>	<u>959,523</u>	<u>61,338</u>
Excess (deficiency) of revenues over expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(37,034)</u>	<u>62,966</u>
<u>Other financing sources (uses):</u>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(100,000)</u>	<u>(100,000)</u>	<u>(37,034)</u>	<u>62,966</u>
Fund balance - January 1	<u>144,653</u>	<u>144,653</u>	<u>144,653</u>	<u>-</u>
Fund balance - December 31	<u>\$ 44,653</u>	<u>\$ 44,653</u>	<u>\$ 107,619</u>	<u>\$ 62,966</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – COUNTY POOR RELIEF FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 1,000	\$ 1,000	\$ 6,073	\$ 5,073
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>6,073</u>	<u>5,073</u>
<u>Other financing sources (uses):</u>				
Transfers out	<u>-</u>	<u>-</u>	<u>(456,808)</u>	<u>(456,808)</u>
Net change in fund balances	<u>1,000</u>	<u>1,000</u>	<u>(450,735)</u>	<u>(451,735)</u>
Fund balance - January 1	<u>468,440</u>	<u>468,440</u>	<u>468,440</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 469,440</u></u>	<u><u>\$ 469,440</u></u>	<u><u>\$ 17,705</u></u>	<u><u>\$ (451,735)</u></u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – FEDERAL AID 6 MILL
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>				
Taxes	\$ 131,141	\$ 131,141	\$ 128,588	\$ (2,553)
Intergovernmental	-	-	1,325,587	1,325,587
Total revenues	<u>131,141</u>	<u>131,141</u>	<u>1,454,175</u>	<u>1,323,034</u>
<u>Expenditures:</u>				
Current:				
Highways	200,000	200,000	1,375,645	(1,175,645)
Excess (deficiency) of revenues over expenditures	<u>(68,859)</u>	<u>(68,859)</u>	<u>78,530</u>	<u>147,389</u>
Net change in fund balances	<u>(68,859)</u>	<u>(68,859)</u>	<u>78,530</u>	<u>147,389</u>
Fund balance - January 1	<u>239,702</u>	<u>239,702</u>	<u>239,702</u>	<u>-</u>
Fund balance - December 31	<u>\$ 170,843</u>	<u>\$ 170,843</u>	<u>\$ 318,232</u>	<u>\$ 147,389</u>

See Notes to the Required Supplementary Information

BENSON COUNTY
BUDGETARY COMPARISON SCHEDULE – FLOOD OF 2013 FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 27,366	\$ 27,366
<u>Expenditures:</u>				
Current:				
Highways	-	-	27,366	(27,366)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - January 1	-	-	-	-
Fund balance - December 31	\$ -	\$ -	\$ -	\$ -

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE NDPERS RETIREMENT FUND
 LAST 10 YEARS

Main System

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily <u>Required Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's <u>Covered-employee Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2018	\$ 130,283	\$ 130,283	\$ -	\$ 1,829,821	7.12%
2017	128,176	128,176	-	1,800,226	7.12%
2016	125,090	125,090	-	1,756,875	7.12%
2015	113,496	113,496	-	1,594,046	7.12%

Law Enforcement

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily <u>Required Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's <u>Covered-employee Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2018	\$ 16,188	\$ 16,188	\$ -	\$ 175,972	9.20%
2017	17,402	17,402	-	177,386	9.81%
2016	14,026	14,026	-	166,053	8.45%
2015	17,270	17,270	-	159,912	10.80%

The amounts presented for each fiscal year were determined as of the County's year end which is December 31.

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 LAST 10 YEARS

Main System

For The Year Ended December 31	County's Proportion of the Net Pension Liability (Asset)	County's Proportionate Share of the Net Pension Liability (Asset)	County's Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.174128%	\$ 2,938,600	\$ 1,788,848	164.27%	62.80%
2017	0.178197%	2,864,211	1,819,111	157.45%	61.98%
2016	0.174334%	1,699,055	1,756,875	96.71%	70.46%
2015	0.178930%	1,216,693	1,594,046	76.33%	77.15%

Law Enforcement

For The Year Ended December 31	County's Proportion of the Net Pension Liability (Asset)	County's Proportionate Share of the Net Pension Liability (Asset)	County's Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.509752%	\$ 118,794	\$ 175,972	67.51%	71.64%
2017	0.608725%	134,018	175,104	76.54%	69.86%
2016	0.588308%	67,411	166,053	40.60%	78.73%
2015	1.091045%	66,287	159,912	41.45%	83.61%

The amounts presented for each fiscal year were determined as of the measurement date of the County's net pension liability which is June 30, of the previous year for PERS.

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE OPEB FUND
 LAST 10 YEARS

For The Year Ended <u>December 31</u>	Statutorily Required <u>Contribution</u>	Contributions in Relation to the Statutorily <u>Required Contributions</u>	Contribution <u>Deficiency (Excess)</u>	County's <u>Covered-employee Payroll</u>	Contributions as a Percentage of Covered <u>Employee Payroll</u>
2018	\$ 22,399	\$ 22,399	\$ -	\$ 1,964,820	1.14%

The amounts presented for each fiscal year were determined as of the County's year end which is December 31.

See Notes to the Required Supplementary Information

BENSON COUNTY
 SCHEDULE OF EMPLOYER AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 YEARS

For The Year Ended <u>December 31</u>	County's Proportion of the Net OPEB <u>Liability (Asset)</u>	County's Proportionate Share of the Net OPEB <u>Liability (Asset)</u>	County's Covered <u>Employee Payroll</u>	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its <u>Covered-employee Payroll</u>	Plan Fiduciary Net Position as a Percentage of the <u>Total Pension Liability</u>
2018	0.179564% \$	141,419 \$	1,964,820 \$	7.20%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the County's net OPEB liability which is June 30, of the previous year for PERS.

See Notes to the Required Supplementary Information

BENSON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The county commission adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The County auditor prepares an annual budget for the general fund and each special revenue fund of the County. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.

The County commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04

The board of County commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05

Each budget is controlled by the County auditor at the revenue and expenditure function/object level.

The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1

All appropriations lapse at year-end.

NOTE 2 PENSION PLAN AND OPEB

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BENSON COUNTY
SCHEDULE OF FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance 1-1-18	Receipts	Issuance of Capital Lease	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
Major Funds:							
General fund	\$ 1,115,983	\$ 2,101,760	\$ -	\$ 456,808	\$ 10,000	\$ 1,528,002	\$ 2,136,549
County road and bridge	(58,214)	583,448	40,939	600,000	-	1,228,561	(62,388)
Social services	144,653	922,489	-	-	-	959,523	107,619
County poor relief	468,440	6,073	-	-	456,808	-	17,705
Flood - 2011	-	27,366	-	-	-	27,366	-
Federal aid-6 mills	239,702	1,454,176	-	-	-	1,375,646	318,232
Flood - 2013	-	27,366	-	-	-	27,366	-
Total Major Funds	1,910,564	5,122,678	40,939	1,056,808	466,808	5,146,464	2,517,717
Nonmajor Funds:							
Graham's Island Road	-	-	-	-	-	-	-
Highway tax distribution	310,597	501,969	-	-	470,000	-	342,566
Law enforcement	(42,606)	269,015	-	-	-	296,761	(70,352)
Road and bridge unorganized	56,403	3,890	-	-	-	18,664	41,629
Federal aid-5 mills	216,318	153,720	-	-	120,000	50,000	200,038
Federal aid-10 mills	25,070	89,390	-	-	-	113,278	1,182
Emergency fund	118,337	29,795	-	-	-	-	148,132
Emergency disaster	(6,211)	17,131	-	-	-	48,453	(37,533)
Emergency medical	3,527	152,077	-	-	-	150,218	5,386
Food pantry	10,841	1,500	-	-	-	19	12,322
Insurance reserve	11,781	-	-	-	-	-	11,781
Comprehensive health	(7,470)	-	-	-	-	-	(7,470)
Veteran's service officer	(2,906)	17,655	-	-	-	16,806	(2,057)
County agent	12,957	82,622	-	-	-	82,707	12,872
Extension fund	5,687	177	-	-	-	1,089	4,775
Noxious weed	36,827	112,398	-	-	-	129,293	19,932
County fair	177	-	-	-	-	-	177
Federal aid-4 mills	6,100	670,518	-	-	-	666,175	10,443
Senior citizens	284	35,353	-	-	-	37,000	(1,363)
Hazardous chemical	8,052	788	-	-	-	-	8,840
UCC maintenance	37,625	5,908	-	-	-	-	43,533
Homeland security	(15,661)	-	-	-	-	-	(15,661)
Job authority	13,040	43,765	-	-	-	47,552	9,253
Benson County transportation	101,666	157,609	-	-	-	159,597	99,678
Emergency disaster matching	1,211	-	-	-	-	-	1,211
Emergency administration	5,956	-	-	-	-	-	5,956
Emergency administration - 2009	6,259	-	-	-	-	-	6,259
Emergency administration - 2010	687	-	-	-	-	-	687
Emergency administration - 2011	(5,282)	-	-	-	-	-	(5,282)
Emergency administration - 2013	(661)	-	-	-	-	-	(661)
Emergency administration - 2014	2,837	-	-	-	-	-	2,837
Flood - 2005	6,349	-	-	-	-	-	6,349
Flood - 2010	-	17,699	-	-	-	17,699	-
States Attorney Special	2,989	2,202	-	-	-	-	5,191
States Attorney SAAF	3,888	29,858	-	-	-	17,803	15,943
Sheriffs Scram	1,220	4,360	-	-	-	5,115	465
Sheriffs grant	5,303	-	-	-	-	-	5,303
Sheriffs special	7,011	281	-	-	-	535	6,757
Total nonmajor funds	938,202	2,399,680	-	-	590,000	1,858,764	889,118
Total governmental funds	2,848,766	7,522,358	40,939	1,056,808	1,056,808	7,005,228	3,406,835

BENSON COUNTY
SCHEDULE OF FUND ACTIVITY - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance 1-1-18	Receipts	Issuance of Capital Lease	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Agency Funds:</u>							
Payroll tax	\$ 65,645	\$ -	\$ -	\$ -	\$ -	\$ 4,655	\$ 60,990
State tax	19,569	28,444	-	-	-	30,873	17,140
Game and fish licenses	1,388	-	-	-	-	1,388	-
Domestic violence	105	280	-	-	-	315	70
Clerk of court special trust	74,413	100	-	-	-	6,541	67,972
State sales tax	66	31	-	-	-	41	56
Soil conservation	21,753	73,224	-	-	-	79,554	15,423
Airport	33,582	106,924	-	-	-	117,016	23,490
Advance real estate payments	-	3,715	-	-	-	913	2,802
District health	27,977	113,708	-	-	-	121,549	20,136
Water resource	25,750	89,178	-	-	-	92,919	22,009
Garrison diversion	8,714	32,241	-	-	-	34,785	6,170
Total cities	72,347	480,726	-	-	-	490,205	62,868
Total city park districts	7,839	40,948	-	-	-	42,138	6,649
Total school districts	734,748	2,490,281	-	-	-	2,691,132	533,897
Total townships	115,950	619,338	-	-	-	654,221	81,067
Total rural fire protection districts	35,680	125,230	-	-	-	135,297	25,613
Total agency funds	<u>1,245,526</u>	<u>4,204,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,503,542</u>	<u>946,352</u>
Total primary government	<u>4,094,292</u>	<u>11,726,726</u>	<u>40,939</u>	<u>1,056,808</u>	<u>1,056,808</u>	<u>11,508,770</u>	<u>4,353,187</u>
<u>Component Unit:</u>							
Benson County Water Resource District	93,089	125,639	-	-	-	97,162	121,566
Total reporting entity	<u>\$ 4,187,381</u>	<u>\$ 11,852,365</u>	<u>\$ 40,939</u>	<u>\$ 1,056,808</u>	<u>\$ 1,056,808</u>	<u>\$ 11,605,932</u>	<u>\$ 4,474,753</u>

INDEPENDENT AUDITOR'S 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

Board of County Commissioners
Benson County
Minnewaukan, North Dakota

We have audited, 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, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Benson County, Minnewaukan, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benson 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Benson County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Benson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 23, 2020

BENSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-001 Finding Material Weakness

Criteria

The County does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The County's personnel prepare periodic financial information for internal use that meets the needs of management and the County Commissioners. For the year ended December 31, 2018, the County's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the County does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The County Commissioners are aware of this material weakness and address it by obtaining our assistance in the preparation of the County's annual financial statements.

Cause

The County does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Commissioners are aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

We recommend the entity review its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control, the entity should establish an internal control policy to document the annual review of the financial statements and to review a financial statement disclosure checklist.

Views of responsible officials and planned corrective action:

Due to the small size of the County, it is currently not cost effective for the County personnel to obtain the level of training necessary to completely eliminate this internal control finding. The County will review training options and determine what level of training can be obtained on a cost-effective basis.

BENSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-002 Finding Material Weakness

Criteria

To provide reasonable assurance that segregation of duties take place while also taking into account the size of the Water Resource District.

Condition

The Water Resource District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of responsible officials and planned corrective action:

Due to the small size of the District, it is currently not cost effective for the Water Resource District to hire additional personnel to effectively separate all necessary duties. The District will consider implementing controls within other County departments to help mitigate the risk.