

# **AUDIT REPORT**

MCLEAN COUNTY  
Washburn, North Dakota

For the Years Ended December 31, 2018 and 2017

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

MCLEAN COUNTY  
Washburn, North Dakota

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For the Years Ended December 31, 2018 and 2017

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MCLEAN COUNTY  
Washburn, North Dakota

COUNTY OFFICIALS

Steve Lee	Commission Chairman
Doug Krebsbach	Commission Vice Chairman
Barry Suydam	Commissioner
Les Korgel	Auditor
Beth Knutson	Recorder
Catherine Bailey	Clerk of Court
J. R. Kerzmann	Sheriff
Ladd Erickson	States Attorney

# Rath & Mehrer

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*Specializing in Governmental Auditing*

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Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
McLean County  
Washburn, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities each major fund and the aggregate remaining fund information of McLean County, Washburn, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the county's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of McLean County, Washburn, North Dakota, as of December 31, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgeting comparison information on pages 43 through 50 and the schedule of employer's share of net pension liability on page 51 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the county's basic financial statements. The schedules of fund activity are presented for additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity are the responsibility of management and were derived from and relate 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 audits 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 schedules of fund activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019 on our consideration of the 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 the county's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

April 26, 2019

MCLEAN COUNTY

Management's Discussion and Analysis

December 31, 2018 and 2017

The Management's Discussion and Analysis (MD&A) of McLean County's financial performance provides an overall review of the county's financial activities for the fiscal years ended December 31, 2018 and 2017. The intent of the MD&A is to look at the county's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior years is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2018 are as follows:

- \* Net position of the county decreased \$175,193 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$750,796.
- \* Total revenues from all sources were \$11,806,726.
- \* Total expenses were \$11,981,919.
- \* The county's general fund had \$7,336,637 in total revenues and \$7,018,796 in total expenditures. There was a total of \$138,625 paid from other financing uses. Overall, the general fund balance increased by \$179,216 for the year ended December 31, 2018.

Key financial highlights for the year ended December 31, 2017 are as follows:

- \* Net position of the county decreased \$640,479 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$925,989.
- \* Total revenues from all sources were \$12,845,950.
- \* Total expenses were \$13,486,429.
- \* The county's general fund had \$7,114,380 in total revenues and \$6,971,573 in total expenditures. There was a total of \$207,974 received from other financing sources. Overall, the general fund balance increased by \$350,782 for the year ended December 31, 2017.



## USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the county as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole county, presenting both an aggregate view of the county's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the county's general fund, highway operating fund, farm to market road fund, emergency fund, FEMA expenses - 2011 fund and FEMA expenses - 2013 fund with all other governmental funds presented in total in one column.

## REPORTING ON THE COUNTY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the county to provide programs and activities and attempt to answer the question "How did the county do financially during the years ended December 31, 2018 and 2017?"

The Statement of Net Position presents information on all the county's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The Statement of Activities presents information on how the county's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the county's net position and changes in that position. This change in net position is important because it tells the reader whether, for the county as a whole, the financial position of the county has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the county reports governmental activities. Governmental activities are the activities where most of the county's programs and services are reported including, but not limited to, general government, public safety, highways and public improvement, health and welfare, culture and recreation, and conservation and economic development.

## REPORTING ON THE COUNTY'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

The county uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the county to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the county's major funds. Using the criteria established by GASB Statement No. 34, the county's general fund, highway operating fund, farm to market road fund, emergency fund, FEMA expenses - 2011 fund and FEMA expenses - 2013 fund are considered "major funds".

The county's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

### **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

Table I provides a summary of the county's net position as of December 31, 2018, and 2017. A comparative analysis of county-wide data is presented for both current and prior years.

As indicated in the financial highlights above, the county's net position decreased by \$175,193 and \$640,479 for the years ended December 31, 2018 and 2017, respectively. Changes in net position may serve over time as a useful indicator of the county's financial position.

As of December 31, 2018 the county's net position of \$750,796 is segregated into three separate categories. Net investment in capital assets total \$5,476,331 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,531,664 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is (\$6,257,199), which includes (\$3,746,193) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of (\$2,511,006) is available to meet the county's ongoing obligations.

As of December 31, 2017 the county's net position of \$925,989 is segregated into three separate categories. Net investment in capital assets total \$5,391,121 of the county's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position is \$1,368,229 of the county's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is (\$5,833,362), which includes (\$3,082,016) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of (\$2,751,346) is available to meet the county's ongoing obligations.



Table I  
 Net Position  
 As of December 31, 2018 and 2017  
 (With comparative totals for December 31, 2016)

	2018	2017	2016
<b>Assets</b>			
Current Assets	1,347,038	933,040	1,547,881
Capital Assets (net of accumulated depreciation)	11,485,861	11,470,886	11,412,361
<b>Total Assets</b>	<b>12,832,899</b>	<b>12,403,926</b>	<b>12,960,242</b>
Deferred Outflows of Resources	3,136,124	1,308,963	745,815
<b>Liabilities</b>			
Current Liabilities	941,217	866,532	1,493,866
Long-Term Liabilities	5,643,708	5,917,122	5,920,988
Net Pension Liability	6,576,833	4,053,351	2,938,968
<b>Total Liabilities</b>	<b>13,161,757</b>	<b>10,837,006</b>	<b>10,353,822</b>
Deferred Inflows of Resources	2,056,470	1,949,894	1,785,767
<b>Net Position</b>			
Net Investment in Capital Assets	5,476,331	5,391,121	5,558,574
Restricted	1,531,664	1,368,229	2,325,003
Unrestricted	(6,257,199)	(5,833,362)	(6,317,109)
<b>Total Net Position</b>	<b>750,796</b>	<b>925,989</b>	<b>1,566,468</b>

Table II shows the changes in net position for the fiscal years ended December 31, 2018 and 2017. A comparative analysis of county-wide data is presented for both current and prior years.

Table II  
 Changes in Net Position  
 As of December 31, 2018 and 2017  
 (With comparative totals for December 31, 2016)

	2018	2017	2016
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for Services	1,819,917	2,349,664	1,771,999
Operating Grants and Contributions	1,406,926	1,644,038	7,396,393
<b>General Revenues:</b>			
Property Taxes	5,032,918	5,348,129	4,105,276
Other Taxes	1,938,143	2,073,334	1,687,742
Federal Aid - Unrestricted	410,870	402,908	405,128
State Aid - Unrestricted	800,683	724,538	790,130
Interest Earnings and Other Revenue	290,715	267,102	316,551
Gain on Sale/Trade-in of Capital Assets	106,554	36,238	146,933
<b>Total Revenues</b>	<b>11,806,726</b>	<b>12,845,950</b>	<b>16,620,152</b>
<b>Expenses</b>			
General Government	4,186,176	3,535,427	3,244,350
Public Safety	3,042,930	2,948,541	2,851,722
Highways and Public Improve.	3,645,499	4,943,700	8,910,771
Health and Welfare		679,983	786,357
Culture and Recreation	86,005	85,639	142,281
Conser. and Economic Dvlpmnt.	329,933	836,929	1,392,470
Other	461,942	219,145	223,689
Interest on Long-Term Debt	229,434	237,066	220,264
<b>Total Expenses</b>	<b>11,981,919</b>	<b>13,486,429</b>	<b>17,771,903</b>
<b>Net Change in Position</b>	<b>(175,193)</b>	<b>(640,479)</b>	<b>(1,151,751)</b>

Property taxes constituted 42%, other taxes 16%, unrestricted state aid 6%, operating grants and contributions 11%, and charges for services made up 15% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2018.

General government constituted 34%, public safety 25% and highways and public improvement 30% of total expenses for governmental activities during the fiscal year ended December 31, 2018.

Property taxes constituted 41%, other taxes 16%, unrestricted state aid 5%, operating grants and contributions 12%, and charges for services made up 18% of the total revenues of governmental activities of the county for the fiscal year ended December 31, 2017.

General government constituted 26%, public safety 21%, highways and public improvement 36%, and health and welfare 5% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services  
As of December 31, 2018

	Total Cost Year Ended December 31, 2018	Total Cost Year Ended December 31, 2018
General Government	4,186,176	3,827,627
Public Safety	3,042,930	1,759,301
Highways and Public Improvement	3,645,499	2,193,082
Culture and Recreation	86,005	24,488
Conservation and Economic Dvlpmnt.	329,933	324,306
Other	461,942	396,837
Interest on Long-Term Debt	229,434	229,434
Total Expenses	11,981,919	8,755,076
	=====	=====

Total and Net Cost of Services  
As of December 31, 2017

	Total Cost Year Ended December 31, 2017	Total Cost Year Ended December 31, 2017
General Government	3,535,427	3,168,719
Public Safety	2,948,541	1,673,846
Highways and Public Improvement	4,943,700	2,730,994
Health and Welfare	679,983	679,983
Culture and Recreation	85,639	13,864
Conservation and Economic Dvlpmnt.	836,929	830,464
Other	219,145	157,791
Interest on Long-Term Debt	237,066	237,066
Total Expenses	13,486,429	9,492,727
	=====	=====



**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the county's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the county's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The county's governmental funds had total revenue of \$12,222,292 and expenditures of \$12,373,302 for the year ended December 31, 2018. As of December 31, 2018, the unassigned fund balance of the county's general fund was (\$1,171,190) and total unassigned fund balances for all the county's governmental funds was (\$2,241,018). The county's governmental funds had total revenue of \$12,943,447 and expenditures of \$14,267,171 for the year ended December 31, 2017. As of December 31, 2017, the unassigned fund balance of the county's general fund was (\$1,350,407) and total unassigned fund balances for all the county's governmental funds was (\$2,381,164).

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2018 and 2017, the county did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2018 was \$364,399 more than budgeted. Actual expenditures for the year ended December 31, 2018 were over budget by \$720,104. This budget variance is due to the county not including an appropriation for the debt service payments for the coal severance loans.

Actual revenue for the year ended December 31, 2017 was \$321,457 more than budgeted. Actual expenditures for the year ended December 31, 2017 were over budget by \$907,227. This budget variance is due to the county not including an appropriation for the debt service payments for the coal severance loans and other loan payments.

**CAPITAL ASSETS**

As of December 31, 2018 and 2017, the county had \$11,485,861 and \$11,470,886, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2018, 2017 and 2016.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2018 and 2017  
(With comparative totals for December 31, 2016)

	2018	2017	2016
Buildings	7,905,843	8,025,413	8,144,983
Machinery and Vehicles	3,580,018	3,445,473	3,267,378
Total (net of depreciation)	11,485,861	11,470,886	11,412,361

As of December 31, 2018, this total represents an increase of \$14,975 in capital assets from January 1, 2018. As of December 31, 2017, this total represents an increase of \$58,525 in capital assets from January 1, 2017. During the years ending December 31, 2018 and 2017, the changes in machinery and vehicles were due to the purchase of numerous vehicles and equipment including the purchase of 6 Caterpillar 140M3 motor graders and various machinery and vehicles for the county's sheriff's department and highway department.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

#### **DEBT ADMINISTRATION**

As of December 31, 2018, the county had \$6,376,642 in outstanding debt of which \$732,934 was due within one year. As of December 31, 2017, the county had \$6,558,344 in outstanding debt of which \$641,222 was due within one year.

During fiscal years 2018 and 2017, the county issued three new long-term debt obligations:

Bank Loan Payable in the amount of \$323,000. The county obtained funding from Farmers Security Bank to provide operating funds. This loan was repaid during 2017.

Capital Lease Payable in the amount of \$448,950. The county obtained financing to purchase three Caterpillar 140M3 motor graders. This lease will have a final payment on March 5, 2024.

Capital Lease Payable in the amount of \$631,650. The county obtained financing to purchase three Caterpillar 140M3 motor graders. This lease will have a final payment on July 1, 2023.

For a detailed breakdown of the long-term debt, readers are referred to Note 11 to the audited financial statements which follow this analysis.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the county's finances and to show the county's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Beth Knutson, County Auditor, McLean County, Washburn, ND 58577.



MCLEAN COUNTY  
Washburn, North Dakota

Statement of Net Position  
December 31, 2018

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash	1,245,300.86
Accounts Receivable	2,052.50
Taxes Receivable	99,684.53
Capital Assets (net of accumulated depreciation):	
Buildings	7,905,843.00
Machinery and Vehicles	3,580,018.00
Total Capital Assets	11,485,861.00
Total Assets	12,832,898.89
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	
Changes in Resources Related to Pensions	3,136,124.00
<b><u>LIABILITIES:</u></b>	
Accounts Payable	176,199.24
Interest Payable	32,082.95
Long-Term Liabilities:	
Due Within One Year:	
Capital Leases Payable	275,653.50
Bank Loan Payable	125,833.50
Coal Impact Loans Payable	331,447.47
Due After One Year:	
Capital Leases Payable	1,140,890.76
Bank Loan Payable	128,803.33
Coal Impact Loans Payable	4,261,537.96
Compensated Absences Payable	112,475.75
Net Pension Liability	6,576,833.00
Total Liabilities	13,161,757.46
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Unavailable Revenue	1,750,985.84
Changes in Resources Related to Pensions	305,484.00
Total Deferred Inflows of Resources	2,056,469.84
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	5,476,331.31
Restricted for:	
Special Purposes	1,531,663.55
Unrestricted	(6,257,199.27)
Total Net Position	750,795.59

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

MCLEAN COUNTY  
Washburn, North Dakota

Statement of Net Position  
December 31, 2017

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash	821,602.06
Accounts Receivable	8,632.71
Taxes Receivable	102,804.90
Capital Assets (net of accumulated depreciation):	
Buildings	8,025,413.00
Machinery and Vehicles	3,445,473.00
Total Capital Assets	11,470,886.00
Total Assets	12,403,925.67
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	
Changes in Resources Related to Pensions	1,308,963.00
<b><u>LIABILITIES:</u></b>	
Accounts Payable	195,740.42
Interest Payable	29,570.20
Long-Term Liabilities:	
Due Within One Year:	
Capital Leases Payable	199,917.80
Bank Loan Payable	122,036.91
Coal Impact Loans Payable	319,267.02
Due After One Year:	
Capital Leases Payable	967,594.26
Bank Loan Payable	254,636.83
Coal Impact Loans Payable	4,592,985.43
Compensated Absences Payable	101,905.83
Net Pension Liability	4,053,351.00
Total Liabilities	10,837,005.70
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Unavailable Revenue	1,612,266.34
Changes in Resources Related to Pensions	337,628.00
Total Deferred Inflows of Resources	1,949,894.34
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	5,391,121.49
Restricted for:	
Special Purposes	1,368,228.72
Unrestricted	(5,833,361.58)
Total Net Position	925,988.63

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

MCLEAN COUNTY  
Washburn, North Dakota

Statement of Activities  
For the Year Ended December 31, 2018

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
General Government	4,186,175.80	355,367.99	3,181.14	(3,827,626.67)
Public Safety	3,042,930.16	1,239,241.00	44,388.19	(1,759,300.97)
Highways and Public Improve.	3,645,498.80	158,164.72	1,294,251.65	(2,193,082.43)
Culture and Recreation	86,004.63	61,517.00		(24,487.63)
Conser. and Economic Dvlpmnt.	329,932.82	5,626.51		(324,306.31)
Other	461,942.29		65,105.17	(396,837.12)
Interest on Long-Term Debt	229,434.39			(229,434.39)
<b>Total Governmental Activities</b>	<b>11,981,918.89</b>	<b>1,819,917.22</b>	<b>1,406,926.15</b>	<b>(8,755,075.52)</b>
<u>General Revenues:</u>				
<u>Taxes:</u>				
Property taxes; levied for general purposes			2,847,512.04	
Property taxes; levied for special purposes			2,185,405.48	
Emergency 911 taxes			112,977.53	
Coal severance taxes			835,967.81	
Coal conversion taxes			225,892.38	
State of ND tax credits			32,592.74	
Telecommunications taxes			1,668.03	
Oil and gas production taxes			691,738.53	
Transmission line taxes			25,759.83	
Mobile home taxes			11,545.84	
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes			404,765.00	
Federal mineral royalties			1,830.94	
Flood control			4,274.02	
State aid not restricted to specific program:				
State aid distribution			800,683.41	
Earnings on investments and other revenue			290,714.90	
Gain on sale/trade-in of capital assets			106,554.00	
<b>Total General Revenues</b>			<b>8,579,882.48</b>	
<b>Change in Net Position</b>			<b>(175,193.04)</b>	
<b>Net Position - January 1</b>			<b>925,988.63</b>	
<b>Net Position - December 31</b>			<b>750,795.59</b>	

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

MCLEAN COUNTY  
Washburn, North Dakota

Statement of Activities  
For the Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
<u>Primary Government:</u>				
<u>Governmental Activities:</u>				
General Government	3,535,427.11	364,235.62	2,472.19	(3,168,719.30)
Public Safety	2,948,540.53	1,248,555.58	26,138.87	(1,673,846.08)
Highways and Public Improve.	4,943,699.61	658,633.28	1,554,072.59	(2,730,993.74)
Health and Welfare	679,982.79			(679,982.79)
Culture and Recreation	85,638.95	71,775.00		(13,863.95)
Conser. and Economic Dvlpmnt.	836,928.74	6,464.65		(830,464.09)
Other	219,145.06		61,354.06	(157,791.00)
Interest on Long-Term Debt	237,065.93			(237,065.93)
Total Governmental Activities	13,486,428.72	2,349,664.13	1,644,037.71	(9,492,726.88)
<u>General Revenues:</u>				
<u>Taxes:</u>				
Property taxes; levied for general purposes				2,597,831.70
Property taxes; levied for special purposes				2,750,297.07
Emergency 911 taxes				119,063.04
Coal severance taxes				729,581.58
Coal conversion taxes				225,892.38
State of ND tax credits				405,454.04
Telecommunications taxes				1,486.93
Oil and gas production taxes				551,715.14
Transmission line taxes				26,486.46
Mobile home taxes				13,654.13
Federal aid not restricted to specific program:				
Federal payments in lieu of taxes				396,415.00
Federal mineral royalties				146.23
Flood control				6,346.74
State aid not restricted to specific program:				
State aid distribution				724,537.66
Earnings on investments and other revenue				267,101.63
Gain on sale/trade-in of capital assets				36,238.00
Total General Revenues				8,852,247.73
Change in Net Position				(640,479.15)
Net Position - January 1				1,566,467.78
Net Position - December 31				925,988.63

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



MCLEAN COUNTY  
Washburn, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2018

	Major Funds							
	General	Highway Operating	Farm to Market Road	Emergency	FEMA Expenses - 2011	FEMA Expenses - 2013	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>								
Cash			1,000.00	533,616.47		168,684.33	542,000.06	1,245,300.86
Accounts Receivable		2,052.50						2,052.50
Taxes Receivable	56,954.36	14,127.82	14,578.17					99,684.53
Interfund Receivables			852,836.82	16,653.29			14,024.18	869,490.11
<b>Total Assets</b>	<b>56,954.36</b>	<b>16,180.32</b>	<b>868,414.99</b>	<b>550,269.76</b>	<b>-0-</b>	<b>168,684.33</b>	<b>556,024.24</b>	<b>2,216,528.00</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable	40,070.69	130,377.39						
Interfund Payables	172,245.63	697,244.48					5,751.16	176,199.24
<b>Total Liabilities</b>	<b>212,316.32</b>	<b>827,621.87</b>					<b>5,751.16</b>	<b>1,045,689.35</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable Revenue	1,015,828.34	253,786.63	254,236.98	86,037.54			240,780.88	1,850,670.37
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,228,144.66</b>	<b>1,081,408.50</b>	<b>254,236.98</b>	<b>86,037.54</b>			<b>246,532.04</b>	<b>2,896,359.72</b>
<b>Fund Balances:</b>								
Restricted for:								
Public Safety								
Highways and Public Improvements			614,178.01			168,684.33	111,071.70	111,071.70
Health and Welfare							25,468.83	808,331.17
Culture and Recreation							368.98	368.98
Conservation and Economic Development							25,456.69	25,456.69
Emergency Services				464,232.22			62,950.10	62,950.10
Other Purposes								464,232.22
Unassigned	(1,171,190.30)	(1,065,228.18)					88,775.39	88,775.39
<b>Total Fund Balances</b>	<b>(1,171,190.30)</b>	<b>(1,065,228.18)</b>	<b>614,178.01</b>	<b>464,232.22</b>		<b>168,684.33</b>	<b>309,492.20</b>	<b>(679,831.72)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>56,954.36</b>	<b>16,180.32</b>	<b>868,414.99</b>	<b>550,269.76</b>	<b>-0-</b>	<b>168,684.33</b>	<b>556,024.24</b>	<b>2,216,528.00</b>

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

MCLEAN COUNTY  
Washburn, North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2017

	Major Funds							Total Governmental Funds
	General	Highway Operating	Farm to Market Road	Emergency	FEMA Expenses - 2011	FEMA Expenses - 2013	Other Governmental Funds	
<b>ASSETS:</b>								
Cash			1,000.00	1,000.00	68,952.15	202,164.26	548,485.65	821,602.06
Accounts Receivable		8,632.71						8,632.71
Taxes Receivable	52,888.42	9,011.64	14,066.15					102,804.90
Interfund Receivables			446,743.24	463,807.10	133,946.34		26,838.69	1,044,496.68
<b>Total Assets</b>	<b>52,888.42</b>	<b>17,644.35</b>	<b>461,809.39</b>	<b>464,807.10</b>	<b>202,898.49</b>	<b>202,164.26</b>	<b>575,324.34</b>	<b>1,977,536.35</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable	60,458.34	120,550.20					14,731.88	195,740.42
Interfund Payables	368,918.72	319,396.82					356,181.14	1,044,496.68
<b>Total Liabilities</b>	<b>429,377.06</b>	<b>439,947.02</b>					<b>370,913.02</b>	<b>1,240,237.10</b>
<b>Deferred Inflows of Resources:</b>								
Unavailable Revenue	973,917.99	247,558.51	252,613.02				240,981.72	1,715,071.24
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,403,295.05</b>	<b>687,505.53</b>	<b>252,613.02</b>				<b>611,894.74</b>	<b>2,955,308.34</b>
<b>Fund Balances:</b>								
Restricted for:								
General Government							0.35	0.35
Public Safety								
Highways and Public Improvements			209,196.37		202,898.49	202,164.26	101,916.59	101,916.59
Culture and Recreation							56,027.32	670,286.44
Conservation and Economic Development							21,941.69	21,941.69
Emergency Services				464,807.10			46,965.76	46,965.76
Other Purposes								464,807.10
Unassigned	(1,350,406.63)	(669,861.18)					97,474.34	97,474.34
							(360,896.45)	(2,381,164.26)
<b>Total Fund Balances</b>	<b>(1,350,406.63)</b>	<b>(669,861.18)</b>	<b>209,196.37</b>	<b>464,807.10</b>	<b>202,898.49</b>	<b>202,164.26</b>	<b>(36,570.40)</b>	<b>(977,771.99)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>52,888.42</b>	<b>17,644.35</b>	<b>461,809.39</b>	<b>464,807.10</b>	<b>202,898.49</b>	<b>202,164.26</b>	<b>575,324.34</b>	<b>1,977,536.35</b>

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

MCLEAN COUNTY  
Washburn, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds (679,831.72)

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

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

Cost of Capital Assets	15,741,276.00	
Less Accumulated Depreciation	(4,255,415.00)	
Net Capital Assets		11,485,861.00

Property taxes 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 unavailable revenue in the funds. 99,684.53

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	3,136,124.00	
Total Deferred Inflows of Resources	(305,484.00)	
Net Deferred Outflows/Inflows of Resources		2,830,640.00

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:

Capital Leases Payable	(1,416,544.26)	
Bank Loan Payable	(254,636.83)	
Coal Impact Loans Payable	(4,592,985.43)	
Interest Payable	(32,082.95)	
Compensated Absences Payable	(112,475.75)	
Net Pension Liability	(6,576,833.00)	
Total Long-Term Liabilities		(12,985,558.22)

Total Net Position of Governmental Activities	750,795.59
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The accompanying notes are an integral part of these financial statements.

MCLEAN COUNTY  
Washburn, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds		(977,771.99)
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	15,495,766.00	
Less Accumulated Depreciation	(4,024,880.00)	
Net Capital Assets		11,470,886.00
<p>Property taxes 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 unavailable revenue in the funds.</p>		
		102,804.90
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	1,308,963.00	
Total Deferred Inflows of Resources	(337,628.00)	
Net Deferred Outflows/Inflows of Resources		971,335.00
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:</p>		
Capital Leases Payable	(1,167,512.06)	
Bank Loan Payable	(376,673.74)	
Coal Impact Loans Payable	(4,912,252.45)	
Interest Payable	(29,570.20)	
Compensated Absences Payable	(101,905.83)	
Net Pension Liability	(4,053,351.00)	
Total Long-Term Liabilities		(10,641,265.28)
Total Net Position of Governmental Activities		925,988.63

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



MCLEAN COUNTY  
Washburn, North Dakota

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

Major Funds

	General	Highway Operating	Farm to Market Road	Emergency	FEMA Expenses - 2011	FEMA Expenses - 2013	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	2,851,044.52	753,716.83	736,688.03	204.44			820,575.47	5,162,229.29
Licenses, Permits and Fees	96,899.19	60.00					69,949.30	166,908.49
Intergovernmental	2,687,313.49	1,367,159.48	32,217.09				343,740.75	4,430,430.81
Charges for Services	1,462,861.12	73,601.96					116,545.65	1,653,008.73
Sale of Road Equipment		519,000.00						519,000.00
Miscellaneous	238,518.80	34,588.18					17,607.92	290,714.90
<b>Total Revenues</b>	<b>7,336,637.12</b>	<b>2,748,126.45</b>	<b>768,905.12</b>	<b>204.44</b>			<b>1,368,419.09</b>	<b>12,222,292.22</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General Government	3,456,260.74							3,456,260.74
Public Safety	2,642,428.92						256,166.56	2,898,595.48
Highways and Public Improve.		2,605,831.11	363,923.48			33,479.93	63,602.10	3,066,836.62
Culture and Recreation	60,598.71						20,019.92	80,618.63
Conser. and Economic Dvlpmnt.							315,301.82	315,301.82
Other	62,759.06			779.32	202,898.49		195,505.42	461,942.29
Capital Outlay	160,122.00	1,027,147.00					38,334.00	1,225,603.00
Debt Service:								
Principal	441,303.93	199,917.80						641,221.73
Interest	195,322.46	31,599.18						226,921.64
<b>Total Expenditures</b>	<b>7,018,795.82</b>	<b>3,864,495.09</b>	<b>363,923.48</b>	<b>779.32</b>	<b>202,898.49</b>	<b>33,479.93</b>	<b>888,929.82</b>	<b>12,373,301.95</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>317,841.30</b>	<b>(1,116,368.64)</b>	<b>404,981.64</b>	<b>(574.88)</b>	<b>(202,898.49)</b>	<b>(33,479.93)</b>	<b>479,489.27</b>	<b>(151,009.73)</b>

<u>Other Financing Sources (Uses):</u>								
Transfers In	1,872.23	272,051.64					353,627.18	627,551.05
Transfers Out	(140,497.20)						(487,053.85)	(627,551.05)
Proceeds from Capital Leases		448,950.00						448,950.00
<b>Total Other Financing Sources (Uses)</b>	<b>(138,624.97)</b>	<b>721,001.64</b>					<b>(133,426.67)</b>	<b>448,950.00</b>
<b>Net Change in Fund Balances</b>	<b>179,216.33</b>	<b>(395,367.00)</b>	<b>404,981.64</b>	<b>(574.88)</b>	<b>(202,898.49)</b>	<b>(33,479.93)</b>	<b>346,062.60</b>	<b>297,940.27</b>
<b>Fund Balance - January 1</b>	<b>(1,350,406.63)</b>	<b>(669,861.18)</b>	<b>209,196.37</b>	<b>464,807.10</b>	<b>202,898.49</b>	<b>202,164.26</b>	<b>(36,570.40)</b>	<b>(977,771.99)</b>
<b>Fund Balance - December 31</b>	<b>(1,171,190.30)</b>	<b>(1,065,228.18)</b>	<b>614,178.01</b>	<b>464,232.22</b>		<b>168,684.33</b>	<b>309,492.20</b>	<b>(679,831.72)</b>

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

MCLEAN COUNTY  
Washburn, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017

Major Funds

	General	Highway Operating	Farm to Market Road	Emergency	FEMA Expenses - 2011	FEMA Expenses - 2013	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	2,590,936.39	611,972.10	728,890.53				1,539,469.51	5,471,268.53
Licenses, Permits and Fees	118,751.16	565.00					110,108.04	229,424.20
Intergovernmental	2,746,288.35	1,342,015.94	29,445.15				592,863.50	4,710,612.94
Charges for Services	1,443,698.46	89,952.50	22,879.39				563,709.58	2,120,239.93
Sale of Road Equipment		144,800.00						144,800.00
Miscellaneous	214,705.62	36,239.19					16,156.82	267,101.63
<b>Total Revenues</b>	<b>7,114,379.98</b>	<b>2,225,544.73</b>	<b>781,215.07</b>				<b>2,822,307.45</b>	<b>12,943,447.23</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General Government	3,237,393.87							3,237,393.87
Public Safety	2,594,609.51						197,236.74	2,791,846.25
Highways and Public Improve.		2,309,149.00	972,139.02				1,095,709.77	4,376,997.79
Health and Welfare							680,329.47	680,329.47
Culture and Recreation	60,424.66						19,828.29	80,252.95
Conser. and Economic Dvlpmnt.							824,258.74	824,258.74
Other	26,761.50			10,500.00			181,883.56	219,145.06
Capital Outlay	91,260.00	875,523.00					12,200.00	978,983.00
Debt Service:								
Principal	753,860.46	98,137.94						851,998.40
Interest	207,262.92	18,703.00						225,965.92
<b>Total Expenditures</b>	<b>6,971,572.92</b>	<b>3,301,512.94</b>	<b>972,139.02</b>	<b>10,500.00</b>			<b>3,011,446.57</b>	<b>14,267,171.45</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>142,807.06</b>	<b>(1,075,968.21)</b>	<b>(190,923.95)</b>	<b>(10,500.00)</b>			<b>(189,139.12)</b>	<b>(1,323,724.22)</b>



<u>Other Financing Sources (Uses):</u>								
Transfers In	2,648.71	280,000.00					540,629.16	823,277.87
Transfers Out	(117,674.25)				(280,000.00)		(425,603.62)	(823,277.87)
Proceeds from Bank Loan	323,000.00							323,000.00
Proceeds from Capital Leases		631,650.00						631,650.00
<b>Total Other Financing Sources (Uses)</b>	<b>207,974.46</b>	<b>911,650.00</b>			<b>(280,000.00)</b>		<b>115,025.54</b>	<b>954,650.00</b>
<b>Net Change in Fund Balances</b>	<b>350,781.52</b>	<b>(164,318.21)</b>	<b>(190,923.95)</b>	<b>(10,500.00)</b>	<b>(280,000.00)</b>		<b>(74,113.58)</b>	<b>(369,074.22)</b>
<b>Fund Balance - January 1</b>	<b>(1,701,188.15)</b>	<b>(505,542.97)</b>	<b>400,120.32</b>	<b>475,307.10</b>	<b>482,898.49</b>	<b>202,164.26</b>	<b>37,543.18</b>	<b>(608,697.77)</b>
<b>Fund Balance - December 31</b>	<b>(1,350,406.63)</b>	<b>(669,861.18)</b>	<b>209,196.37</b>	<b>464,807.10</b>	<b>202,898.49</b>	<b>202,164.26</b>	<b>(36,570.40)</b>	<b>(977,771.99)</b>

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

MCLEAN COUNTY  
Washburn, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 297,940.27

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

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

Current Year Capital Outlay	1,225,603.00	
Current Year Depreciation Expense	(798,182.00)	427,421.00

The proceeds of debt issuances are reported 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. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	(448,950.00)	
Repayment of Debt	641,221.73	192,271.73

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

Net Increase in Interest Payable	(2,512.75)	
Net increase in Compensated Absences	(10,569.92)	
Net Increase to Pension Expense	(664,177.00)	(677,259.67)

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.

Net Decrease in Taxes Receivable		(3,120.37)
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In the statement of activities, only the gain or loss from the sale/trade-in of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources and the results of the trade-in of capital assets has no effect on financial resources. Thus, the change in net position differs from the change in fund balance by the gain on the sale/trade-in of capital assets.

(412,446.00)

Change in Net Position of Governmental Activities		(175,193.04)

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

MCLEAN COUNTY  
Washburn, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds (369,074.22)

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

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

Current Year Capital Outlay	978,983.00	
Current Year Depreciation Expense	(811,896.00)	167,087.00

The proceeds of debt issuances are reported 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. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(954,650.00)	
Repayment of Debt	851,998.40	(102,651.60)

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

Net Increase in Interest Payable	(11,100.01)	
Net increase in Compensated Absences	(6,459.66)	
Net Increase to Pension Expense	(220,783.00)	(238,342.67)

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.

Net Increase in Taxes Receivable		11,064.34
----------------------------------	--	-----------

In the statement of activities, only the gain or loss from the sale/trade-in of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources and the results of the trade-in of capital assets has no effect on financial resources. Thus, the change in net position differs from the change in fund balance by the gain on the sale/trade-in of capital assets.

(108,562.00)

Change in Net Position of Governmental Activities

(640,479.15)

=====

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



MCLEAN COUNTY  
Washburn, North Dakota

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

	Agency Funds
<u>Assets:</u>	
Cash	3,622,345.91 =====
<u>Liabilities:</u>	
Due to Other Governments	3,622,345.91 =====

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

MCLEAN COUNTY  
Washburn, North Dakota

Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2017

	Agency Funds
<u>Assets:</u>	
Cash	3,251,387.50 =====
<u>Liabilities:</u>	
Due to Other Governments	3,251,387.50 =====

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

MCLEAN COUNTY  
Washburn, North Dakota

Notes to the Financial Statements  
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the county. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government 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 McLean County.

Based on these criteria, there are no component units to be included within McLean County as a reporting entity.

B. Basis of Presentation

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

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 program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



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

The county reports the following major governmental 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.

*Highway Operating.* This fund accounts for the highway tax distribution from the state of North Dakota. It is the county's primary road maintenance fund. It accounts for all financial resources related to highway maintenance, except those required to be accounted for in another fund.

*Farm to Market Road.* This fund accounts for a special levy used for the maintenance and repair of federal aid farm to market roads within the county.

*Emergency.* This fund accounts for a special levy used to provide services during a county declared emergency.

*FEMA Expenses - 2011.* This fund accounts for state and federal funding for the purpose of road repairs and maintenance within the county.

*FEMA Expenses - 2013.* This fund accounts for state and federal funding for the purpose of road repairs and maintenance within the county.

The county reports the following fund type:

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

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

*Government-wide and Fiduciary Fund Financial Statements:* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These 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. Nonexchange transactions, in which the county gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Cash

Cash includes amounts in demand deposits and money market accounts.

E. Capital Assets

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

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

Buildings	75 years
Machinery and Vehicles	4 to 10 years

F. Compensated Absences

Vested or accumulated sick leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all full-time employees upon termination of employment with the county. County employees will be compensated a total of 10% of accumulated sick leave. Compensated absences represent the liability of the county for these employee benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.



#### G. Long-Term Obligations

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

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

#### H. Pension

For purposes of measuring 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); 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.

#### I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the county is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the county or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the county commission through the adoption of a resolution. The county commission also may modify or rescind the commitment.



**Assigned** - Fund balances are reported as assigned when amounts are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The county reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the county's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the county's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the county has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### J. Interfund Transactions

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

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

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

#### K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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 any 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 other securities approved by the banking board.

At December 31, 2018 the county's carrying amount of deposits was \$4,859,320 and the bank balance was \$4,966,492. Of the bank balance, \$451,099 was covered by Federal Depository Insurance. The remaining balance of \$4,515,393 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017 the county's carrying amount of deposits was \$4,065,379 and the bank balance was \$4,113,192. Of the bank balance, \$253,056 was covered by Federal Depository Insurance. The remaining balance of \$3,860,136 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

#### Concentration of Credit Risk

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

#### Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due the highway department for roadwork performed for cities, townships, etc. No allowance has been established for estimated uncollectible accounts receivable.



Note 4 TAXES RECEIVABLE

Taxes receivable represent the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes and special assessment receivables.

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

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

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

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2018 and 2017 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2018</u>		
Farm to Market Road	852,836.82	
Emergency	16,653.29	
General Fund		172,245.63
Highway Operating		697,244.48
<u>December 31, 2017</u>		
Farm to Market Road	446,743.24	
Emergency	463,807.10	
FEMA Expenses - 2011	133,946.34	
General Fund		368,918.72
Highway Operating		319,396.82



Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2018 and 2017:

December 31, 2018

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets   being depreciated:</i>				
Buildings	8,967,751			8,967,751
Machinery & Vehicles	6,528,015	1,230,403	984,893	6,773,525
<b>Total</b>	<b>15,495,766</b>	<b>1,230,403</b>	<b>984,893</b>	<b>15,741,276</b>
<i>Less accumulated depreciation for:</i>				
Buildings	942,338	119,570		1,061,908
Machinery & Vehicles	3,082,542	678,612	567,647	3,193,507
<b>Total</b>	<b>4,024,880</b>	<b>798,182</b>	<b>567,647</b>	<b>4,255,415</b>
Governmental Activities Capital Assets, Net	11,470,886	432,221	417,246	11,485,861
	=====	=====	=====	=====

December 31, 2017

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets   being depreciated:</i>				
Buildings	8,967,751			8,967,751
Machinery & Vehicles	6,178,442	1,178,221	828,648	6,528,015
<b>Total</b>	<b>15,146,193</b>	<b>1,178,221</b>	<b>828,648</b>	<b>15,495,766</b>
<i>Less accumulated depreciation for:</i>				
Buildings	822,768	119,570		942,338
Machinery & Vehicles	2,911,064	692,326	520,848	3,082,542
<b>Total</b>	<b>3,733,832</b>	<b>811,896</b>	<b>520,848</b>	<b>4,024,880</b>
Governmental Activities Capital Assets, Net	11,412,361	366,325	307,800	11,470,886
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the county as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
General Government	64,190	71,220
Public Safety	135,800	150,901
Highways and Public Improve.	578,175	571,719
Culture and Recreation	5,386	5,386
Conser. and Economic Dvlpmnt.	14,631	12,670
<b>Total Depreciation Expense</b>	<b>798,182</b>	<b>811,896</b>
	=====	=====

Note 7 ACCOUNTS PAYABLE

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

Note 8 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2018 and 2017.

Note 9 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Unavailable revenue on the government-wide financial statements consists of prepaid property taxes.

Note 10 CAPITAL LEASE PAYABLE

The county has entered into the following lease agreements.

Lease-purchase of a Caterpillar 140M3 motorgrader due in annual installments of \$41,834.22, which includes interest at 2.95%; through May 15, 2022.	155,688.00
Lease-purchase of a Caterpillar 140M3 motorgrader due in annual installments of \$41,078.62, which includes interest at 2.95%; through May 15, 2022.	152,876.02
Lease-purchase of a Caterpillar 140M3 motorgrader due in annual installments of \$33,928.10, which includes interest at 2.95%; through May 15, 2022.	126,265.03
Lease-purchase of 3 Caterpillar 140M3 motorgraders due in annual installments of \$114,676.04, which includes interest at 2.5%; through July 1, 2023.	532,765.21
Lease-purchase of 3 Caterpillar 140M3 motorgraders due in annual installments of \$81,506.86, which includes interest at 2.5%; through March 5, 2024.	448,950.00
Total Capital Leases Payable	<u>1,416,544.26</u> =====

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under these capital leases, and the net present value of the minimum lease payments at December 31, 2018;

<u>Year Ending December 31</u>	<u>Payments</u>
2019	313,023.84
2020	313,023.84
2021	313,023.84
2022	313,023.84
2023	196,182.90
2024	81,506.86
Total minimum lease payments	<u>1,529,785.12</u>
Less: amount representing interest	(113,240.86)
Present value of future minimum lease payments	<u>1,416,544.26</u> =====

Note 11 Long-Term Debt

Changes in Long-Term Liabilities. During the years ended December 31, 2018 and 2017, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	<u>2018</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Leases	1,167,512	448,950	199,918	1,416,544	275,654
Bank Loan	376,674		122,037	254,637	125,834
Coal Impact Loans	4,912,252		319,267	4,592,985	331,447
Compensated Absences *	101,906	10,570		112,476	
Total	<u>6,558,344</u>	<u>459,520</u>	<u>641,222</u>	<u>6,376,642</u>	<u>732,935</u>
	=====	=====	=====	=====	=====
	<u>2017</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Leases	634,000	631,650	98,138	1,167,512	199,918
Bank Loan	500,000		123,326	376,674	122,037
Coal Impact Loans	5,219,786		307,534	4,912,252	319,267
Compensated Absences *	95,446	6,460		101,906	
Total	<u>6,449,232</u>	<u>638,110</u>	<u>528,998</u>	<u>6,558,344</u>	<u>641,222</u>
	=====	=====	=====	=====	=====

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



Outstanding debt at December 31, 2018 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2018, is as follows:

Bank Loan Payable. The county has entered into the following loan agreement to provide operating funds. The loan payable at December 31, 2018 is as follows:

\$500,000 loan with Farmers Security Bank  
 due in annual installments of \$138,600.23  
 through May 15, 2020; payments include  
 interest of 5%. 254,636.83  
 =====

The annual requirements to amortize the outstanding bank loan are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	125,833.50	12,766.73
2020	128,803.33	6,440.15
Total	<u>254,636.83</u>	<u>19,206.88</u>
	=====	=====

Coal Impact Loans. The county has entered into coal impact loans to provide funding for the construction of a new law enforcement center and a county courthouse office building. Payments are withheld from the county's share of coal severance taxes.

\$2,500,000.00 loan dated October 2007 with  
 monthly payments of \$14,822.21 through  
 October 2027, which include interest at 3.75%. 1,335,674.93

\$4,500,000.00 loan dated November 2011 with  
 monthly payments of \$26,679.97 through  
 October 2031, which include interest at 3.75%. 3,257,310.50

Total Coal Impact Loans 4,592,985.43  
 =====

The annual requirements to amortize the outstanding coal impact loan are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2019	331,447	166,579
2020	344,093	153,934
2021	357,220	140,806
2022	370,849	127,178
2023	384,997	113,029
2024-2028	1,945,061	337,559
2029-2031	859,319	46,981
Total	<u>4,592,985</u>	<u>1,086,065</u>
	=====	=====

Note 12 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the years ended December 31:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2018</u>		
General Fund	1,872.23	
Social Services		1,863.40
Social Security		8.83
To transfer prior years tax collections.		
Highway Operating	272,051.64	
Oil Impact Grant	207,958.93	
Unorganized Township Road		480,010.57
Weed Control	5,171.05	
Leafy Spurge		5,171.05
Veteran's Service Officer	23,852.59	
Disaster Emergency Services	23,872.95	
County Agent	92,771.66	
General Fund		140,497.20
To subsidize expenditures.		
<u>December 31, 2017</u>		
General Fund	2,648.71	
Social Security		2,648.71
To transfer prior years tax collections.		
Oil Impact Grant	416,000.00	
Unorganized Township Road		416,000.00
Highway Operating	280,000.00	
FEMA Expenses - 2011		280,000.00
Weed Control	6,954.91	
Leafy Spurge		6,954.91
Veteran's Service Officer	22,680.39	
Disaster Emergency Services	7,627.29	
County Agent	87,366.57	
General Fund		117,674.25
To subsidize expenditures.		

Note 13 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the McLean County Senior Citizens and McLean County Historical Society. However, the county's accountability for these entities does not extend beyond levying the tax. In 2018 and 2017, the county remitted \$160,500.00 and \$145,422.00 to the senior citizens and \$20,019.92 and \$19,684.29 to the historical society, respectively.

Note 14 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31:

	<u>2018</u>	<u>2017</u>
General Fund	(1,171,190.30)	(1,350,406.63)
<u>Special Revenue Funds</u>		
Highway Operating	(1,065,228.18)	(669,861.18)
Oil Impact Grant		(207,958.93)
Social Services		(115,523.62)
Weed Control	(3,367.64)	
Emergency 911		(33,357.41)
County Owned Special Assessments	(1,231.85)	(468.05)
Water Resource District		(3,588.44)
<u>Agency Funds</u>		
Flexible Benefits	(36,148.02)	(35,046.68)
Rescue Boat Operations	(1,227.00)	
Dakota Central Social Services		(134,422.08)
E911 Statewide Interop Radio	(5,519.99)	

The county plans to eliminate these deficit fund balances with future revenue collections and/or transfers from other funds.

Note 15 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$6,000,000 per occurrence for general liability and automobile; and \$8,405,493 for 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a 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 Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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



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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 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 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 benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

#### **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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2018, McLean County reported a liability of \$6,576,833 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the county's proportion was .409178 percent, which was a decrease of .006722 from its proportion measured as of June 30, 2016.



For the year ended December 31, 2018 the county recognized pension expense of \$968,660. At December 31, 2018 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	39,092	32,044
Changes in assumptions	2,696,945	148,338
Net difference between projected and actual earnings on pension plan investments	88,453	
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,079	125,102
County contributions subsequent to the measurement date (see below)	303,555	
<b>Total</b>	<u>3,136,124</u> =====	<u>305,484</u> =====

\$303,555 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

Year ended June 30:	
-----	
2019	546,487
2020	667,855
2021	575,821
2022	470,085
2023	266,837
Thereafter	0

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

Inflation	3.50%	
Salary increases	Service at Beginning of Year	Increase Rate
	-----	-----
	0	15.00%
	1	10.00%
	2	8.00%
	Age *	
	-----	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

\* 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 were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Equity Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

**Discount rate.** For PERS, GASB 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 contribution, 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 payment payments through the year 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 3.56%; and the resulting Single Discount Rate is 6.44%.

**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 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Rate (6.44%)	1% Increase (7.44%)
	-----	-----	-----
The county's proportionate share of the net pension liability	8,928,252	6,576,833	4,620,551

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

MCLEAN COUNTY  
Washburn, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	2,941,871.75	2,941,871.75	2,851,044.52	(90,827.23)
Licenses, Permits and Fees	266,072.30	266,072.30	96,899.19	(169,173.11)
Intergovernmental	2,083,650.00	2,083,650.00	2,687,313.49	603,663.49
Charges for Services	1,445,644.00	1,445,644.00	1,462,861.12	17,217.12
Miscellaneous	235,000.00	235,000.00	238,518.80	3,518.80
<b>Total Revenues</b>	<b>6,972,238.05</b>	<b>6,972,238.05</b>	<b>7,336,637.12</b>	<b>364,399.07</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	3,452,779.61	3,452,779.61	3,456,260.74	(3,481.13)
Public Safety	2,498,787.93	2,498,787.93	2,642,428.92	(143,640.99)
Culture and Recreation	59,524.00	59,524.00	60,598.71	(1,074.71)
Other			62,759.06	(62,759.06)
Capital Outlay	149,000.00	149,000.00	160,122.00	(11,122.00)
<b>Debt Service:</b>				
Principal	138,600.23	138,600.23	441,303.93	(302,703.70)
Interest			195,322.46	(195,322.46)
<b>Total Expenditures</b>	<b>6,298,691.77</b>	<b>6,298,691.77</b>	<b>7,018,795.82</b>	<b>(720,104.05)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>673,546.28</b>	<b>673,546.28</b>	<b>317,841.30</b>	<b>(355,704.98)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			1,872.23	1,872.23
Transfers Out			(140,497.20)	(140,497.20)
<b>Total Other Financing Sources (Uses)</b>			<b>(138,624.97)</b>	<b>(138,624.97)</b>
<b>Net Change in Fund Balances</b>	<b>673,546.28</b>	<b>673,546.28</b>	<b>179,216.33</b>	<b>(494,329.95)</b>
<b>Fund Balance - January 1</b>	<b>(1,350,406.63)</b>	<b>(1,350,406.63)</b>	<b>(1,350,406.63)</b>	
<b>Fund Balance - December 31</b>	<b>(676,860.35)</b>	<b>(676,860.35)</b>	<b>(1,171,190.30)</b>	<b>(494,329.95)</b>



MCLEAN COUNTY  
Washburn, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	3,069,024.27	3,069,024.27	2,590,936.39	(478,087.88)
Licenses, Permits and Fees	254,700.00	254,700.00	118,751.16	(135,948.84)
Intergovernmental	1,869,145.00	1,869,145.00	2,746,288.35	877,143.35
Charges for Services	1,415,054.00	1,415,054.00	1,443,698.46	28,644.46
Miscellaneous	185,000.00	185,000.00	214,705.62	29,705.62
<b>Total Revenues</b>	<b>6,792,923.27</b>	<b>6,792,923.27</b>	<b>7,114,379.98</b>	<b>321,456.71</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	3,332,511.87	3,332,511.87	3,237,393.87	95,118.00
Public Safety	2,394,934.48	2,394,934.48	2,594,609.51	(199,675.03)
Culture and Recreation	59,900.00	59,900.00	60,424.66	(524.66)
Other			26,761.50	(26,761.50)
Capital Outlay	142,000.00	142,000.00	91,260.00	50,740.00
<b>Debt Service:</b>				
Principal	135,000.00	135,000.00	753,860.46	(618,860.46)
Interest			207,262.92	(207,262.92)
<b>Total Expenditures</b>	<b>6,064,346.35</b>	<b>6,064,346.35</b>	<b>6,971,572.92</b>	<b>(907,226.57)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>728,576.92</b>	<b>728,576.92</b>	<b>142,807.06</b>	<b>(585,769.86)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			2,648.71	2,648.71
Transfers Out			(117,674.25)	(117,674.25)
Proceeds from Bank Loan			323,000.00	323,000.00
<b>Total Other Financing Sources (Uses)</b>			<b>207,974.46</b>	<b>207,974.46</b>
<b>Net Change in Fund Balances</b>	<b>728,576.92</b>	<b>728,576.92</b>	<b>350,781.52</b>	<b>(377,795.40)</b>
<b>Fund Balance - January 1</b>	<b>(1,701,188.15)</b>	<b>(1,701,188.15)</b>	<b>(1,701,188.15)</b>	
<b>Fund Balance - December 31</b>	<b>(972,611.23)</b>	<b>(972,611.23)</b>	<b>(1,350,406.63)</b>	<b>(377,795.40)</b>

MCLEAN COUNTY  
Washburn, North Dakota

Budgetary Comparison Schedule  
Highway Operating Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	758,559.65	758,559.65	753,716.83	(4,842.82)
Licenses, Permits and Fees			60.00	60.00
Intergovernmental	1,530,624.00	1,530,624.00	1,367,159.48	(163,464.52)
Charges for Services	85,500.00	85,500.00	73,601.96	(11,898.04)
Sale of Road Equipment	80,000.00	80,000.00	519,000.00	439,000.00
Miscellaneous	96,000.00	96,000.00	34,588.18	(61,411.82)
<b>Total Revenues</b>	<b>2,550,683.65</b>	<b>2,550,683.65</b>	<b>2,748,126.45</b>	<b>197,442.80</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	2,605,639.71	2,605,639.71	2,605,831.11	(191.40)
Capital Outlay	1,075,000.00	1,075,000.00	1,027,147.00	47,853.00
Debt Service:				
Principal			199,917.80	(199,917.80)
Interest			31,599.18	(31,599.18)
<b>Total Expenditures</b>	<b>3,680,639.71</b>	<b>3,680,639.71</b>	<b>3,864,495.09</b>	<b>(183,855.38)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,129,956.06)</b>	<b>(1,129,956.06)</b>	<b>(1,116,368.64)</b>	<b>13,587.42</b>
<u>Other Financing Sources:</u>				
Transfers In			272,051.64	272,051.64
Proceeds from Capital Lease			448,950.00	448,950.00
<b>Total Other Financing Sources</b>			<b>721,001.64</b>	<b>721,001.64</b>
<b>Net Change in Fund Balances</b>	<b>(1,129,956.06)</b>	<b>(1,129,956.06)</b>	<b>(395,367.00)</b>	<b>734,589.06</b>
<b>Fund Balance - January 1</b>	<b>(669,861.18)</b>	<b>(669,861.18)</b>	<b>(669,861.18)</b>	
<b>Fund Balance - December 31</b>	<b>(1,799,817.24)</b>	<b>(1,799,817.24)</b>	<b>(1,065,228.18)</b>	<b>734,589.06</b>

MCLEAN COUNTY  
Washburn, North Dakota

Budgetary Comparison Schedule  
Highway Operating Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	635,681.77	635,681.77	611,972.10	(23,709.67)
Licenses, Permits and Fees			565.00	565.00
Intergovernmental	1,530,624.00	1,530,624.00	1,342,015.94	(188,608.06)
Charges for Services	85,500.00	85,500.00	89,952.50	4,452.50
Sale of Road Equipment	80,000.00	80,000.00	144,800.00	64,800.00
Miscellaneous	82,000.00	82,000.00	36,239.19	(45,760.81)
<b>Total Revenues</b>	<b>2,413,805.77</b>	<b>2,413,805.77</b>	<b>2,225,544.73</b>	<b>(188,261.04)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Highways and Public Improve.	2,670,805.77	2,670,805.77	2,309,149.00	361,656.77
Capital Outlay	952,000.00	952,000.00	875,523.00	76,477.00
<b>Debt Service:</b>				
Principal			98,137.94	(98,137.94)
Interest			18,703.00	(18,703.00)
<b>Total Expenditures</b>	<b>3,622,805.77</b>	<b>3,622,805.77</b>	<b>3,301,512.94</b>	<b>321,292.83</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,209,000.00)</b>	<b>(1,209,000.00)</b>	<b>(1,075,968.21)</b>	<b>133,031.79</b>
<b>Other Financing Sources:</b>				
Transfers In			280,000.00	280,000.00
Proceeds from Capital Leases			631,650.00	631,650.00
<b>Total Other Financing Sources</b>			<b>911,650.00</b>	<b>911,650.00</b>
<b>Net Change in Fund Balances</b>	<b>(1,209,000.00)</b>	<b>(1,209,000.00)</b>	<b>(164,318.21)</b>	<b>1,044,681.79</b>
<b>Fund Balance - January 1</b>	<b>(505,542.97)</b>	<b>(505,542.97)</b>	<b>(505,542.97)</b>	
<b>Fund Balance - December 31</b>	<b>(1,714,542.97)</b>	<b>(1,714,542.97)</b>	<b>(669,861.18)</b>	<b>1,044,681.79</b>



MCLEAN COUNTY  
Washburn, North Dakota

Budgetary Comparison Schedule  
Farm to Market Road Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	761,659.65	761,659.65	736,688.03	(24,971.62)
Intergovernmental	30,000.00	30,000.00	32,217.09	2,217.09
<b>Total Revenues</b>	<b>791,659.65</b>	<b>791,659.65</b>	<b>768,905.12</b>	<b>(22,754.53)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	1,000,000.00	1,000,000.00	363,923.48	636,076.52
<b>Net Change in Fund Balances</b>	<b>(208,340.35)</b>	<b>(208,340.35)</b>	<b>404,981.64</b>	<b>613,321.99</b>
<b>Fund Balance - January 1</b>	<b>209,196.37</b>	<b>209,196.37</b>	<b>209,196.37</b>	
<b>Fund Balance - December 31</b>	<b>856.02</b>	<b>856.02</b>	<b>614,178.01</b>	<b>613,321.99</b>

MCLEAN COUNTY  
Washburn, North Dakota

Budgetary Comparison Schedule  
Farm to Market Road Fund  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	752,303.90	752,303.90	728,890.53	(23,413.37)
Intergovernmental	30,000.00	30,000.00	29,445.15	(554.85)
Charges for Services			22,879.39	22,879.39
<b>Total Revenues</b>	<b>782,303.90</b>	<b>782,303.90</b>	<b>781,215.07</b>	<b>(1,088.83)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improve.	950,000.00	950,000.00	972,139.02	(22,139.02)
<b>Net Change in Fund Balances</b>	<b>(167,696.10)</b>	<b>(167,696.10)</b>	<b>(190,923.95)</b>	<b>(23,227.85)</b>
<b>Fund Balance - January 1</b>	<b>400,120.32</b>	<b>400,120.32</b>	<b>400,120.32</b>	
<b>Fund Balance - December 31</b>	<b>232,424.22</b>	<b>232,424.22</b>	<b>209,196.37</b>	<b>(23,227.85)</b>

MCLEAN COUNTY  
Washburn, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2018 and 2017

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Annually, the board of county commissioners provides each office a department budget. The departments complete their budget and file it with the county auditor. Based upon the departmental budget requests and other financial information, the county auditor prepares the preliminary county budget. The budget is prepared for the general and special revenue funds on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The board of county commissioners holds a public hearing where any taxpayer may testify in favor or against any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before the October meeting, the board adopts the final budget and shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. No expenditure shall be made or liability incurred in excess of the total appropriation by fund, except for transfers as authorized by the North Dakota Century Code Section 11-23-07. However, the board of county commissioners may amend the budget, except for property taxes, during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the county's budget for the year ending December 31, 2018.

The governing board approved the following amendments to the county's budget for the year ending December 31 2017:

December 31, 2017

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
		<u>Appropriations</u>	
<u>Special Revenue Funds</u>			
Oil Impact Grant Fund		553,492	553,492
Falkirk Mine Road		485,763	485,763



Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
General Fund	720,104.05	907,226.57
<u>Special Revenue Funds</u>		
Highway Operating	183,855.38	
Farm to Market Road		22,139.02
** Emergency	779.32	10,500.00
* FEMA Expenses - 2011	202,898.49	
* FEMA Expenses - 2013	33,479.93	
Impound and Towing	13,410.00	10,237.50
County Agent	3,558.16	5,289.38
Disaster Em. Services	13,956.07	
*+ Park Grants		144.00
Senior Citizens	15,078.00	
* Hazardous Chemical	7,832.76	
*+ Federal Prisoner Transport	53,950.00	13,160.00
** Law Enforcement Equipment	9,643.14	6,731.35
** County Owned Specials	11,519.02	1,543.10
*+ Sobriety Expense		38,503.00
* Falkirk Mine Road	55,296.39	56,454.86
Water Resource District		452,548.35

\*\* A budget was not prepared for these funds for the year ended December 31, 2018 and 2017.

\* A budget was not prepared for these funds for the year ended December 31, 2018.

\*+ A budget was not prepared for these funds for the year ended December 31, 2017.

No remedial action is anticipated or required by the county regarding these excess expenditures.

MCLEAN COUNTY  
Washburn, North Dakota

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

	2018	2017	2016	2015
	-----	-----	-----	-----
County's proportion of the net pension liability	0.409178%	0.415900%	0.432212%	0.429267%
County's proportionate share of the net pension liability	6,576,833	4,053,351	2,938,968	2,724,649
County's covered-employee payroll	4,192,021	4,226,123	4,030,247	3,718,095
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.89%	95.91%	72.92%	73.28%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

	2018	2017	2016	2015
	-----	-----	-----	-----
Statutorily required contribution	298,472	300,900	286,953	247,022
Contributions in relation to the statutorily required contribution	(298,472)	(300,900)	(286,953)	(247,022)
Contribution deficiency (excess)	0	0	0	0
County's covered-employee payroll	4,192,021	4,226,123	4,030,247	3,718,095
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	6.64%

\* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 16 to the financial statements.

MCLEAN COUNTY  
Washburn, North Dakota

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

	Balance 1-1-18	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-18
<b>Major Governmental Funds:</b>						
General Fund	(1,350,406.63)	7,336,637.12	1,872.23	140,497.20	7,018,795.82	(1,171,190.30)
Highway Operating	(669,861.18)	2,748,126.45	272,051.64		3,415,545.09	(1,065,228.18)
Farm to Market Road	209,196.37	768,905.12			363,923.48	614,178.01
Emergency	464,807.10	204.44			779.32	464,232.22
FEMA Expenses - 2011	202,898.49				202,898.49	
FEMA Expenses - 2013	202,164.26				33,479.93	168,684.33
<b>Total Major Governmental Funds</b>	<b>(941,201.59)</b>	<b>10,853,873.13</b>	<b>273,923.87</b>	<b>140,497.20</b>	<b>11,035,422.13</b>	<b>(989,323.92)</b>
<b>Non-Major Governmental Funds:</b>						
Oil Impact Grant	(207,958.93)		207,958.93			
Unorganized Township Road	32,009.52	457,757.79		480,010.57	8,305.71	1,451.03
Social Services	(115,523.62)	117,756.00		1,863.40		368.98
Impound and Towing	972.50	19,505.56			19,410.00	1,068.06
County Agent	10,483.90	8,882.92	92,771.66		101,588.51	10,549.97
Veteran's Services Officer	248.16		23,852.59		23,486.40	614.35
Disaster Emergency Services	24,314.23	34,745.41	23,872.95		62,155.73	20,776.86
Social Security	0.35	8.48		8.83		
Weed Control	36,014.92	120,477.35	5,171.05		165,030.96	(3,367.64)
Leafy Spurge	466.94	5,626.51		5,171.05		922.40
Historical Society	58.00	20,034.92			20,019.92	73.00
County Park	6,352.31					6,352.31
Park Grants	15,531.38	3,500.00				19,031.38
Emergency 911	(33,357.41)	118,286.38			62,058.55	22,870.42
Senior Citizens	96,026.18	150,234.86			160,500.00	85,761.04
Hazardous Chemical	31,001.68	2,525.00			7,832.76	25,693.92
Law Enforcement Safety	98.91					98.91
Federal Prisoner Transport	8,269.45	52,590.00			60,450.00	409.45
Law Enforcement Equipment	128.16	9,642.78			9,643.14	127.80
County Owned Special Assessments	(468.05)	10,755.22			11,519.02	(1,231.85)
Sobriety Expense	37,131.66	37,511.00			34,616.38	40,026.28
Falkirk Mine Road	24,017.80	55,296.39			55,296.39	24,017.80
Water Resource District	(3,588.44)	142,082.52			87,016.35	51,477.73
County Building	1,200.00	1,200.00				2,400.00
<b>Total Non-Major Governmental Funds</b>	<b>(36,570.40)</b>	<b>1,368,419.09</b>	<b>353,627.18</b>	<b>487,053.85</b>	<b>888,929.82</b>	<b>309,492.20</b>
<b>Total Governmental Funds</b>	<b>(977,771.99)</b>	<b>12,222,292.22</b>	<b>627,551.05</b>	<b>627,551.05</b>	<b>11,924,351.95</b>	<b>(679,831.72)</b>

(continued)



MCLEAN COUNTY  
Washburn, North Dakota

Schedule of Fund Activity  
For the Year Ended December 31, 2018  
(continued)

	Balance 1-1-18	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-18
<u>Agency Funds:</u>						
Flexible Benefits	(35,046.68)				1,101.34	(36,148.02)
State Tax	24,084.30	74,681.41			74,507.95	24,257.76
Garrison Diversion	24,086.84	95,866.58			95,695.66	24,257.76
County Library	47,580.34	193,560.62			198,327.62	42,813.34
First District Health Unit	39,464.60	175,782.29			173,694.00	41,552.89
County Fair	0.08	87.81			87.89	
County Equalization	530.08	330.31			860.39	
Estimate	190.05	8,376.59			8,426.70	139.94
Domestic Violence	35.00	1,225.00			1,225.00	35.00
Reynolds Cattle Trust	2,688.45	7,115.00			7,350.00	2,453.45
Victim/Witness	535.00					535.00
Ed Byrne Grant		23,840.15			23,840.15	
Juvenile Justice Grant	241.20					241.20
Parole/Probation	4,080.00					4,080.00
Jobs Promotion		1,600.00			1,600.00	
Strawberry Lake Special Assmts.	13,516.87	40,626.56			41,952.28	12,191.15
Brush Lake Special Assmts.	8,790.00	21,305.10			22,475.10	7,620.00
Spring Creek RSD Specials	3,100.00	8,325.29			8,427.87	2,997.42
Preservation	29,554.43	17,187.00			7,354.91	39,386.52
Drug Task Force Seizures	51,328.15	46,770.00			63,662.29	34,435.86
Underwood Safe House	4,538.00					4,538.00
McLean County Safe House	1,000.00					1,000.00
Rescue Boat Operations	388.16				1,615.16	(1,227.00)
Dakota Central Social Services	(134,422.08)	2,563,943.47			2,243,982.82	185,538.57
E911 Statewide Interop Radio		54,747.79			60,267.78	(5,519.99)
Total Cities	729,047.94	2,628,434.00			2,671,062.42	686,419.52
Total City Parks	104,230.15	341,329.16			336,539.32	109,019.99
Total School Districts	1,961,981.12	6,192,549.96			6,143,653.38	2,010,877.70
Total Townships	110,259.09	525,270.57			478,369.81	157,159.85
Total Rural Fire Districts	129,331.96	435,820.54			426,389.99	138,762.51
Total Ambulance Districts	92,027.57	299,963.47			292,954.62	99,036.42
Total Soil Conservation Dist.	38,246.88	124,510.44			126,866.25	35,891.07
<b>Total Agency Funds</b>	<b>3,251,387.50</b>	<b>13,883,249.11</b>			<b>13,512,290.70</b>	<b>3,622,345.91</b>
<b>Total All Funds</b>	<b>2,273,615.51</b>	<b>26,105,541.33</b>	<b>627,551.05</b>	<b>627,551.05</b>	<b>25,436,642.65</b>	<b>2,942,514.19</b>

MCLEAN COUNTY  
Washburn, North Dakota

Schedule of Fund Activity  
For the Year Ended December 31, 2017

	Balance 1-1-17	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-17
<b>Major Governmental Funds:</b>						
General Fund	(1,701,188.15)	7,437,379.98	2,648.71	117,674.25	6,971,572.92	(1,350,406.63)
Highway Operating	(505,542.97)	2,225,544.73	280,000.00		2,669,862.94	(669,861.18)
Farm to Market Road	400,120.32	781,215.07			972,139.02	209,196.37
Emergency	475,307.10				10,500.00	464,807.10
FEMA Expenses - 2011	482,898.49			280,000.00		202,898.49
FEMA Expenses - 2013	202,164.26					202,164.26
<b>Total Major Governmental Funds</b>	<b>(646,240.95)</b>	<b>10,444,139.78</b>	<b>282,648.71</b>	<b>397,674.25</b>	<b>10,624,074.88</b>	<b>(941,201.59)</b>
<b>Non-Major Governmental Funds:</b>						
Oil Impact Grant	(354,294.16)	283,827.37	416,000.00		553,492.14	(207,958.93)
Unorganized Township Road	1,112.22	446,897.30		416,000.00		32,009.52
Social Services	(296,987.07)	861,792.92			680,329.47	(115,523.62)
Impound and Towing	(13,090.00)	30,300.00			16,237.50	972.50
County Agent	13,996.81	12,056.82	87,366.57		102,936.30	10,483.90
Veteran's Services Officer	986.23		22,680.39		23,418.46	248.16
Disaster Emergency Services	28,099.63	20,071.00	7,627.29		31,483.69	24,314.23
Social Security	93.62	2,555.44		2,648.71		0.35
Weed Control	50,697.24	97,256.86	6,954.91		118,894.09	36,014.92
Leafy Spurge	957.20	6,464.65		6,954.91		466.94
Historical Society	42.61	19,699.68			19,684.29	58.00
County Park	6,352.31					6,352.31
Park Grants	15,675.38				144.00	15,531.38
Emergency 911	(88,798.88)	146,562.67			91,121.20	(33,357.41)
Senior Citizens	76,239.95	165,208.23			145,422.00	96,026.18
Hazardous Chemical	28,101.68	2,900.00				31,001.68
Law Enforcement Safety	98.91					98.91
Federal Prisoner Transport	1,062.50	20,366.95			13,160.00	8,269.45
Law Enforcement Equipment	791.64	6,067.87			6,731.35	128.16
County Owned Special Assessments	(168.04)	12,743.09			13,043.10	(468.05)
Sobriety Expense	31,684.66	43,950.00			38,503.00	37,131.66
Falkirk Mine Road	24,017.80	542,217.63			542,217.63	24,017.80
Water Resource District	510,870.94	100,168.97			614,628.35	(3,588.44)
County Building		1,200.00				1,200.00
<b>Total Non-Major Governmental Funds</b>	<b>37,543.18</b>	<b>2,822,307.45</b>	<b>540,629.16</b>	<b>425,603.62</b>	<b>3,011,446.57</b>	<b>(36,570.40)</b>
<b>Total Governmental Funds</b>	<b>(608,697.77)</b>	<b>13,266,447.23</b>	<b>823,277.87</b>	<b>823,277.87</b>	<b>13,635,521.45</b>	<b>(977,771.99)</b>

(continued)

MCLEAN COUNTY  
Washburn, North Dakota

Schedule of Fund Activity  
For the Year Ended December 31, 2017  
(continued)

	Balance 1-1-17	Revenues	Transfers In	Transfers Out	Expenditures	Balance 12-31-17
<u>Agency Funds:</u>						
Flexible Benefits	(32,369.09)				2,677.59	(35,046.68)
State Tax	14,364.73	83,420.25			73,700.68	24,084.30
Garrison Diversion	14,378.28	102,830.57			93,122.01	24,086.84
County Library	57,512.55	334,285.49			344,217.70	47,580.34
First District Health Unit	35,274.40	169,920.20			165,730.00	39,464.60
Morton County OT (DAPL Reimb.)	(33,832.90)	116,879.86			83,046.96	
County Fair	22.36	696.09			718.37	0.08
County Equalization		530.08				530.08
Estimate	180.72	6,992.28			6,982.95	190.05
Domestic Violence	35.00	1,225.00			1,225.00	35.00
Reynolds Cattle Trust	2,688.45					2,688.45
Victim/Witness	565.00	7,770.00			7,800.00	535.00
Ed Byrne Grant		14,188.34			14,188.34	
Juvenile Justice Grant	241.20					241.20
Parole/Probation	4,080.00					4,080.00
Jobs Promotion		1,600.00			1,600.00	
Strawberry Lake Special Assmts.	6,953.27	46,184.08			39,620.48	13,516.87
Brush Lake Special Assmts.	3,500.00	22,974.98			17,684.98	8,790.00
Spring Creek RSD Specials	2,362.25	9,337.58			8,599.83	3,100.00
Preservation	11,657.23	20,255.25			2,358.05	29,554.43
Drug Task Force Seizures	29,304.78	59,952.28			37,928.91	51,328.15
Underwood Safe House	4,538.00					4,538.00
McLean County Safe House	1,000.00					1,000.00
Rescue Boat Operations	9.93	700.00			321.77	388.16
Dakota Central Social Services	(329,891.82)	2,525,417.97			2,329,948.23	(134,422.08)
Dakota Central Human Services	67,492.18				67,492.18	
Total Cities	388,078.70	2,619,276.66			2,278,307.42	729,047.94
Total City Parks	51,865.43	363,123.57			310,758.85	104,230.15
Total School Districts	1,128,479.05	6,671,984.71			5,838,482.64	1,961,981.12
Total Townships	58,882.57	474,773.85			423,397.33	110,259.09
Total Rural Fire Districts	79,998.56	480,598.28			431,264.88	129,331.96
Total Ambulance Districts	54,901.86	329,235.03			292,109.32	92,027.57
Total Soil Conservation Dist.	35,878.45	190,120.47			187,752.04	38,246.88
<b>Total Agency Funds</b>	<b>1,658,151.14</b>	<b>14,654,272.87</b>			<b>13,061,036.51</b>	<b>3,251,387.50</b>
<b>Total All Funds</b>	<b>1,049,453.37</b>	<b>27,920,720.10</b>	<b>823,277.87</b>	<b>823,277.87</b>	<b>26,696,557.96</b>	<b>2,273,615.51</b>



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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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
McLean County  
Washburn, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McLean County, Washburn, North Dakota, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated April 26, 2019.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 county's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 26, 2019

MCLEAN COUNTY  
Washburn, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2018 and 2017

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	___X___ No
* Significant deficiency(ies) identified?	_____ Yes	___X___ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	___X___ No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

No matters were reported