

# North Dakota Office of the State Auditor Division of Local Government

## Bottineau County

Audit Report for the Year Ended December 31, 2018  
Client Code PS5000



North Dakota State Auditor  
Joshua C. Gallion

# BOTTINEAU COUNTY

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For the Year Ended December 31, 2018

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**BOTTINEAU COUNTY**

County Officials and Audit Personnel  
December 31, 2018

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**COUNTY OFFICIALS**

Daniel Marquardt	Chairman
Jeff Beyer	Vice-Chairman
Charlie Adams	Commissioner
LeRoy Rude	Commissioner
Lance Kjelshus	Commissioner
Lisa Herbel	Auditor
Ann Monson	Treasurer
Steve Watson	Sheriff
Bobbi Milbrath	Recorder
Tammy Knudson	Clerk of Court
A. Swain Benson, Sr.	State's Attorney
Lisa Atkinson	Tax Director
Ritchie Gimbel	Road Supervisor
Kelly Jensen	Social Services Director

**AUDIT PERSONNEL**

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



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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**INDEPENDENT AUDITOR’S REPORT**

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Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Bottineau 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

As discussed in Note 2 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. 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 schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

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

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

**BOTTINEAU COUNTY**

Independent Auditor's Report - Continued

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of Bottineau County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bottineau County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
December 13, 2019

**BOTTINEAU COUNTY**

## Statement of Net Position

December 31, 2018

	Governmental Activities	
	Primary Government	Component Units
<b>ASSETS</b>		
Cash and Investments	\$ 8,779,057	\$ 243,585
Intergovernmental Receivable	892,166	-
Accounts Receivable	15,448	-
Interest Receivable	6,543	-
Taxes Receivable	157,690	8,293
Road Receivables	300,748	-
Special Assessments Receivable	-	844,360
Capital Assets		
Nondepreciable	1,231,017	546,425
Depreciable, Net	51,714,960	2,537,727
Total Assets	<u>\$ 63,097,629</u>	<u>\$ 4,180,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension and OPEB	<u>\$ 2,233,142</u>	<u>\$ -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 65,330,771</u>	<u>\$ 4,180,390</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 374,753	\$ -
Salaries Payable	11,041	-
Payroll Liability	-	3,297
Grants Received in Advance	356,291	-
Retainage Payable	17,885	13,855
Interest Payable	19,749	8,484
Long-Term Liabilities		
Due Within One Year		
Long Term Debt	455,195	824,311
Compensated Absences Payable	39,963	-
Due After One Year		
Long Term Debt	4,845,721	2,447,564
Compensated Absences Payable	359,668	-
Net Pension and OPEB Liability	5,522,602	-
Total Liabilities	<u>\$ 12,002,868</u>	<u>\$ 3,297,511</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB	<u>\$ 343,000</u>	<u>\$ -</u>
Total Liabilities and Deferred Intflows of Resources	<u>\$ 12,345,868</u>	<u>\$ 3,297,511</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 47,607,427	\$ -
Restricted for		
Capital Projects	609,593	-
Highways	4,072,687	-
Culture and Recreation	340,031	-
Conservation of Natural Resources	225,014	882,879
Emergencies	345,244	-
Unrestricted	(215,093)	-
Total Net Position	<u>\$ 52,984,903</u>	<u>\$ 882,879</u>

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

# BOTTINEAU 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	Governmental Activities	
					Primary Government	Component Units
<b>Primary Government</b>						
General Government	\$ 2,651,176	\$ 247,972	\$ 135,140	\$ -	\$ (2,268,064)	\$ -
Public Safety	2,242,390	705,041	133,200	-	(1,404,149)	-
Highways	5,559,567	860,861	1,259,504	1,429,218	(2,009,984)	-
Flood Repair	48,922	-	48,922	-	-	-
Health and Welfare	901,446	9,763	1,231,305	-	339,622	-
Culture and Recreation	303,343	-	-	-	(303,343)	-
Conserv. of Natural Resources	287,053	-	-	-	(287,053)	-
Emergency	315,039	-	-	-	(315,039)	-
Other	6,842	-	-	-	(6,842)	-
Interest on Long-Term Debt	178,780	-	-	-	(178,780)	-
<b>Total Primary Government</b>	<b>\$ 12,494,558</b>	<b>\$ 1,823,637</b>	<b>\$ 2,808,071</b>	<b>\$ 1,429,218</b>	<b>\$ (6,433,632)</b>	<b>\$ -</b>
<b>Component Units</b>	<b>\$ 1,274,447</b>	<b>\$ 600</b>	<b>\$ 20,285</b>	<b>\$ 468,268</b>	<b>\$ -</b>	<b>\$ (785,294)</b>
<b>General Revenues</b>						
Property Taxes					\$ 3,683,035	\$ 196,388
Non Restricted Grants and Contributions					2,223,421	-
Gain on Sale of Capital Assets					130,794	-
Earnings on Investments					48,410	1,797
Miscellaneous Revenue					386,224	1,392
<b>Total General Revenues</b>					<b>\$ 6,471,884</b>	<b>\$ 199,577</b>
<b>Change in Net Position</b>					<b>\$ 38,252</b>	<b>\$ (585,717)</b>
<b>Net Position - January 1</b>					<b>\$ 53,132,828</b>	<b>\$ 1,369,291</b>
<b>Prior Period Adjustment</b>					<b>\$ (186,177)</b>	<b>\$ 99,305</b>
<b>Net Position - January 1, as Restated</b>					<b>\$ 52,946,651</b>	<b>\$ 1,468,596</b>
<b>Net Position - December 31</b>					<b>\$ 52,984,903</b>	<b>\$ 882,879</b>

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



**BOTTINEAU COUNTY**Balance Sheet – Governmental Funds  
December 31, 2018

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,609,852	\$ 6,559,612	\$ 609,593	\$ 8,779,057
Intergovernmental Receivable	155,215	736,951	-	892,166
Accounts Receivable	-	15,448	-	15,448
Interest Receivable	-	6,543	-	6,543
Taxes Receivable	91,168	66,522	-	157,690
Road Receivables	-	300,748	-	300,748
<b>Total Assets</b>	<b>\$ 1,856,235</b>	<b>\$ 7,685,824</b>	<b>\$ 609,593</b>	<b>\$ 10,151,652</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 40,406	\$ 334,347	\$ -	\$ 374,753
Salaries Payable	9,238	1,803	-	11,041
Grants Received in Advance	-	356,291	-	356,291
<b>Total Liabilities</b>	<b>\$ 49,644</b>	<b>\$ 692,441</b>	<b>\$ -</b>	<b>\$ 742,085</b>
<b>Deferred Inflows of Resources</b>				
Taxes Receivable	\$ 91,168	\$ 66,522	\$ -	\$ 157,690
Road Receivables	-	300,748	-	300,748
<b>Total Deferred Inflows of Resources</b>	<b>\$ 91,168</b>	<b>\$ 367,270</b>	<b>\$ -</b>	<b>\$ 458,438</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 140,812</b>	<b>\$ 1,059,711</b>	<b>\$ -</b>	<b>\$ 1,200,523</b>
<b>Fund Balances</b>				
<b>Restricted</b>				
Public Safety	\$ -	\$ 117,756	\$ -	\$ 117,756
Highways	-	4,786,974	-	4,786,974
Health and Welfare	-	563,720	-	563,720
Culture and Recreation	-	433,216	-	433,216
Conservation of Natural Resources	-	254,058	-	254,058
Emergency	-	341,098	-	341,098
General Government	-	129,291	-	129,291
Capital Projects	-	-	609,593	609,593
Unassigned	1,715,423	-	-	1,715,423
<b>Total Fund Balances</b>	<b>\$ 1,715,423</b>	<b>\$ 6,626,113</b>	<b>\$ 609,593</b>	<b>\$ 8,951,129</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,856,235</b>	<b>\$ 7,685,824</b>	<b>\$ 609,593</b>	<b>\$ 10,151,652</b>

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

# BOTTINEAU COUNTY

## Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position December 31, 2018

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<b>Total Fund Balances of Governmental Funds</b>		\$ 8,951,129
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		52,945,977
Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Property Taxes Receivable	\$ 157,690	
Road Receivables	<u>300,748</u>	458,438
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions and OPEB	\$ 2,233,142	
Deferred Inflows Related to Pensions and OPEB	<u>(343,000)</u>	1,890,142
Long-Term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position		
Long-Term Debt	\$ (5,300,916)	
Interest Payable	(19,749)	
Retainage Payable	(399,631)	
Compensated Absences Payable	(17,885)	
Net Pension and OPEB Liability	<u>(5,522,602)</u>	<u>(11,260,783)</u>
<b>Total Net Position of Governmental Activities</b>		<u>\$ 52,984,903</u>

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

**BOTTINEAU COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2018

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,245,866	\$ 1,393,633	\$ -	\$ 3,639,499
Intergovernmental	1,248,174	4,912,536	300,000	6,460,710
Charges for Services	764,023	1,043,935	-	1,807,958
Licenses, Permits and Fees	4,918	-	-	4,918
Interest Income	-	48,410	-	48,410
Miscellaneous	74,821	311,401	-	386,222
<b>Total Revenues</b>	<b>\$ 4,337,802</b>	<b>\$ 7,709,915</b>	<b>\$ 300,000</b>	<b>\$ 12,347,717</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,303,661	\$ 94,438	\$ 126,615	\$ 2,524,714
Public Safety	1,666,415	299,279	-	1,965,694
Highways and Bridges	-	5,488,706	-	5,488,706
Flood Repair	-	48,922	-	48,922
Health and Welfare	-	854,956	-	854,956
Culture and Recreation	127,771	140,842	-	268,613
Conserv. of Natural Resources	3,625	272,902	-	276,527
Emergency	-	315,039	-	315,039
Other	6,842	-	-	6,842
Debt Service				
Principal	2,000	473,634	391,667	867,301
Interest & Service Charges	-	54,917	125,264	180,181
<b>Total Expenditures</b>	<b>\$ 4,110,314</b>	<b>\$ 8,043,635</b>	<b>\$ 643,546</b>	<b>\$ 12,797,495</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 227,488	\$ (333,720)	\$ (343,546)	\$ (449,778)
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Financing	\$ -	\$ 666,000	\$ -	\$ 666,000
Transfers In	275,452	28,000	-	303,452
Transfers Out	-	(303,452)	-	(303,452)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 275,452</b>	<b>\$ 390,548</b>	<b>\$ -</b>	<b>\$ 666,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ 502,940</b>	<b>\$ 56,828</b>	<b>\$ (343,546)</b>	<b>\$ 216,222</b>
Fund Balance - January 1	\$ 1,212,483	\$ 6,755,462	\$ 953,139	\$ 8,921,084
Prior Period Adjustment	\$ -	\$ (186,177)	\$ -	\$ (186,177)
Fund Balance - January 1, as Restated	\$ 1,212,483	\$ 6,569,285	\$ 953,139	\$ 8,734,907
Fund Balance - December 31	\$ 1,715,423	\$ 6,626,113	\$ 609,593	\$ 8,951,129

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

# BOTTINEAU COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018

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**Net Change in Fund Balances - Total Governmental Funds** \$ 216,222

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.

Capital Outlay	\$ 2,668,556	
Depreciation Expense	<u>(2,621,034)</u>	47,522

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 130,794

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt Repayment	\$ 867,301	
Capital Lease Financing	<u>(666,000)</u>	201,301

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

Decrease in Compensated Absences	\$ 16,706	
Increase in Retainage Payable	(12,342)	
Decrease in Interest Payable	<u>1,401</u>	5,765

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.

Increase in Taxes Receivable	\$ 43,536	
Increase in Road Receivables	<u>10,762</u>	54,298

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

Increase in Net Pension and OPEB Liability	\$ (280,257)	
Decrease in Deferred Outflows of Resources Related to Pensions and OPEB	(220,422)	
Increase in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(116,971)</u>	<u>(617,650)</u>

**Change in Net Position of Governmental Activities** \$ 38,252

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

**BOTTINEAU COUNTY**

Statement of Fiduciary Assets and Liabilities – Agency Funds  
December 31, 2018

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**ASSETS**

Cash and Investments \$ 2,621,694

**LIABILITIES**

Due to Other Governments \$ 2,621,694

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

**BOTTINEAU COUNTY**

Combining Statement of Net Position – All Discretely Presented Component Units  
 For the Year Ended December 31, 2018

	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	Total
<b>ASSETS</b>				
Cash and Investments	\$ 130,951	\$ 15,079	\$ 97,555	\$ 243,585
Taxes Receivable	4,584	326	3,383	8,293
Special Assessments Receivable	844,360	-	-	844,360
Capital Assets				
Nondepreciable	546,425	-	-	546,425
Depreciable, Net	2,537,727	-	-	2,537,727
Total Assets	\$ 4,064,047	\$ 15,405	\$ 100,938	\$ 4,180,390
<b>LIABILITIES</b>				
Payroll Liability	\$ 3,297	\$ -	\$ -	\$ 3,297
Interest Payable	8,484	-	-	8,484
Retainage Payable	13,855	-	-	13,855
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	824,311	-	-	824,311
Due After One Year				
Long Term Debt	2,447,564	-	-	2,447,564
Total Liabilities	\$ 3,297,511	\$ -	\$ -	\$ 3,297,511
<b>NET POSITION</b>				
Restricted				
Conservation of Natural Resources	\$ 766,536	\$ 15,405	\$ 100,938	\$ 882,879
Total Net Position	\$ 766,536	\$ 15,405	\$ 100,938	\$ 882,879

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

# BOTTINEAU COUNTY

Combining Statement of Activities – All Discretely Presented Component Units  
December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	
<b>Component Units</b>								
Bottineau County WRD	\$ 1,029,334	\$ 600	\$ 17,583	\$ 468,268	\$ (542,883)	\$ -	\$ -	\$ (542,883)
Boundary Creek WRD	14,632	-	27	-	-	(14,605)	-	(14,605)
Oak Creek WRD	230,481	-	2,675	-	-	-	(227,806)	(227,806)
<b>Total Component Units</b>	<b>\$ 1,274,447</b>	<b>\$ 600</b>	<b>\$ 20,285</b>	<b>\$ 468,268</b>	<b>\$ (542,883)</b>	<b>\$ (14,605)</b>	<b>\$ (227,806)</b>	<b>\$ (785,294)</b>
<b>General Revenues</b>								
Property Taxes					\$ 113,563	\$ 15,078	\$ 67,747	\$ 196,388
Earnings on Investments					664	-	1,133	1,797
Miscellaneous Revenue					1,392	-	-	1,392
<b>Total General Revenues</b>					<b>\$ 115,619</b>	<b>\$ 15,078</b>	<b>\$ 68,880</b>	<b>\$ 199,577</b>
<b>Change in Net Position</b>					<b>\$ (427,264)</b>	<b>\$ 473</b>	<b>\$ (158,926)</b>	<b>\$ (585,717)</b>
<b>Net Position - January 1</b>					<b>\$ 1,094,495</b>	<b>\$ 14,932</b>	<b>\$ 259,864</b>	<b>\$ 1,369,291</b>
<b>Prior Period Adjustment</b>					<b>\$ 99,305</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,305</b>
<b>Net Position - January 1, as Restated</b>					<b>\$ 1,193,800</b>	<b>\$ 14,932</b>	<b>\$ 259,864</b>	<b>\$ 1,468,596</b>
<b>Net Position - December 31</b>					<b>\$ 766,536</b>	<b>\$ 15,405</b>	<b>\$ 100,938</b>	<b>\$ 882,879</b>

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

# **BOTTINEAU COUNTY**

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Reporting Entity**

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

Based on these criteria, there are three component units to be included within the County as a reporting entity.

### **Component Units**

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

Discretely Presented Component Units. The component units' column in the basic financial statements includes the financial data of the County's three component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

Bottineau County Water Resource District ("Water Resource District") - The County's governing board appoints a voting majority of the members of the Water Resource District board. The County has the authority to approve or modify the Water Resource District's operational and capital budgets. The County also must approve the tax levy established by the Water Resource District.

Boundary Creek Water Resource District ("Boundary Creek") - The County's governing board appoints a voting majority of the members of the Boundary Creek board. The County has the authority to approve or modify the Boundary Creek operational and capital budgets. The County also must approve the tax levy established by Boundary Creek.

Oak Creek Water Resource District ("Oak Creek") - The County's governing board appoints a voting majority of the members of the Oak Creek board. The County has the authority to approve or modify the Oak Creek operational and capital budgets. The County also must approve the tax levy established by Oak Creek.

Component Unit Financial Statements: The financial statements of the aggregate discretely presented component units are presented in the County's basic financial statements. Complete financial statements of the component units can be obtained from the Bottineau County Auditor/Treasurer Bottineau County, PO Box 215, Bottineau, ND 58436-0215.

### **Basis of Presentation**

*Government-Wide Statements.* The statement of net position and the statement of activities display information about the primary government and its component units. 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.



## **BOTTINEAU COUNTY**

### Notes to the Financial Statements – Continued

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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, interest, and non-restricted grants and contributions, 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.

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.

Special Revenue Fund - This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

Additionally, the County reports the following fund type:

Agency Funds - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's agency funds are used to account for property taxes collected on behalf of other governments.

### **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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

### **Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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**Capital Assets**

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

<b>Assets</b>	<b>County</b>	<b>Water Resource District</b>
Buildings	30-50	-
Infrastructure	10-50	40
Furniture and Equipment	5-20	-
Vehicles and Machinery	5-20	8

**Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 30 days of vacation leave may be carried over at each year-end. Upon termination of employment, vacation benefits that have accrued through the last day of work will be paid. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. Upon termination of employment, unused sick leave will be paid to employees at a rate of 15% of unused days up to a maximum of 120 days. Severance pay will be provided to employees who have completed ten consecutive years of service with the County. The employee will receive ten days severance pay at their current salary level. A liability for the vested or accumulated vacation leave, sick leave, and severance pay is reported in the statement of net position.

**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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Pension**

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

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Fund Balances**

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

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

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

**Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**Interfund Transactions**

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

**Primary Government**

The fund balance of the County for the Special Revenue Fund as of January 1, 2018 has been restated for an intergovernmental receivable adjustment as shown below. The results of the adjustment decreased the beginning fund balance of the Special Revenue Fund for the County.

<b>Primary Government</b>	<b>Amounts</b>
Beginning Fund Balance, as Previously Reported	\$ 6,755,462
Prior Period Adjustments	
Intergovernmental Receivable	(186,177)
Net Position January 1, as Restated	\$ 6,569,285

**BOTTINEAU COUNTY**

## Notes to the Financial Statements – Continued

Net position of the County as of January 1, 2018 has been restated for an intergovernmental receivable adjustment as shown below. The results of the adjustment decreased the beginning net position of the County.

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 53,132,828
Prior Period Adjustments	
Intergovernmental Receivable	(186,177)
Net Position January 1, as Restated	\$ 52,946,651

**Discretely Presented Component Units**

Net position of the Water Resource District as of January 1, 2018 has been restated for a special assessments receivable adjustment as shown below. The results of the adjustment increased the beginning net position of the Water Resource District.

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 1,094,495
Prior Period Adjustments	
Special Assessments Receivable	99,305
Net Position January 1, as Restated	\$ 1,193,800

**NOTE 3 DEPOSITS****Custodial Credit Risk**

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

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

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

At year ended December 31, 2018, the County's carrying amount of deposits totaled \$11,398,996, and the bank balances totaled \$10,349,336. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Water Resource District's carrying amount of deposits totaled \$130,950, and the bank balances totaled \$595,904. Of the bank balances, \$339,522 was covered by Federal Depository Insurance. The remaining balances of \$256,382 were uninsured and uncollateralized.

At year ended December 31, 2018, Boundary Creek's carrying amount of deposits totaled \$15,079, and the bank balances totaled \$15,574, all of which were covered by Federal Depository Insurance.

**BOTTINEAU COUNTY**

## Notes to the Financial Statements – Continued

At year ended December 31, 2018, Oak Creek's carrying amount of deposits totaled \$97,555, and the bank balances totaled \$105,830, all of which were covered by Federal Depository Insurance.

**NOTE 4 PROPERTY TAXES**

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

**NOTE 5 CAPITAL ASSETS****Primary Government**

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

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ 155,004
Intangibles	174,434	-	-	-	174,434
Construction Progress	4,877,685	1,664,396	-	(5,640,502)	901,579
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 5,207,123</b>	<b>\$ 1,664,396</b>	<b>\$ -</b>	<b>\$ (5,640,502)</b>	<b>\$ 1,231,017</b>
Capital Assets Being Depreciated					
Furniture and Equipment	\$ 606,431	\$ 65,206	\$ -	\$ -	\$ 671,637
Vehicles and Machinery	7,006,486	1,234,154	595,165	-	7,645,475
Buildings	9,265,946	-	-	5,640,502	14,906,448
Infrastructure	53,843,697	-	-	-	53,843,697
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 70,722,560</b>	<b>\$ 1,299,360</b>	<b>\$ 595,165</b>	<b>\$ 5,640,502</b>	<b>\$ 77,067,257</b>
Less Accumulated Depreciation					
Furniture and Equipment	\$ 557,632	\$ 24,520	\$ -	\$ -	\$ 582,152
Vehicles and Machinery	4,301,117	840,387	430,759	-	4,710,745
Buildings	2,459,836	271,546	-	-	2,731,382
Infrastructure	15,843,436	1,484,582	-	-	17,328,018
<b>Total Accumulated Depreciation</b>	<b>\$ 23,162,021</b>	<b>\$ 2,621,035</b>	<b>\$ 430,759</b>	<b>\$ -</b>	<b>\$ 25,352,297</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 47,560,539</b>	<b>\$ (1,321,675)</b>	<b>\$ 164,406</b>	<b>\$ 5,640,502</b>	<b>\$ 51,714,960</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 52,767,662</b>	<b>\$ 342,721</b>	<b>\$ 164,406</b>	<b>\$ -</b>	<b>\$ 52,945,977</b>

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

<b>Governmental Activities</b>	<b>Amounts</b>
General Government	\$ 49,017
Public Safety	274,573
Highways & Bridges	2,271,803
Health & Welfare	6,231
Culture & Recreation	17,149
Conservation of Natural Resources	2,262
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 2,621,035</b>

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Unit**

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

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Construction Progress	\$ 1,062,525	\$ 549,719	\$ -	\$ (1,065,819)	\$ 546,425
Capital Assets Being Depreciated					
Vehicles and Machinery	\$ 443,573	\$ -	\$ -	\$ -	\$ 443,573
Infrastructure	1,383,505	-	-	1,065,819	2,449,324
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 1,827,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,065,819</b>	<b>\$ 2,892,897</b>
Less Accumulated Depreciation					
Vehicles and Machinery	\$ 169,314	\$ 55,447	\$ -	\$ -	\$ 224,761
Infrastructure	69,176	61,233	-	-	130,409
<b>Total Accumulated Depreciation</b>	<b>\$ 238,490</b>	<b>\$ 116,680</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 355,170</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,588,588</b>	<b>\$ (116,680)</b>	<b>\$ -</b>	<b>\$ 1,065,819</b>	<b>\$ 2,537,727</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 2,651,113</b>	<b>\$ 433,039</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,084,152</b>

Depreciation expense was charged to the conservation of natural resource function

**NOTE 6 LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Capital Lease Payable	\$ 1,551,252	\$ 666,000	\$ 473,634	\$ 1,743,618	\$ 453,195
Line of Credit Payable	3,943,966	-	391,668	3,552,298	-
Loan Payable	7,000	-	2,000	5,000	2,000
<b>Total Long-Term Debt</b>	<b>\$ 5,502,218</b>	<b>\$ 666,000</b>	<b>\$ 867,302</b>	<b>\$ 5,300,916</b>	<b>\$ 455,195</b>
Compensated Absences *	416,337	-	16,706	399,631	39,963
Net Pension & OPEB Liability	5,242,345	280,257	-	5,522,602	-
<b>Total Primary Government</b>	<b>\$ 11,160,900</b>	<b>\$ 946,257</b>	<b>\$ 884,008</b>	<b>\$ 11,223,149</b>	<b>\$ 495,158</b>

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Debt Service requirement on long-term debt at December 31, 2018 are as follows:

<b>Year Ending Dec 31</b>	<b>Capital Lease Payable</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 453,195	\$ 75,355	\$ 2,000	\$ -
2020	324,505	59,887	3,000	-
2021	244,649	47,827	-	-
2022	394,597	37,845	-	-
2023	326,672	18,359	-	-
<b>Totals</b>	<b>\$ 1,743,618</b>	<b>\$ 239,273</b>	<b>\$ 5,000</b>	<b>\$ -</b>

**BOTTINEAU COUNTY**

## Notes to the Financial Statements – Continued

The Line of Credit Payable does not have an amortization schedule as of December 31, 2018. The interest rate is variable with a floor rate of 1.75%, and not to increase by 1% per year. All unpaid interest and principal is due and payable in full on March 1, 2028.

**Discretely Presented Component Units**

During the year ended December 31, 2018, the following changes occurred in liabilities reported in long-term liabilities of the Water Resource District:

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Loans Payable	\$ 1,586,678	\$ 1,095,462	\$ 597,308	\$ 2,084,832	\$ 735,619
Bond Payable	946,500	325,000	84,457	1,187,043	88,692
<b>Total Water Resource District</b>	<b>\$ 2,533,178</b>	<b>\$ 1,420,462</b>	<b>\$ 681,765</b>	<b>\$ 3,271,875</b>	<b>\$ 824,311</b>

Debt Service requirement on long-term debt at December 31, 2018 are as follows:

<b>Year Ending Dec 31</b>	<b>Bonds Payable</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 88,692	\$ 44,570	\$ 735,619	\$ 12,356
2020	88,692	40,186	894,650	8,807
2021	88,692	36,974	454,563	5,977
2022	88,692	33,763	-	-
2023	88,692	30,551	-	-
2024 - 2028	432,763	104,318	-	-
2029 - 2033	310,820	27,983	-	-
<b>Totals</b>	<b>\$ 1,187,043</b>	<b>\$ 318,345</b>	<b>\$ 2,084,832</b>	<b>\$ 27,140</b>

**NOTE 7 PENSION PLAN****General Information about the NDPERS Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

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

At December 31, 2018, the County reported a liability of \$5,290,789 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 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 its share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the County's proportion was 0.313508 percent, which was an increase of 0.001829 percent from its proportion measurement as of June 30, 2017.



**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

For the year ended December 31, 2018, the County recognized pension expense of \$859,326. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 14,004	\$ 180,003
Changes of Assumptions	1,909,865	75,516
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	25,740
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	35,643	51,815
Employer Contributions Subsequent to the Measurement Date	213,474	-
<b>Total</b>	<b>\$ 2,172,986</b>	<b>\$ 333,074</b>

\$213,474 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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:

2019	\$ 531,048
2020	460,854
2021	394,308
2022	225,399
2023	14,829

**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	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long -Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount Rate**

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

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

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%.

**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 County’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.

	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Proportionate Share of the Net OPEB Liability	\$ 7,189,199	\$ 5,290,789	\$ 3,706,628

**Pension Plan Fiduciary Net Position**

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 8 OPEB PLAN**

**General Information about the OPEB Plan**

***North Dakota Public Employees Retirement System***

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

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

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

**OPEB Benefits**

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

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 \$231,813 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 its 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 0.294340 percent, which was an increase of 0.000234% from its proportion measured as of June 30, 2017.

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

For the year ended December 31, 2018, the County recognized OPEB expense of \$28,629. 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	\$ 6,940	\$ 4,790
Changes of Assumptions	19,020	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	4,987
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16	-
Employer Contributions Subsequent to the Measurement Date	34,180	149
<b>Total</b>	<b>\$ 60,156</b>	<b>\$ 9,926</b>

\$34,180 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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:

2019	\$ 1,925
2020	1,925
2021	1,925
2022	4,126
2023	3,722
2024	2,104
Thereafter	323

**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:

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.50%. 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.

**Sensitivity of the County'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:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate Share of the Net OPEB Liability	\$ 293,299	\$ 231,813	\$ 179,103

**NOTE 9 TRANSFERS**

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs.

**NOTE 10 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$5,119,619 for mobile equipment and portable property (public assets).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the 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.

The County has worker's compensation with the ND Workforce Safety and Insurance.

**BOTTINEAU COUNTY**Notes to the Financial Statements – Continued

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**NOTE 11 CONSTRUCTION COMMITMENTS****Primary Government**

The County had one construction project open at year-end:

<b>Primary Government</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
COIB 0517 (055)	902,277	894,266	17,885	25,896

**Discretely Presented Component Units**

The Water Resource District had two construction projects open at year-end:

<b>Water Resource District</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Stone Creek Phase II	331,600	316,600	7,875	22,875
Brander Drain	239,200	229,825	5,980	15,355
Total	\$ 570,800	\$ 546,425	\$ 13,855	\$ 38,230

**BOTTINEAU COUNTY**

Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,354,950	\$ 2,354,950	\$ 2,245,866	\$ (109,084)
Intergovernmental	842,756	842,756	1,248,174	405,418
Charges for Services	715,278	715,278	764,023	48,745
Licenses, Permits and Fees	5,150	5,150	4,918	(232)
Miscellaneous	53,850	53,850	74,821	20,971
<b>Total Revenues</b>	<b>\$ 3,971,984</b>	<b>\$ 3,971,984</b>	<b>\$ 4,337,802</b>	<b>\$ 365,818</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,284,420	\$ 2,284,420	\$ 2,303,661	\$ (19,241)
Public Safety	1,455,693	1,654,194	1,666,415	(12,221)
Culture and Recreation	140,500	140,500	127,771	12,729
Conser. of Natural Resources	3,800	3,800	3,625	175
Other	9,000	9,000	6,842	2,158
Debt Service				
Principal	2,000	2,000	2,000	-
<b>Total Expenditures</b>	<b>\$ 3,895,413</b>	<b>\$ 4,093,914</b>	<b>\$ 4,110,314</b>	<b>\$ (16,400)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,571	\$ (121,930)	\$ 227,488	\$ 349,418
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 275,452	\$ 275,452
<b>Net Change in Fund Balance</b>	<b>\$ 76,571</b>	<b>\$ (121,930)</b>	<b>\$ 502,940</b>	<b>\$ 624,870</b>
Fund Balance - January 1	\$ 1,212,483	\$ 1,212,483	\$ 1,212,483	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 1,289,054</b>	<b>\$ 1,090,553</b>	<b>\$ 1,715,423</b>	<b>\$ 624,870</b>

The accompanying required supplementary information notes are an integral part of this schedule.

**BOTTINEAU COUNTY**

Budgetary Comparison Schedule – Special Revenue Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,440,884	\$ 1,440,884	\$ 1,393,633	\$ (47,251)
Intergovernmental	3,934,254	3,934,254	4,912,536	978,282
Charges for Services	791,423	791,423	1,043,935	252,512
Interest Income	51,710	51,710	48,410	(3,300)
Miscellaneous	52,642	52,642	311,401	258,759
<b>Total Revenues</b>	<b>\$ 6,270,913</b>	<b>\$ 6,270,913</b>	<b>\$ 7,709,915</b>	<b>\$ 1,439,002</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 52,000	\$ 95,819	\$ 94,438	\$ 1,381
Public Safety	204,665	210,440	299,279	(88,839)
Highways and Bridges	5,237,366	5,619,852	4,822,706	797,146
Flood Repair	-	9,300	48,922	(39,622)
Health and Welfare	1,016,980	1,016,980	854,956	162,024
Culture and Recreation	221,708	221,708	140,842	80,866
Conserv. of Natural Resources	243,674	269,299	272,902	(3,603)
Emergency	300,000	300,000	315,039	(15,039)
Debt Service				
Principal	473,634	473,634	473,634	-
Interest	54,917	54,917	54,917	-
<b>Total Expenditures</b>	<b>\$ 7,804,944</b>	<b>\$ 8,271,949</b>	<b>\$ 7,377,635</b>	<b>\$ 894,314</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,534,031)	\$ (2,001,036)	\$ 332,280	\$ 2,333,316
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Transfers Out	-	-	(303,452)	(303,452)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ (275,452)</b>	<b>\$ (303,452)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,506,031)</b>	<b>\$ (1,973,036)</b>	<b>\$ 56,828</b>	<b>\$ 2,029,864</b>
Fund Balance - January 1	\$ 6,755,462	\$ 6,755,462	\$ 6,755,462	\$ -
Prior Period Adjustment	\$ (186,177)	\$ (186,177)	\$ (186,177)	\$ -
Fund Balance - January 1, as Restated	\$ 6,569,285	\$ 6,569,285	\$ 6,569,285	\$ -
Fund Balance - December 31	\$ 5,063,254	\$ 4,596,249	\$ 6,626,113	\$ 2,029,864

The accompanying required supplementary information notes are an integral part of this schedule.



**BOTTINEAU COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>Main System</b>	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	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	0.313508%	\$ 5,290,789	\$ 3,220,721	164.27%	62.80%
2017	0.311679%	5,009,704	3,181,754	157.45%	61.98%
2016	0.306945%	2,991,478	3,093,286	96.71%	70.46%
2015	0.313907%	2,134,514	2,796,533	76.33%	77.15%
2014	0.324856%	2,061,930	2,736,516	75.35%	77.70%

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

<b>Main System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 237,220	\$ 233,745	\$ 3,475	\$ 3,220,721	7.26%
2017	230,716	231,143	(427)	3,181,754	7.26%
2016	223,949	224,529	(580)	3,093,286	7.26%
2015	212,419	211,280	1,139	2,796,533	7.56%
2014	194,840	194,840	-	2,736,516	7.12%

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

**BOTTINEAU COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>Main System</b>	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.294340%	\$ 231,813	\$ 3,220,721	7.20%	62.80%
2017	0.294106%	232,641	3,181,754	7.31%	59.78%

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

<b>Main System</b>	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	\$ 37,777	\$ 37,425	\$ 352	\$ 3,220,721	1.16%
2017	36,986	37,008	(22)	3,181,754	1.16%

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

# BOTTINEAU COUNTY

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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## 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 (GAAP).
- The County Auditor prepares an annual budget for the general fund and each special revenue fund of the County. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 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. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.

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

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

## NOTE 3 PENSION 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 2018. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

## NOTE 4 BUDGET TO ACTUAL RECONCILIATION

Leases issued that are paid by the special revenue fund are not included in the budgetary comparison schedule expenditures, but are included in the combined statement of revenues, expenditures and changes in fund balance. The reconciliation is provided below:

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
<b>Special Revenue Fund</b>			
Expenditures	\$ 8,043,635	\$ (666,000)	\$ 7,377,635
Lease Financing	666,000	(666,000)	-

**BOTTINEAU COUNTY**Notes to the Required Supplementary Information - Continued

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**NOTE 5 LEGAL COMPLIANCE – BUDGETS****Budget Amendments**

The board of County commissioners amended the budget for 2018 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
General Fund	\$ 3,895,413	\$ 198,501	\$ 4,093,914
Special Revenue Fund	7,804,944	467,005	8,271,949

# BOTTINEAU COUNTY

Schedule of Fund Activity – Cash Basis  
For the Year Ended December 31, 2018

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Major Funds</b>						
General Fund	\$ 1,050,269.15	\$ 4,349,577.84	\$ 275,451.53	\$ -	\$ 4,065,446.88	\$ 1,609,851.64
<b>Special Revenue Fund</b>						
County Road & Bridge	\$ 2,598,423.89	\$ 2,549,284.70	\$ -	\$ -	\$ 2,686,445.41	\$ 2,461,263.18
Highway Tax Distribution	1,996,515.29	1,727,105.69	-	-	1,589,847.03	2,133,773.95
Township Road Construction	85,860.25	-	-	-	-	85,860.25
Oil Impact	(113,974.01)	1,429,218.21	-	-	1,315,244.20	-
Social Service	375,451.53	888,050.25	-	275,451.53	812,770.90	175,279.35
Emergency	437,850.54	138,589.29	-	-	151,728.75	424,711.08
911	151,253.38	202,187.32	-	-	204,034.39	149,406.31
Veteran Service Officer	14,484.00	47,211.80	-	-	40,439.53	21,256.27
Library	185,889.04	190,218.45	-	28,000.00	139,410.21	208,697.28
Library Building	196,194.62	1,412.71	28,000.00	-	1,421.49	224,185.84
Weed Control Fund	144,312.88	243,110.33	-	-	262,546.07	124,877.14
Hazardous Chemical	16,419.42	7,875.00	-	-	-	24,294.42
Homeland Security	(1,207.87)	-	-	-	-	(1,207.87)
Courthouse Building Imp. & Equip.	133,898.40	46,205.43	-	-	93,363.98	86,739.85
County Zoning	14,804.50	1,900.00	-	-	618.88	16,085.62
Document Preservation	119,183.36	20,277.50	-	-	6,247.60	133,213.26
Law Enforcement Block Grant	(18,160.08)	43,139.54	-	-	90,093.60	(65,114.14)
FEMA	121,626.04	283,586.68	-	-	48,922.13	356,290.59
<b>Total Special Revenue Fund</b>	<b>\$ 6,458,825.18</b>	<b>\$ 7,819,372.90</b>	<b>\$ 28,000.00</b>	<b>\$ 303,451.53</b>	<b>\$ 7,443,134.17</b>	<b>\$ 6,559,612.38</b>
<b>Nonmajor Funds</b>						
Capital Projects Fund						
2016 Certificate Fund	\$ 953,139.01	\$ 300,000.00	\$ -	\$ -	\$ 643,545.89	\$ 609,593.12
<b>Total Governmental Funds</b>	<b>\$ 8,462,233.34</b>	<b>\$ 12,468,950.74</b>	<b>\$ 303,451.53</b>	<b>\$ 303,451.53</b>	<b>\$ 12,152,126.94</b>	<b>\$ 8,779,057.14</b>
<b>Agency Funds</b>						
Flexible Benefits Plan	\$ 13,256.06	\$ 48,023.25	\$ -	\$ -	\$ 48,529.10	\$ 12,750.21
Emergency Transient Fund	100.00	100.00	-	-	10.00	190.00
Airport Authority	349.11	47,941.20	-	-	48,078.27	212.04
NDSU Extension	134,015.11	107,075.90	-	-	95,350.45	145,740.56
Jobs Development Authority	1,099.73	186,877.59	-	-	187,225.80	751.52
Senior Citizens Fund	355.35	113,391.91	-	-	113,496.19	251.07
State Tax	355.35	57,431.51	-	-	57,535.79	251.07
Game and Fish Licenses	153.85	2,533.00	-	-	2,609.00	77.85
County Health-1st District	5,094.59	142,310.38	-	-	145,918.86	1,486.11
Garrison Diversion	355.35	61,656.16	-	-	61,760.44	251.07
Safe Communities	502.62	250.00	-	-	594.22	158.40
County Historical Society	125.36	15,680.71	-	-	15,743.27	62.80
Unlocatable Mineral Owners	15,991.91	1,562.14	-	-	-	17,554.05
Trust Fund	2,383,075.78	2,297,396.15	-	-	2,418,442.72	2,262,029.21
County Fair	-	19,964.06	-	-	19,964.06	-
ND Income Tax	8,070.86	32,007.16	-	-	31,739.87	8,338.15
Domestic Violence Prevention	140.00	1,050.00	-	-	1,120.00	70.00
Coalition Domestic Violence	1,497.96	6,142.73	-	-	7,468.65	172.04
Cheer-Social Service	827.38	-	-	-	-	827.38
24/7 Sobriety Program	2,774.90	5,895.00	-	-	6,244.50	2,425.40
Payroll Deductins	(497.21)	588.05	-	-	(24,869.72)	24,960.56
Total Water Management Districts	5,927.12	685,589.79	-	-	685,991.67	5,525.24
Total Ambulance Districts	750.34	125,166.32	-	-	125,406.38	510.28
Total Cities	1,894.33	872,167.81	-	-	869,878.21	4,183.93
Total Park Districts	2,502.63	832,382.00	-	-	832,607.74	2,276.89
Total School Districts	27,720.51	4,554,339.26	-	-	4,562,034.33	20,025.44
Total Townships	108,305.95	1,214,766.48	-	-	1,214,232.19	108,840.24
Total Fire Districts	1,695.10	282,153.62	-	-	282,555.12	1,293.60
Total Soil Conservation Districts	587.89	109,295.18	-	-	109,404.38	478.69
<b>Total Agency Funds</b>	<b>\$ 2,717,027.93</b>	<b>\$ 11,823,737.36</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,919,071.49</b>	<b>\$ 2,621,693.80</b>
<b>Total Primary Government</b>	<b>\$ 11,179,261.27</b>	<b>\$ 24,292,688.10</b>	<b>\$ 303,451.53</b>	<b>\$ 303,451.53</b>	<b>\$ 24,071,198.43</b>	<b>\$ 11,400,750.94</b>

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



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

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

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

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Independent Auditor's Report

Board of County Commissioners  
Bottineau County  
Bottineau, 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 financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated December 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bottineau 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 Bottineau County's internal control. Accordingly, we do not express an opinion on the effectiveness of Bottineau County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of audit findings* as item 2018-005 to be a significant deficiency.

**BOTTINEAU COUNTY**

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bottineau County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of audit findings* as item 2018-004.

**Bottineau County's Response to Findings**

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

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
December 13, 2019

**BOTTINEAU COUNTY**

Summary of Auditor's Results  
For the Year Ended December 31, 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

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



# **BOTTINEAU COUNTY**

Schedule of Audit Findings

For the Year Ended December 31, 2018

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## **2018-001 FINANCIAL STATEMENT PREPARATION**

### **Condition**

Bottineau County does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

### **Criteria**

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

### **Cause**

Management is not fully knowledgeable of the process of preparing financial statements in compliance with GAAP.

### **Effect**

There is an increased risk of material misstatement to the Bottineau County's financial statements.

### **Repeat Finding**

No.

### **Recommendation**

We recommend Bottineau County design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

### **Bottineau County's Response**

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

**2018-002 ADJUSTING JOURNAL ENTRIES**

**Condition**

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

**Criteria**

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

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

Inadequate internal controls over recording of transactions affects Bottineau County and Bottineau County Water Resource District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Repeat Finding**

No.

**Recommendation**

We recommend that Bottineau County and Bottineau County Water Resource District design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**Bottineau County's Response**

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

**2018-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS**

**Condition**

The Bottineau County Water Resource District, Boundary Creek Water Resource District, and Oak Creek Water Resource District have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

**Criteria**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Bottineau County Water Resource District, Boundary Creek Water Resource District, and Oak Creek Water Resource District

**Cause**

Management has chosen to allocate economic resources to other functions of the Bottineau County Water Resource District, Boundary Creek Water Resource District, and Oak Creek Water Resource District

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Bottineau County Water Resource District, Boundary Creek Water Resource District, and Oak Creek Water Resource District's financial condition.

**Repeat Finding**

No.

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

**Bottineau County's Response**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Bottineau County Water Resource District, Boundary Creek Water Resource District, and Oak Creek Water Resource District.

**2018-004 LACK OF PLEDGE OF ASSETS – WATER RESOURCE DISTRICT**

**Condition**

Bottineau County Water Resource District did not obtain adequate pledge of assets at Starion Bank as of December 31, 2018. The District was underpledged by \$282,020.

**Criteria**

N.D.C.C. §21-04-09 states “When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits.”

**Cause**

Management did not know that they were required to maintain a certain level of pledged assets.

**Effect**

Non-compliance with N.D.C.C. §21-04-09.

**Repeat Finding**

No.

**Recommendation**

We recommend that Bottineau County Water Resource District ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance..

**Bottineau County’s Response**

Agree. We will make sure that we maintain the proper level of pledged assets..

**2018-005 FRAUD RISK ASSESSMENT**

**Condition**

Bottineau County does not currently prepare a fraud risk assessment of the entire entity.

**Criteria**

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

**Cause**

The County may not have considered preparing a fraud risk assessment.

**Effect**

If the County does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Repeat Finding**

No.

**Recommendation**

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

**Bottineau County's Response**

Agree. We will perform a fraud risk assessment.



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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, North Dakota, for the year ended December 31, 2018 which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated December 13, 2019. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated September 24, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bottineau County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**BOTTINEAU COUNTY**

Governance Communication – Continued

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**Corrected and Uncorrected Misstatements**

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

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>						
Intergovernmental Receivable	829,166		-		829,166	
Accounts Receivable	15,448		-		15,448	
Interest Receivable	6,544		-		6,544	
Revenues		851,158		-		851,158
Expenditures	385,795		-		385,795	
Accounts Payable		374,754		-		374,754
Salaries Payable		11,041		-		11,041
Revenues	-		356,291		356,291	
Unearned Revenue		-		356,291		356,291
Expenditures	-		666,000		666,000	
Capital Lease Proceeds		-		666,000		666,000

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 13, 2019.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**BOTTINEAU COUNTY**

Governance Communication – Continued

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**Other Audit Findings or Issues**

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

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

Thank you and the employees of Bottineau County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Bottineau County.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
December 13, 2019



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