



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Bottineau County

Bottineau, North Dakota

Audit Report for the Year Ended December 31, 2019

*Client Code: PS5000*



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Office of the  
State Auditor

**BOTTINEAU COUNTY**

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For the Year Ended December 31, 2019

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**BOTTINEAU COUNTY**

County Officials and Audit Personnel

December 31, 2019

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**COUNTY OFFICIALS**

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

**AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, Bottineau, North Dakota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bottineau County's basic financial statements. The *schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

The *schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 November 16, 2020 on our consideration of Bottineau County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bottineau County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
November 16, 2020

**BOTTINEAU COUNTY**  
Statement of Net Position  
December 31, 2019

	Governmental Activities	
	Primary Government	Component Units
<b>ASSETS</b>		
Cash and Investments	\$ 6,490,266	\$ 234,190
Intergovernmental Receivable	910,101	39,407
Accounts Receivable	62,542	-
Interest Receivable	4,294	-
Taxes Receivable	125,436	7,182
Road Receivables	349,761	-
Special Assessments Receivable	-	1,363,673
Capital Assets		
Nondepreciable	329,438	1,808,912
Depreciable, Net	51,293,818	3,004,045
<b>Total Assets</b>	<b>\$ 59,565,656</b>	<b>\$ 6,457,409</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension and OPEB	\$ 1,713,979	\$ -
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 61,279,635</b>	<b>\$ 6,457,409</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 227,235	\$ 18,156
Salaries Payable	12,392	-
Grants Received in Advance	76,711	-
Retainage Payable	-	6,054
Interest Payable	31,582	15,405
Long-Term Liabilities		
Due Within One Year		
Long Term Debt	451,488	397,783
Compensated Absences Payable	35,997	-
Due After One Year		
Long Term Debt	4,767,709	2,232,531
Compensated Absences Payable	323,973	-
Net Pension and OPEB Liability	3,806,576	-
<b>Total Liabilities</b>	<b>\$ 9,733,663</b>	<b>\$ 2,669,929</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB	\$ 1,914,305	\$ -
<b>Total Liabilities and Deferred Intflows of Resources</b>	<b>\$ 11,647,968</b>	<b>\$ 2,669,929</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 46,372,477	\$ -
Restricted for		
Capital Projects	429,593	-
Highways	2,432,399	-
Health and Welfare	41,121	-
Culture and Recreation	294,256	-
Conservation of Natural Resources	264,709	3,787,480
Emergencies	384,307	-
Unrestricted	(587,195)	-
<b>Total Net Position</b>	<b>\$ 49,631,667</b>	<b>\$ 3,787,480</b>

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

**BOTTINEAU COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					Primary Government	Component Units
<b>Primary Government</b>						
General Government	\$ 2,333,527	\$ 178,298	\$ 113,016	\$ -	\$ (2,042,213)	\$ -
Public Safety	2,475,638	790,757	69,952	-	(1,614,929)	-
Highways	6,929,513	921,466	948,269	231,496	(4,828,282)	-
Flood Repair	-	-	748,931	-	748,931	-
Health and Welfare	934,219	455	887,487	-	(46,277)	-
Culture and Recreation	317,675	-	-	-	(317,675)	-
Conserv. of Natural Resources	255,886	-	917	-	(254,969)	-
Emergency	724,107	-	-	-	(724,107)	-
Other	5,556	-	-	-	(5,556)	-
Interest on Long-Term Debt	217,816	-	-	-	(217,816)	-
<b>Total Primary Government</b>	<b>\$14,193,937</b>	<b>\$1,890,976</b>	<b>\$2,768,572</b>	<b>\$ 231,496</b>	<b>\$ (9,302,893)</b>	<b>\$ -</b>
<b>Component Units</b>	<b>\$ 445,191</b>	<b>\$ -</b>	<b>\$ 52,172</b>	<b>\$1,229,153</b>	<b>\$ -</b>	<b>\$ 836,134</b>
<b>General Revenues</b>						
Property Taxes					\$ 3,448,326	\$ 207,774
Non Restricted Grants and Contributions					1,817,577	-
Gain on Sale of Capital Assets					209,319	91,188
Earnings on Investments					58,594	3,408
Miscellaneous Revenue					415,841	-
<b>Total General Revenues</b>					<b>\$ 5,949,657</b>	<b>\$ 302,370</b>
<b>Change in Net Position</b>					<b>\$ (3,353,236)</b>	<b>\$1,138,504</b>
<b>Net Position - January 1</b>					<b>\$ 52,984,903</b>	<b>\$ 882,879</b>
<b>Prior Period Adjustment</b>					<b>\$ -</b>	<b>\$1,766,097</b>
<b>Net Position - January 1, as Restated</b>					<b>\$ 52,984,903</b>	<b>\$2,648,976</b>
<b>Net Position - December 31</b>					<b>\$ 49,631,667</b>	<b>\$3,787,480</b>

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

**BOTTINEAU COUNTY**

Balance Sheet – Governmental Funds

December 31, 2019

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,450,599	\$ 4,610,074	\$ 429,593	\$ 6,490,266
Intergovernmental Receivable	146,190	763,911	-	910,101
Accounts Receivable	14,899	47,643	-	62,542
Interest Receivable	-	4,294	-	4,294
Taxes Receivable	74,926	50,510	-	125,436
Road Receivables	-	349,761	-	349,761
<b>Total Assets</b>	<b>\$ 1,686,614</b>	<b>\$ 5,826,193</b>	<b>\$ 429,593</b>	<b>\$ 7,942,400</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 70,907	\$ 156,328	\$ -	\$ 227,235
Salaries Payable	12,328	64	-	12,392
Grants Received in Advance	-	76,711	-	76,711
<b>Total Liabilities</b>	<b>\$ 83,235</b>	<b>\$ 233,103</b>	<b>\$ -</b>	<b>\$ 316,338</b>
Deferred Inflows of Resources				
Taxes Receivable	\$ 74,926	\$ 50,510	\$ -	\$ 125,436
Road Receivables	-	349,761	-	349,761
<b>Total Deferred Inflows of Resources</b>	<b>\$ 74,926</b>	<b>\$ 400,271</b>	<b>\$ -</b>	<b>\$ 475,197</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 158,161</b>	<b>\$ 633,374</b>	<b>\$ -</b>	<b>\$ 791,535</b>
Fund Balances				
Restricted				
Public Safety	\$ -	\$ 97,141	\$ -	\$ 97,141
Highways	-	3,235,601	-	3,235,601
Health and Welfare	-	667,682	-	667,682
Culture and Recreation	-	396,391	-	396,391
Conservation of Natural Resources	-	297,727	-	297,727
Emergency	-	380,955	-	380,955
General Government	-	117,322	-	117,322
Capital Projects	-	-	429,593	429,593
Unassigned	1,528,453	-	-	1,528,453
<b>Total Fund Balances</b>	<b>\$ 1,528,453</b>	<b>\$ 5,192,819</b>	<b>\$ 429,593</b>	<b>\$ 7,150,865</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,686,614</b>	<b>\$ 5,826,193</b>	<b>\$ 429,593</b>	<b>\$ 7,942,400</b>

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



**BOTTINEAU COUNTY**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2019

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**Total Fund Balances of Governmental Funds** \$ 7,150,865

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, therefore, are not reported in the governmental funds. 51,623,256

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

Property Taxes Receivable	\$ 125,436	
Road Receivables	<u>349,761</u>	475,197

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions and OPEB	\$ 1,713,979	
Deferred Inflows Related to Pensions and OPEB	<u>(1,914,305)</u>	(200,326)

Long-Term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position

Long-Term Debt	\$ (5,219,197)	
Interest Payable	(31,582)	
Compensated Absences Payable	(359,970)	
Net Pension and OPEB Liability	<u>(3,806,576)</u>	<u>(9,417,325)</u>

**Total Net Position of Governmental Activities** \$ 49,631,667

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

**BOTTINEAU COUNTY**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2019

	General	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,042,327	\$ 1,438,253	\$ -	\$ 3,480,580
Intergovernmental	1,031,220	3,486,426	300,000	4,817,646
Charges for Services	808,674	1,027,561	-	1,836,235
Licenses, Permits and Fees	5,728	-	-	5,728
Interest Income	-	58,594	-	58,594
Miscellaneous	78,354	337,487	-	415,841
<b>Total Revenues</b>	<b>\$ 3,966,303</b>	<b>\$ 6,348,321</b>	<b>\$ 300,000</b>	<b>\$ 10,614,624</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,088,723	\$ 137,146	\$ -	\$ 2,225,869
Public Safety	1,997,097	383,180	-	2,380,277
Highways and Bridges	-	5,662,844	-	5,662,844
Health and Welfare	-	889,062	-	889,062
Culture and Recreation	134,640	156,869	-	291,509
Conserv. of Natural Resources	4,090	245,256	-	249,346
Emergency	-	724,107	-	724,107
Other	5,556	-	-	5,556
Debt Service				
Principal	2,000	453,195	349,372	804,567
Interest & Service Charges	-	75,355	130,628	205,983
<b>Total Expenditures</b>	<b>\$ 4,232,106</b>	<b>\$ 8,727,014</b>	<b>\$ 480,000</b>	<b>\$ 13,439,120</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (265,803)	\$ (2,378,693)	\$ (180,000)	\$ (2,824,496)
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Financing	\$ -	\$ 722,848	\$ -	\$ 722,848
Sale of Capital Assets	18,833	282,551	-	301,384
Transfers In	60,000	88,000	-	148,000
Transfers Out	-	(148,000)	-	(148,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 78,833</b>	<b>\$ 945,399</b>	<b>\$ -</b>	<b>\$ 1,024,232</b>
<b>Net Change in Fund Balances</b>	<b>\$ (186,970)</b>	<b>\$ (1,433,294)</b>	<b>\$ (180,000)</b>	<b>\$ (1,800,264)</b>
Fund Balance - January 1	\$ 1,715,423	\$ 6,626,113	\$ 609,593	\$ 8,951,129
Fund Balance - December 31	\$ 1,528,453	\$ 5,192,819	\$ 429,593	\$ 7,150,865

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

**BOTTINEAU COUNTY**
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2019
 

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**Net Change in Fund Balances - Total Governmental Funds** \$ (1,800,264)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 1,517,601	
Depreciation Expense	<u>(2,748,257)</u>	(1,230,656)

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

Gain on Sales of Capital Assets	\$ 209,319	
Proceeds from Sales of Capital Assets	<u>(301,384)</u>	(92,065)

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

Debt Repayment	\$ 804,567	
Capital Lease Financing	<u>(722,848)</u>	81,719

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

Net Change in Compensated Absences	\$ 39,661	
Net Change in Retainage Payable	17,885	
Net Change in Interest Payable	<u>(11,833)</u>	45,713

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 Change in Taxes Receivable	\$ (32,254)	
Net Change in Road Receivables	<u>49,013</u>	16,759

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

Net Change in Net Pension and OPEB Liability	\$ 1,716,026	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	(519,163)	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(1,571,305)</u>	<u>(374,442)</u>

**Change in Net Position of Governmental Activities** \$ (3,353,236)

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

**BOTTINEAU COUNTY**

Statement of Fiduciary Assets and Liabilities – Agency Funds  
December 31, 2019

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**ASSETS**

Cash and Investments \$ 3,453,570

**LIABILITIES**

Due to Other Governments \$ 3,453,570

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

**BOTTINEAU COUNTY**

Combining Statement of Net Position – All Discretely Presented Component Units  
 For the Year Ended December 31, 2019

	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	Total
<b>ASSETS</b>				
Cash and Investments	\$ 116,711	\$ 21,426	\$ 96,053	\$ 234,190
Intergovernmental Receivable	39,407	-	-	39,407
Taxes Receivable	4,234	487	2,461	7,182
Special Assessments Receivable	1,363,673	-	-	1,363,673
Capital Assets				
Nondepreciable	1,808,912	-	-	1,808,912
Depreciable, Net	3,004,045	-	-	3,004,045
<b>Total Assets</b>	<b>\$ 6,336,982</b>	<b>\$ 21,913</b>	<b>\$ 98,514</b>	<b>\$ 6,457,409</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 18,156	\$ -	\$ -	\$ 18,156
Interest Payable	15,405	-	-	15,405
Retainage Payable	6,054	-	-	6,054
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	397,783	-	-	397,783
Due After One Year				
Long Term Debt	2,232,531	-	-	2,232,531
<b>Total Liabilities</b>	<b>\$ 2,669,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,669,929</b>
<b>NET POSITION</b>				
Restricted				
Conservation of Natural Resources	\$ 3,667,053	\$ 21,913	\$ 98,514	\$ 3,787,480
<b>Total Net Position</b>	<b>\$ 3,667,053</b>	<b>\$ 21,913</b>	<b>\$ 98,514</b>	<b>\$ 3,787,480</b>

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

**BOTTINEAU COUNTY**

Combining Statement of Activities – All Discretely Presented Component Units

December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Bottineau County WRD	Boundary Creek WRD	Oak Creek WRD	
<b>Component Units</b>								
Bottineau County WRD	\$ 368,616	\$ -	\$ 52,172	\$ 1,229,153	\$ 912,709	\$ -	\$ -	\$ 912,709
Boundary Creek WRD	9,330	-	-	-	-	(9,330)	-	(9,330)
Oak Creek WRD	67,245	-	-	-	-	-	(67,245)	(67,245)
<b>Total Component Units</b>	<b>\$ 445,191</b>	<b>\$ -</b>	<b>\$ 52,172</b>	<b>\$ 1,229,153</b>	<b>\$ 912,709</b>	<b>\$ (9,330)</b>	<b>\$ (67,245)</b>	<b>\$ 836,134</b>
<b>General Revenues</b>								
Property Taxes					\$ 128,136	\$ 15,798	\$ 63,840	\$ 207,774
Earnings on Investments					2,387	40	981	3,408
Gain on Sale of Capital Assets					91,188	-	-	91,188
<b>Total General Revenues</b>					<b>\$ 221,711</b>	<b>\$ 15,838</b>	<b>\$ 64,821</b>	<b>\$ 302,370</b>
<b>Change in Net Position</b>					<b>\$ 1,134,420</b>	<b>\$ 6,508</b>	<b>\$ (2,424)</b>	<b>\$ 1,138,504</b>
<b>Net Position - January 1</b>					<b>\$ 766,536</b>	<b>\$ 15,405</b>	<b>\$ 100,938</b>	<b>\$ 882,879</b>
<b>Prior Period Adjustment</b>					<b>\$ 1,766,097</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,766,097</b>
<b>Net Position - January 1, as Restated</b>					<b>\$ 2,532,633</b>	<b>\$ 15,405</b>	<b>\$ 100,938</b>	<b>\$ 2,648,976</b>
<b>Net Position - December 31</b>					<b>\$ 3,667,053</b>	<b>\$ 21,913</b>	<b>\$ 98,514</b>	<b>\$ 3,787,480</b>

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

## **BOTTINEAU COUNTY**

Notes to the Financial Statements  
For the Year Ended December 31, 2019

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

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

#### **Reporting Entity**

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

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

#### **Component Units**

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

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

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

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

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

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

#### **Basis of Presentation**

*Government-Wide Statements.* The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

## **BOTTINEAU COUNTY**

### Notes to the Financial Statements – Continued

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fund type:

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

### **Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

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

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**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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**Capital Assets**

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

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

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

**Compensated Absences**

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

**Long-Term Obligations**

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

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

**Pension**

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

**Other Post-Employment Benefits (OPEB)**

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Fund Balances**

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

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

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

**Net Position**

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

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

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

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

**Interfund Transactions**

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

**Discretely Presented Component Units**

Net position of the Water Resource District as of January 1, 2019 has been restated for special assessments receivable and net capital asset adjustments as shown below. The results of the adjustment increased the beginning net position of the Water Resource District.

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 766,536
Prior Period Adjustments	
Special Assessments Receivable	35,499
Capital Assets, Net	1,730,598
Net Position January 1, as Restated	<u>\$ 2,532,633</u>

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 3 DEPOSITS**

**Custodial Credit Risk**

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

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

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

At December 31, 2019, the County's carrying amount of deposits totaled \$9,932,398, and the bank balances totaled \$9,801,061. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. Other than the pledging shortage of \$235,163 with First National Bank and Trust, the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name

At December 31, 2019, the Water Resource District's carrying amount of deposits totaled \$116,711, and the bank balances totaled \$127,300, all of which were covered by Federal Depository Insurance

At December 31, 2019, Boundary Creek's carrying amount of deposits totaled \$21,426, and the bank balances totaled \$22,196, all of which were covered by Federal Depository Insurance.

At December 31, 2019, Oak Creek's carrying amount of deposits totaled \$96,053, and the bank balances totaled \$136,756, all of which were covered by Federal Depository Insurance.

**NOTE 4 PROPERTY TAXES**

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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

The following is a summary of changes in capital assets for the County for the year ended December 31, 2019:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 155,004	\$ -	\$ -	\$ -	\$ 155,004
Intangibles	174,434	-	-	-	174,434
Construction Progress	901,579	231,496	-	(1,133,075)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,231,017</b>	<b>\$ 231,496</b>	<b>\$ -</b>	<b>\$ (1,133,075)</b>	<b>\$ 329,438</b>
<b>Capital Assets Being Depreciated</b>					
Furniture and Equipment	\$ 671,637	\$ 50,776	\$ 68,208	\$ -	\$ 654,205
Vehicles and Machinery	7,645,475	1,313,382	1,079,236	-	7,879,621
Buildings	14,906,448	-	-	1,133,075	16,039,523
Infrastructure	53,843,697	-	-	-	53,843,697
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 77,067,257</b>	<b>\$ 1,364,158</b>	<b>\$ 1,147,444</b>	<b>\$ 1,133,075</b>	<b>\$ 78,417,046</b>
<b>Less Accumulated Depreciation</b>					
Furniture and Equipment	\$ 582,152	\$ 27,630	\$ 68,208	\$ -	\$ 541,574
Vehicles and Machinery	4,710,745	936,173	909,119	-	4,737,799
Buildings	2,731,382	271,546	-	-	3,002,928
Infrastructure	17,328,018	1,512,909	-	-	18,840,927
<b>Total Accumulated Depreciation</b>	<b>\$ 25,352,297</b>	<b>\$ 2,748,258</b>	<b>\$ 977,327</b>	<b>\$ -</b>	<b>\$ 27,123,228</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 51,714,960</b>	<b>\$ (1,384,100)</b>	<b>\$ 170,117</b>	<b>\$ 1,133,075</b>	<b>\$ 51,293,818</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 52,945,977</b>	<b>\$ (1,152,604)</b>	<b>\$ 170,117</b>	<b>\$ -</b>	<b>\$ 51,623,256</b>

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

<b>Governmental Activities</b>	<b>Amounts</b>
General Government	\$ 49,017
Public Safety	328,152
Highways & Bridges	2,345,448
Health & Welfare	6,230
Culture & Recreation	17,149
Conservation of Natural Resources	2,262
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 2,748,258</b>

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Discretely Presented Component Unit**

The following is a summary of changes in capital assets for the Water Resource District the year ended December 31, 2019:

<b>Water Resource District</b>	<b>Restated Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Construction Progress	\$ 1,860,441	\$ 304,767	\$ -	\$ (356,296)	\$ 1,808,912
Capital Assets Being Depreciated					
Vehicles and Machinery	\$ 443,573	\$ -	\$ 427,573	\$ -	\$ 16,000
Infrastructure	3,153,660	-	-	356,296	3,509,956
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,597,233</b>	<b>\$ -</b>	<b>\$ 427,573</b>	<b>\$ 356,296</b>	<b>\$ 3,525,956</b>
Less Accumulated Depreciation					
Vehicles and Machinery	\$ 224,761	\$ -	\$ 208,761	\$ -	\$ 16,000
Infrastructure	418,162	87,749	-	-	505,911
<b>Total Accumulated Depreciation</b>	<b>\$ 642,923</b>	<b>\$ 87,749</b>	<b>\$ 208,761</b>	<b>\$ -</b>	<b>\$ 521,911</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 2,954,310</b>	<b>\$ (87,749)</b>	<b>\$ 218,812</b>	<b>\$ 356,296</b>	<b>\$ 3,004,045</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 4,814,751</b>	<b>\$ 217,018</b>	<b>\$ 218,812</b>	<b>\$ -</b>	<b>\$ 4,812,957</b>

Depreciation expense was charged to the conservation of natural resource function

**NOTE 6 LONG-TERM LIABILITIES****Primary Government**

During the year ended December 31, 2019, the following changes occurred in liabilities reported in long-term liabilities:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long-Term Debt					
Capital Lease Payable	\$ 1,743,618	\$ 722,848	\$ 453,195	\$ 2,013,271	\$ 448,488
Line of Credit Payable	3,552,298	-	349,372	3,202,926	-
Loan Payable	5,000	-	2,000	3,000	3,000
<b>Total Long-Term Debt</b>	<b>\$ 5,300,916</b>	<b>\$ 722,848</b>	<b>\$ 804,567</b>	<b>\$ 5,219,197</b>	<b>\$ 451,488</b>
Compensated Absences *	399,631	-	39,661	359,970	35,997
Net Pension & OPEB Liability	5,522,602	-	1,716,026	3,806,576	-
<b>Total Primary Government</b>	<b>\$ 11,223,149</b>	<b>\$ 722,848</b>	<b>\$ 2,560,254</b>	<b>\$ 9,385,743</b>	<b>\$ 487,485</b>

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

Debt Service requirement on long-term debt at December 31, 2019 are as follows:

Year Ending Dec 31	Capital Lease Payable		Loan Payable	
	Principal	Interest	Principal	Interest
2020	\$ 426,901	\$ 86,091	\$ 3,000	\$ -
2021	351,158	69,917	-	-
2022	505,298	55,744	-	-
2023	440,613	33,017	-	-
2024	289,301	10,302	-	-
Totals	\$ 2,013,271	\$ 255,071	\$ 3,000	\$ -

The Line of Credit Payable does not have an amortization schedule as of December 31, 2019. The interest rate is variable with a floor rate of 1.75%, and not to increase by 1% per year. All unpaid interest and principal is due and payable in full on March 1, 2028.

**Discretely Presented Component Units**

During the year ended December 31, 2019, the following changes occurred in liabilities reported in long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loans Payable	\$ 2,084,832	\$ 42,311	\$ 1,509,075	\$ 618,068	\$ 174,573
Bond Payable	1,187,043	1,092,475	267,272	2,012,246	223,210
Total Water Resource District	\$ 3,271,875	\$ 1,134,786	\$ 1,776,347	\$ 2,630,314	\$ 397,783

Debt Service requirement on long-term debt at December 31, 2019 are as follows:

Year Ending Dec 31	Bonds Payable		Loan Payable	
	Principal	Interest	Principal	Interest
2020	\$ 223,210	\$ 85,529	\$ 341,253	\$ 958
2021	226,147	76,369	276,815	-
2022	229,147	67,079	-	-
2023	232,214	57,656	-	-
2024	355,679	75,964	-	-
2025 - 2029	566,175	118,924	-	-
2030 - 2034	179,674	25,369	-	-
Totals	\$ 2,012,246	\$ 506,890	\$ 618,068	\$ 958

**NOTE 7 PENSION PLAN**

**General Information about the NDPERS Pension Plan**

**North Dakota Public Employees Retirement System (Main System)**

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

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

## **BOTTINEAU COUNTY**

### Notes to the Financial Statements – Continued

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

#### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

#### **Refunds of Member Account Balance**

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

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2019, the County reported a liability of \$3,579,896 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the County’s proportion was 0.305433 percent, which was a decrease of 0.008075 percent from its proportion measurement as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$622,875. At December 31, 2019, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,119	\$ 649,683
Changes of Assumptions	1,337,713	1,148,542
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	62,370	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	26,159	103,217
Employer Contributions Subsequent to the Measurement Date	217,607	-
<b>Total</b>	<b>\$ 1,645,968</b>	<b>\$ 1,901,442</b>

\$217,607 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

2020	\$ 90,392
2021	25,938
2022	(138,516)
2023	(343,792)
2024	(107,103)



**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30 – 39	7.50%
	40 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

**Discount Rate**

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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). For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate Share of the Net Pension Liability	\$ 5,132,800	\$ 3,579,896	\$ 2,275,185

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2019, the County reported a liability of \$226,680 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the County's proportion was 0.284716 percent, which was a decrease of 0.009624 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized OPEB expense of \$30,116. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 5,647	\$ 7,144
Changes of Assumptions	27,255	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	255	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	13	-
Employer Contributions Subsequent to the Measurement Date	34,842	5,719
<b>Total</b>	<b>\$ 68,012</b>	<b>\$ 12,863</b>

\$34,842 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

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

2020	\$	3,228
2021		3,228
2022		5,357
2023		4,967
2024		2,566
2025		844
Thereafter		117

**Actuarial assumptions**

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.25%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	40%	2.07%
U.S. High Yield	21%	6.95%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2019, and July 1, 2018, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**BOTTINEAU COUNTY**

Notes to the Financial Statements – Continued

**Sensitivity of the County's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate Share of the Net OPEB Liability	\$ 291,880	\$ 228,680	\$ 174,581

**NOTE 9 TRANSFERS**

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

**NOTE 10 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$5,571,210 for mobile equipment and portable property (public assets).

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

**NOTE 11 CONSTRUCTION COMMITMENTS**

**Discretely Presented Component Units**

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

<b>Water Resource District</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Stone Creek Phase II	\$ 331,955	\$ 316,955	\$ -	\$ 15,000
Baumann Drain	1,052,027	54,488	6,054	1,003,593
Total	\$ 1,383,982	\$ 371,443	\$ 6,054	\$ 1,018,593

**BOTTINEAU COUNTY**Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,079,200	\$ 2,079,200	\$ 2,042,327	\$ (36,873)
Intergovernmental	859,016	859,016	1,031,220	172,204
Charges for Services	765,380	765,380	808,674	43,294
Licenses, Permits and Fees	5,100	5,100	5,728	628
Miscellaneous	52,250	52,250	78,354	26,104
Total Revenues	<u>\$ 3,760,946</u>	<u>\$ 3,760,946</u>	<u>\$ 3,966,303</u>	<u>\$ 205,357</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 2,283,283	\$ 2,283,283	\$ 2,088,723	\$ 194,560
Public Safety	1,653,132	1,824,883	1,997,097	(172,214)
Culture and Recreation	146,200	146,200	134,640	11,560
Conser. of Natural Resources	3,857	3,857	4,090	(233)
Other	9,000	9,000	5,556	3,444
Debt Service				
Principal	2,000	2,000	2,000	-
Total Expenditures	<u>\$ 4,097,472</u>	<u>\$ 4,269,223</u>	<u>\$ 4,232,106</u>	<u>\$ 37,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (336,526)</u>	<u>\$ (508,277)</u>	<u>\$ (265,803)</u>	<u>\$ 242,474</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 60,000	\$ 60,000
Sale of Capital Assets	-	-	18,833	18,833
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,833</u>	<u>\$ 78,833</u>
Net Change in Fund Balance	<u>\$ (336,526)</u>	<u>\$ (508,277)</u>	<u>\$ (186,970)</u>	<u>\$ 321,307</u>
Fund Balance - January 1	<u>\$ 1,715,423</u>	<u>\$ 1,715,423</u>	<u>\$ 1,715,423</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,378,897</u>	<u>\$ 1,207,146</u>	<u>\$ 1,528,453</u>	<u>\$ 321,307</u>

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

**BOTTINEAU COUNTY**

## Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,458,981	\$ 1,458,981	\$ 1,438,253	\$ (20,728)
Intergovernmental	2,708,610	2,708,610	3,486,426	777,816
Charges for Services	779,325	779,325	1,027,561	248,236
Interest Income	41,800	41,800	58,594	16,794
Miscellaneous	76,554	76,554	337,487	260,933
Total Revenues	\$ 5,065,270	\$ 5,065,270	\$ 6,348,321	\$ 1,283,051
<b>EXPENDITURES</b>				
Current				
General Government	\$ 101,500	\$ 805,551	\$ 137,146	\$ 668,405
Public Safety	214,827	219,798	383,180	(163,382)
Highways and Bridges	4,865,120	4,792,271	4,939,996	(147,725)
Health and Welfare	960,260	890,803	889,062	1,741
Culture and Recreation	221,710	184,864	156,869	27,995
Conserv. of Natural Resources	267,033	249,345	245,256	4,089
Emergency	100,000	887,417	724,107	163,310
Debt Service				
Principal	-	-	453,195	(453,195)
Interest	-	-	75,355	(75,355)
Total Expenditures	\$ 6,730,450	\$ 8,030,049	\$ 8,004,166	\$ 25,883
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,665,180)	\$ (2,964,779)	\$ (1,655,845)	\$ 1,308,934
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 28,000	\$ 28,000	\$ 88,000	\$ 60,000
Transfers Out	-	-	(148,000)	(148,000)
Sale of Capital Assets	-	-	282,551	282,551
Total Other Financing Sources and Uses	\$ 28,000	\$ 28,000	\$ 222,551	\$ 194,551
Net Change in Fund Balance	\$ (1,637,180)	\$ (2,936,779)	\$ (1,433,294)	\$ 1,503,485
Fund Balance - January 1	\$ 6,626,113	\$ 6,626,113	\$ 6,626,113	\$ -
Fund Balance - December 31	\$ 4,988,933	\$ 3,689,334	\$ 5,192,819	\$ 1,503,485

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

**BOTTINEAU COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.305433%	\$ 3,579,896	\$ 3,177,026	112.68%	71.66%
2018	0.313508%	5,290,789	3,220,721	164.27%	62.80%
2017	0.311679%	5,009,704	3,181,754	157.45%	61.98%
2016	0.306945%	2,991,478	3,093,286	96.71%	70.46%
2015	0.313907%	2,134,514	2,796,533	76.33%	77.15%
2014	0.324856%	2,061,930	2,736,516	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 231,305	\$ 234,249	\$ (2,944)	\$ 3,177,026	7.37%
2018	237,220	233,745	3,475	3,220,721	7.26%
2017	230,716	231,143	(427)	3,181,754	7.26%
2016	223,949	224,529	(580)	3,093,286	7.26%
2015	212,419	211,280	1,139	2,796,533	7.56%
2014	194,840	194,840	-	2,736,516	7.12%

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



**BOTTINEAU COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2019

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.284716%	\$ 226,680	\$ 3,177,026	7.13%	63.13%
2018	0.294340%	231,813	3,220,721	7.20%	62.80%
2017	0.294106%	232,641	3,181,754	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 36,949	\$ 37,506	\$ (557)	\$ 3,177,026	1.18%
2018	37,777	37,425	352	3,220,721	1.16%
2017	36,986	37,008	(22)	3,181,754	1.16%

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

**BOTTINEAU COUNTY**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2019

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**NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

- The County Commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County Auditor prepares an annual budget for the general fund and each special revenue fund of the County. N.D.C.C. 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County Commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. N.D.C.C. 11-23-04
- The board of County Commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. N.D.C.C. 11-23-05
- Each budget is controlled by the County Auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.

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

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

**NOTE 3 PENSION AND OPEB – CHANGES OF ASSUMPTIONS**

**Pension**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**NOTE 4 CHANGES OF ASSUMPTIONS – PENSION AND OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50% for Pension.
- The investment return assumption was lowered from 7.50% to 7.25% for OPEB.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**BOTTINEAU COUNTY**

Notes to the Required Supplementary Information - Continued

**NOTE 5 BUDGET TO ACTUAL RECONCILIATION**

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

	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual Statement</b>
<b>Special Revenue Fund</b>			
Expenditures	\$ 8,727,014	\$ (722,848)	\$ 8,004,166
Lease Financing	722,848	(722,848)	-

**NOTE 6 LEGAL COMPLIANCE – BUDGETS****Budget Amendments**

The board of County commissioners amended the budget for 2019 as follows:

	<b>EXPENDITURES</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
General Fund	\$ 4,097,472	\$ 171,751	\$ 4,269,223
Special Revenue Fund	6,730,450	1,299,599	8,030,049

**BOTTINEAU COUNTY**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Passed Through State Department of Human Services			
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	S025D	\$ 65
93.568	Low-Income Home Energy Assistance	S116	17
93.767	Children's Health Insurance Program	S058A	8
93.778	Medical Assistance Program	S056H	<u>458</u>
Total Department of Health and Human Services			<u>\$ 548</u>
<b>US DEPARTMENT OF JUSTICE</b>			
Passed through the ND Department of Health			
16.588	STOP Violence Against Women	HLH4128	<u>\$ 5,361</u>
Total U.S. Department of Justice			<u>\$ 5,361</u>
<b>US DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed through the State Department of Game and Fish:			
97.012	Boating Safety Financial Assistance	N/A	<u>\$ 1,177</u>
Passed through the State Department Emergency Management:			
97.042	Emergency Management Performance Grants	EMPG2018	\$ 12,868
97.067	Homeland Security Grant Programs	HLS2016-2018	164,087
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4323	<u>783,015</u>
Total U.S. Department of Homeland Security			<u>\$ 961,147</u>
Total Expenditures of Federal Awards			<u><u>\$ 967,056</u></u>

See notes to the Schedule of Expenditures of Federal Awards

**BOTTINEAU COUNTY**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

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**NOTE 1 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

**NOTE 3 PASS-THROUGH GRANT NUMBER**

For Federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

**NOTE 4 INDIRECT COST RATE**

The County has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance

STATE AUDITOR  
Joshua C. Gallion



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701-328-2241

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

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Independent Auditor's Report

Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated November 16, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.

**BOTTINEAU COUNTY**

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bottineau County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of audit findings as item 2019-002.

**Bottineau County's Response to Findings**

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

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
November 16, 2020

STATE AUDITOR  
Joshua C. Gallion



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

---

Independent Auditor's Report

Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Bottineau County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Bottineau County's major federal program for the year ended December 31, 2019. Bottineau County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Bottineau County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bottineau County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Bottineau County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Bottineau County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.



**BOTTINEAU COUNTY**

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards - Continued

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**Report on Internal Control Over Compliance**

Management of Bottineau County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bottineau County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bottineau County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
November 16, 2020

**Financial Statements**

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

**Internal control over financial reporting**

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

**Federal Awards**

Internal Control Over Major Programs

Material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> None noted
Reportable conditions identified not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None noted
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u>      </u> Yes	<u>  X  </u> None noted

**Identification of Major Programs**

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CFDA 97.036	Disaster Grants – Publicly Declared (Presidentially Declared Disaster)
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Dollar threshold used to distinguish between Type A and B programs:	<u>      \$ 750,000      </u>
Auditee qualified as low-risk auditee?	<u>      </u> Yes <u>  X  </u> No

**BOTTINEAU COUNTY**

Schedule of Audit Findings and Questioned Costs  
For the Year Ended December 31, 2019

---

**2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

**Condition**

Bottineau County currently does not prepare the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Effect**

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

**Cause**

Management chooses not to allocate Bottineau County resources for preparation of the financial statements.

**Criteria**

Bottineau County is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Repeat Finding**

Yes.

**Recommendation**

We recommend Bottineau County consider the additional risk of having the auditor assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

**Bottineau County's Response**

See Corrective Action Plan

**BOTTINEAU COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued

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**2019-002 IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE**

**Condition**

Bottineau County did not advertise for bids for the three lease-purchase agreements of motor graders at a cost of \$925,900. Instead, the County utilized an out of state cooperative purchase agreement that was not applicable to the County.

**Effect**

Bottineau County may not be in compliance with N.D.C.C. §24-05-04(2)(3) and N.D.C.C. §54-44-.4-13(7).

**Cause**

Bottineau County may not have accurately interpreted the out of state cooperative purchase agreement used to acquire the motor graders.

**Criteria**

N.D.C.C. §24-05-04(2) states “Except as provided in N.D.C.C. § 54-44.4-13, a purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of one hundred thousand dollars must be advertised by publishing an advertisement for bids at least once each week for two consecutive weeks in the official newspaper of the county and in any other newspapers as the board deems advisable.”

N.D.C.C. §24-05-04(3) states “Notwithstanding the provisions of this section relating to the duration of rental contracts, the board of county commissioners may enter lease-purchase agreements for the road machinery and articles covered by this section if those agreements provide for the complete performance and full payment of the purchase price of the machinery or articles within seven years from the date of the execution of the lease-purchase agreement according to section 44-08-01.1.

Additionally, N.D.C.C. § 54-44.4-13(7) states “Before entering into a cooperative purchasing agreement under this section, the office of management and budget must determine that the contracts were awarded through full and open competition or source selection methods specified in section 54-44.4-05 and shall send notice to approved vendors of the office's intent to make a cooperative purchase in accordance with this chapter.

**Repeat Finding**

No.

**Recommendation**

We recommend that Bottineau County review upcoming lease-purchase agreements of county road machinery to ensure compliance with N.D.C.C. §24-05-04(2)(3). We further recommend that Bottineau County consult with the Office of Management and Budget to ensure compliance with N.D.C.C. §54-44-.4-13(7).

**Bottineau County’s Response**

See Corrective Action Plan

**BOTTINEAU COUNTY**

Schedule of Audit Findings and Questioned Costs – Continued

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**2019-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**

**Condition**

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

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

**Cause**

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

**Effect**

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

**Repeat Finding**

Yes.

**Recommendation**

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

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

**Bottineau County's Response**

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

**BOTTINEAU COUNTY  
NORTH DAKOTA**

**COUNTY OFFICERS**

County Auditor Lisa Herbel  
County Treasurer/MVD Ann Monson  
County Recorder Bobbi Milbrath  
County Sheriff Steve Watson  
State's Attorney Michael McIntee  
Clerk of Courts Tammy Knudson  
Tax Director/Zoning Adm. Taylor Kippen  
Social Services Kelly Jensen  
9-1-1 Coordinator Tanner Hellenbrand  
Disaster Emergency Kristy Titus  
Veteran's Service Officer Heather Thompson  
Road Supervisor Ritchie Gimbel  
Official Newspaper Courant



314 West Fifth Street  
Bottineau, North Dakota 58318  
Fax (701) 228-5181

**COUNTY COMMISSIONERS**

1<sup>st</sup> District LeRoy Rude  
Bottineau, ND 58318  
2<sup>nd</sup> District Jeff Beyer  
Bottineau, ND 58318  
3<sup>rd</sup> District Daniel Marquardt  
Bottineau, ND 58318  
4<sup>th</sup> District Lance Kjelskus  
Souris, ND 58783  
5<sup>th</sup> District Charles Adams  
Lansford, ND 58750

Date: October 29, 2020  
To: Joshua C. Gallion, ND State Auditor  
FROM: Lisa Herbel, County Auditor  
RE: Bottineau County – 2019 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan: Lisa Herbel, County Auditor

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**2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

**Condition:**

Bottineau County currently does not prepare the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Corrective Action Plan:**

We Agree. I was willing to learn how to prepare the financial statements this year, but between Covid-19 and being the busiest year, we have experienced with elections, there just wasn't time to learn how to prepare the statements. I did complete a portion of the statements when I had time. This may be something that can be done in the future.

**Anticipated Completion Date:**

Fiscal Year 2020

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**2020-002 IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE**

**Condition:**

Bottineau County improperly entered into three lease-purchase agreements for motor graders at a cost of \$925,900 through an out of state procurement agreement.

**Corrective Action Plan:**

We Agree. Information was given to Bottineau County that wasn't accurate and I feel we were misled to believe that what we were doing was within the parameters for bidding equipment and followed the ND Century Code. Moving forward Bottineau County will work with OMB and will double the Century Code to make sure the information that is provided to the County is accurate and follows the NDCC.

**Anticipated Completion Date:**

Fiscal Year 2020

STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Bottineau County  
Bottineau, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bottineau County, North Dakota, for the year ended December 31, 2019 which collectively comprise Bottineau County's basic financial statements, and have issued our report thereon dated November 16, 2020. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated July 8, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bottineau County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

## BOTTINEAU COUNTY

### Governance Communication – Continued

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

### Corrected and Uncorrected Misstatements

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

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>PRIMARY GOVERNMENT</b>						
<u>To record client provided receivables</u>						
Accounts Receivable	62,542	-	-	-	62,542	-
Interest Receivable	4,294	-	-	-	4,294	-
Intergovernmental Receivable	910,089	-	-	-	910,089	-
Revenue	-	976,925	-	-	-	976,925
<u>To record client provided payables</u>						
Expenditures	239,627	-	-	-	239,627	-
Accounts Payable	-	227,235	-	-	-	227,235
Salaries Payable	-	12,392	-	-	-	12,392
<u>To record grants received in advance</u>						
Revenue	-	-	76,711	-	76,711	-
Grants Received in Advance	-	-	-	76,711	-	76,711
<u>To record capital lease proceeds</u>						
Expenditure	-	-	722,848	-	722,848	-
Capital Lease Proceeds	-	-	-	722,848	-	722,848
<b>WATER RESOURCE DISTRICT</b>						
<u>To record audit receivables</u>						
Intergovernmental Receivable	-	-	39,407	-	39,407	-
Revenue	-	-	-	39,407	-	39,407

### Disagreements with Management

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

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2020.

### Management Consultations with Other Independent Accountants

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



**BOTTINEAU COUNTY**

Governance Communication – Continued

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**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. This information is intended solely for the use of the Board of County Commissioners and management of Bottineau County, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
November 16, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505