

# **AUDIT REPORT**

WELLS COUNTY  
Fessenden, North Dakota

For the Years Ended December 31, 2019 and 2018

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

WELLS COUNTY  
Fessenden, North Dakota

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For the Years Ended December 31, 2019 and 2018

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WELLS COUNTY  
Fessenden, North Dakota

COUNTY OFFICIALS

Dennis Dockter	Commission Chairman
Stan Buxa	Commission Vice Chairman
Mary Hager	Commissioner
Leon Klocke	Commissioner
Danny Maxwell	Commissioner
Julie Krosbakken	Auditor
Joyce Larson	Treasurer
Chris Kluth	Sheriff
Carla Johnson	Clerk of Court
Carrie Krause	County Recorder
Kathleen Murray	States Attorney
Julie Krosbakken	Superintendent of Schools

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
Ken Mehrer, CPA  
Bryce Fischer, CPA

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wells County  
Fessenden, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Wells County, Fessenden, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Wells County, Fessenden, North Dakota, as of December 31, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information on pages 37 through 45 and the schedule of employer's share of net pension liability on page 46 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.

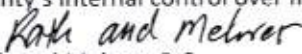
### Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020 on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the county's internal control over financial reporting and compliance.

  
Rath and Mehrer, P.C.

Bismarck, North Dakota

May 8, 2020

WELLS COUNTY  
Fessenden North Dakota

Statement of Net Position  
December 31, 2019

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
<b>ASSETS:</b>			
Cash and Investments	4,769,743.48	544,677.22	274,023.37
Taxes Receivable	46,271.47	3,662.41	2,312.40
Capital Assets (net of accumulated depreciation):			
Land	32,940.00	10,800.00	
Construction in Progress		688,194.00	
Buildings	618,217.00		
Machinery and Vehicles	1,728,317.00		
<b>Total Capital Assets</b>	<b>2,379,474.00</b>	<b>698,994.00</b>	-
<b>Total Assets</b>	<b>7,195,488.95</b>	<b>1,247,333.63</b>	<b>276,335.77</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	1,242,724.00		
<b>LIABILITIES:</b>			
Interest Payable		1,286.21	
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	85,972.74		
Due After One Year:			
Bank Loan Payable		582,037.84	
Compensated Absences Payable	116,927.29		17,990.03
Net Pension Liability	2,700,242.00		
<b>Total Liabilities</b>	<b>2,903,142.03</b>	<b>583,324.05</b>	<b>17,990.03</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenue	915,537.43		
Changes in Resources Related to Pensions	283,963.00		
<b>Total Deferred Inflows of Resources</b>	<b>1,199,500.43</b>	-	-
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,293,501.26	116,956.16	
Restricted for:			
Special Purposes	1,827,564.48		
Unrestricted	214,504.75	547,053.42	258,345.74
<b>Total Net Position</b>	<b>4,335,570.49</b>	<b>664,009.58</b>	<b>258,345.74</b>

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

WELLS COUNTY  
Fessenden North Dakota

Statement of Net Position  
December 31, 2018

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Health District
<b>ASSETS:</b>			
Cash and Investments	5,825,028.98	251,051.78	271,209.36
Taxes Receivable	75,360.80	2,572.06	4,073.83
Capital Assets (net of accumulated depreciation):			
Land	32,940.00		
Construction in Progress		106,157.00	
Buildings	642,752.00		
Machinery and Vehicles	1,965,028.00		
<b>Total Capital Assets</b>	<b>2,640,720.00</b>	<b>106,157.00</b>	-
<b>Total Assets</b>	<b>8,541,109.78</b>	<b>359,780.84</b>	<b>275,283.19</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	1,220,062.00		
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Capital Leases Payable	113,779.42		
Due After One Year:			
Capital Leases Payable	85,972.74		
Compensated Absences Payable	90,200.16		15,061.16
<b>Net Pension Liability</b>	<b>2,429,750.00</b>		
<b>Total Liabilities</b>	<b>2,719,702.32</b>	-	<b>15,061.16</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Revenue	764,123.50		
Changes in Resources Related to Pensions	263,207.00		
<b>Total Deferred Inflows of Resources</b>	<b>1,027,330.50</b>	-	-
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,440,967.84	106,157.00	
Restricted for:			
Special Purposes	1,853,880.89		
Unrestricted	1,719,290.23	253,623.84	260,222.03
<b>Total Net Position</b>	<b>6,014,138.96</b>	<b>359,780.84</b>	<b>260,222.03</b>

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

WELLS COUNTY  
Fessenden North Dakota  
  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Government	1,672,970.38	74,860.30	62,855.04	(1,535,255.04)	
Public Safety	745,180.66	157,297.38	38,222.10	(549,661.18)	
Highways and Public Improvement	2,387,939.82	27,979.76	612,254.05	(1,747,706.01)	
Health and Welfare	1,761,957.53	25,900.30	1,563,575.97	(177,481.26)	
Culture and Recreation	135,447.20			(135,447.20)	
Conservation and Economic Development	354,098.15	27,247.74	3,450.72	(323,399.69)	
Other	19,844.96			(19,844.96)	
Interest on Long-Term Debt	4,993.79			(4,993.79)	
<b>Total Governmental Activities</b>	<b>7,082,432.49</b>	<b>313,285.48</b>	<b>2,280,357.88</b>	<b>(4,488,789.13)</b>	
<b>Component Units:</b>					
Water Resource District	194,532.16		371,314.35	176,782.19	
Health District	608,307.19	196,045.11	220,692.13		(191,569.95)
<u>General Revenues:</u>					
Taxes:					
Property Taxes; levied for general purposes			1,042,452.32	126,553.01	185,046.24
Property taxes; levied for special purposes			1,003,314.44		
Telecommunications taxes			22,055.99		
State aid not restricted to specific program:					
State aid distribution			539,787.48		
Earnings on investments and other revenue			202,610.43	893.54	4,647.42
<b>Total General Revenues</b>			<b>2,810,220.66</b>	<b>127,446.55</b>	<b>189,693.66</b>
<b>Change in Net Position</b>			<b>(1,678,568.47)</b>	<b>304,228.74</b>	<b>(1,876.29)</b>
<b>Net Position - January 1</b>			<b>6,014,138.96</b>	<b>359,780.84</b>	<b>260,222.03</b>
<b>Net Position - December 31</b>			<b>4,335,570.49</b>	<b>664,009.58</b>	<b>258,345.74</b>

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



WELLS COUNTY  
Fessenden North Dakota

Statement of Activities  
For the Year Ended December 31, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	Component Units
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Water Resource District
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Government	1,900,270.87	97,100.45	165,889.22	(1,637,281.20)	
Public Safety	667,864.35	89,568.01	123,316.88	(454,979.46)	
Highways and Public Improvement	1,813,346.96	68,126.04	610,822.09	(1,134,398.83)	
Health and Welfare	947,309.28	124,798.50	1,238,699.68	416,188.90	
Culture and Recreation	167,631.99			(167,631.99)	
Conservation and Economic Development	329,922.67	25,052.20		(304,870.47)	
Interest on Long-Term Debt	17,191.50			(17,191.50)	
<b>Total Governmental Activities</b>	<b>5,843,537.62</b>	<b>404,645.20</b>	<b>2,138,727.87</b>	<b>(3,300,164.55)</b>	
<b>Component Units:</b>					
Water Resource District	153,001.10		66,211.58	(86,789.52)	
Health District	588,293.58	155,092.30	218,609.14		(214,592.14)
<u>General Revenues:</u>					
Taxes:					
Property Taxes; levied for general purposes			2,323,440.53	124,040.37	185,614.75
Property taxes; levied for special purposes			885,328.63		
Telecommunications taxes			22,055.99		
State aid not restricted to specific program:					
State aid distribution			478,391.82		
Earnings on investments and other revenue			123,328.54	806.88	5,829.04
<b>Total General Revenues</b>			<b>3,832,545.51</b>	<b>124,847.25</b>	<b>191,443.79</b>
<b>Change in Net Position</b>			<b>532,380.96</b>	<b>38,057.73</b>	<b>(23,148.35)</b>
<b>Net Position - January 1</b>			<b>5,481,758.00</b>	<b>321,723.11</b>	<b>283,370.38</b>
<b>Net Position - December 31</b>			<b>6,014,138.96</b>	<b>359,780.84</b>	<b>260,222.03</b>

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

WELLS COUNTY  
Fessenden North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2019

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Road	Social Welfare	Highway Tax		
<b>ASSETS:</b>						
Cash and Investments	2,584,877.15	249,593.21	599,095.24	136,948.10	1,199,229.78	4,769,743.48
Taxes Receivable	27,280.63	7,711.15			11,279.69	46,271.47
<b>Total Assets</b>	<b>2,612,157.78</b>	<b>257,304.36</b>	<b>599,095.24</b>	<b>136,948.10</b>	<b>1,210,509.47</b>	<b>4,816,014.95</b>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<u>Deferred Inflows of Resources:</u>						
Unavailable Revenue	638,426.87	132,053.92			191,328.11	961,808.90
<u>Fund Balances:</u>						
Restricted for:						
General Government					12,051.73	12,051.73
Public Safety					254,226.50	254,226.50
Highways and Public Improvements		125,250.44		136,948.10	1,123.96	263,322.50
FEMA Disaster					363,457.04	363,457.04
Health and Welfare			599,095.24		495.83	599,591.07
Culture and Recreation					49.50	49.50
Conservation and Economic Development					53,807.16	53,807.16
Emergency Services					344,565.89	344,565.89
Unassigned	1,973,730.91				(10,596.25)	1,963,134.66
<b>Total Fund Balances</b>	<b>1,973,730.91</b>	<b>125,250.44</b>	<b>599,095.24</b>	<b>136,948.10</b>	<b>1,019,181.36</b>	<b>3,854,206.05</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>2,612,157.78</b>	<b>257,304.36</b>	<b>599,095.24</b>	<b>136,948.10</b>	<b>1,210,509.47</b>	<b>4,816,014.95</b>

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

WELLS COUNTY  
Fessenden North Dakota

Balance Sheet  
Governmental Funds  
December 31, 2018

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Road	Social Welfare	Highway Tax		
<u>ASSETS:</u>						
Cash and Investments	3,756,711.11		594,231.41	218,377.09	1,255,709.37	5,825,028.98
Taxes Receivable	55,970.07	8,405.02			10,985.71	75,360.80
Interfund Receivable	221,161.21					221,161.21
<b>Total Assets</b>	<b>4,033,842.39</b>	<b>8,405.02</b>	<b>594,231.41</b>	<b>218,377.09</b>	<b>1,266,695.08</b>	<b>6,121,550.99</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Interfund Payable		181,890.16			39,271.05	221,161.21
<u>Deferred Inflows of Resources:</u>						
Unavailable Revenue	446,479.11	156,605.85			236,399.34	839,484.30
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>446,479.11</b>	<b>338,496.01</b>	<b>-</b>	<b>-</b>	<b>275,670.39</b>	<b>1,060,645.51</b>
<u>Fund Balances:</u>						
Restricted for:						
General Government					12,746.46	12,746.46
Public Safety					242,355.70	242,355.70
Highways and Public Improvements				218,377.09		218,377.09
FEMA Disaster					379,286.35	379,286.35
Health and Welfare			594,231.41		416.71	594,648.12
Culture and Recreation					40.94	40.94
Conservation and Economic Development					40,093.56	40,093.56
Emergency Services					414,636.35	414,636.35
Unassigned	3,587,363.28	(330,090.99)			(98,551.38)	3,158,720.91
<b>Total Fund Balances</b>	<b>3,587,363.28</b>	<b>(330,090.99)</b>	<b>594,231.41</b>	<b>218,377.09</b>	<b>991,024.69</b>	<b>5,060,905.48</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>4,033,842.39</b>	<b>8,405.02</b>	<b>594,231.41</b>	<b>218,377.09</b>	<b>1,266,695.08</b>	<b>6,121,550.99</b>

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

WELLS COUNTY  
Fessenden North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds 3,854,206.05

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

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

Cost of Capital Assets	4,947,348.00	
Less Accumulated Depreciation	<u>(2,567,874.00)</u>	
Net Capital Assets		2,379,474.00

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. 46,271.47

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

Total Deferred Outflows of Resources	1,242,724.00	
Total Deferred Inflows of Resources	<u>(283,963.00)</u>	
Net Deferred Outflows/Inflows of Resources		958,761.00

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:

Capital Leases Payable	(85,972.74)	
Compensated Absences Payable	(116,927.29)	
Net Pension Liability	<u>(2,700,242.00)</u>	
Total Long-Term Liabilities		<u>(2,903,142.03)</u>

Total Net Position of Governmental Activities 4,335,570.49

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

WELLS COUNTY  
Fessenden North Dakota

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

Total Fund Balances for Governmental Funds		5,060,905.48
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets		4,861,506.00
Less Accumulated Depreciation		<u>(2,220,786.00)</u>
Net Capital Assets		2,640,720.00
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.</p>		
		75,360.80
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources		1,220,062.00
Total Deferred Inflows of Resources		<u>(263,207.00)</u>
Net Deferred Outflows/Inflows of Resources		956,855.00
<p>Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:</p>		
Capital Leases Payable		(199,752.16)
Compensated Absences Payable		(90,200.16)
Net Pension Liability		<u>(2,429,750.00)</u>
Total Long-Term Liabilities		<u>(2,719,702.32)</u>
Total Net Position of Governmental Activities		<u><u>6,014,138.96</u></u>

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

WELLS COUNTY  
Fessenden North Dakota

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

	Major Funds					Total Governmental Funds
	General	Road	Social Welfare	Highway Tax	Other Governmental Funds	
<b>Revenues:</b>						
Taxes	1,093,197.75	396,122.20	6,556.41		601,035.72	2,096,912.08
Licenses, Permits and Fees	4,080.00	12,048.53			109,372.27	125,500.80
Intergovernmental	454,872.67	168,916.91	1,529,189.53	612,254.05	37,837.16	2,803,070.32
Charges for Services	118,705.41	15,931.23	25,900.30		27,247.74	187,784.68
Miscellaneous	100,686.35	9,104.79	100,258.04	1,628.70	8,007.59	219,685.47
<b>Total Revenues</b>	<b>1,771,542.18</b>	<b>602,123.66</b>	<b>1,661,904.28</b>	<b>613,882.75</b>	<b>783,500.48</b>	<b>5,432,953.35</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	1,389,810.70				6,023.73	1,395,834.43
Public Safety	518,966.06				205,341.80	724,307.86
Highways and Public Improvement		846,782.23		556,538.53	673,886.99	2,077,207.75
Health and Welfare	13,483.98		1,603,841.45		93,371.79	1,710,697.22
Culture and Recreation	123,114.15				5,933.05	129,047.20
Conservation and Economic Development	57,311.70				296,786.45	354,098.15
Other	19,844.96					19,844.96
Capital Outlay	36,643.00		53,199.00	20,000.00		109,842.00
<b>Debt Service:</b>						
Principal				113,779.42		113,779.42
Interest and Service Charges				4,993.79		4,993.79
<b>Total Expenditures</b>	<b>2,159,174.55</b>	<b>846,782.23</b>	<b>1,657,040.45</b>	<b>695,311.74</b>	<b>1,281,343.81</b>	<b>6,639,652.78</b>
Excess (Deficiency) of Revenues Over Expenditures	(387,632.37)	(244,658.57)	4,863.83	(81,428.99)	(497,843.33)	(1,206,699.43)
<b>Other Financing Sources (Uses):</b>						
Transfers In		700,000.00			529,838.60	1,229,838.60
Transfers Out	(1,226,000.00)				(3,838.60)	(1,229,838.60)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,226,000.00)</b>	<b>700,000.00</b>	<b>-</b>	<b>-</b>	<b>526,000.00</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(1,613,632.37)</b>	<b>455,341.43</b>	<b>4,863.83</b>	<b>(81,428.99)</b>	<b>28,156.67</b>	<b>(1,206,699.43)</b>
Fund Balance - January 1	3,587,363.28	(330,090.99)	594,231.41	218,377.09	991,024.69	5,060,905.48
<b>Fund Balance - December 31</b>	<b>1,973,730.91</b>	<b>125,250.44</b>	<b>599,095.24</b>	<b>136,948.10</b>	<b>1,019,181.36</b>	<b>3,854,206.05</b>

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

WELLS COUNTY  
Fessenden North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Road	Social Welfare	Highway Tax		
<b>Revenues:</b>						
Taxes	2,330,079.71	384,855.27	10,352.08		503,083.23	3,228,370.29
Licenses, Permits and Fees	4,380.00	12,024.43			96,999.01	113,403.44
Intergovernmental	496,320.47	149,704.23	1,204,622.26	610,822.09	34,077.42	2,495,546.47
Charges for Services	85,289.45	56,101.61	124,798.50		25,052.20	291,241.76
Miscellaneous	200,029.01	4,571.76	16,104.95		24,196.04	244,901.76
<b>Total Revenues</b>	<b>3,116,098.64</b>	<b>607,257.30</b>	<b>1,355,877.79</b>	<b>610,822.09</b>	<b>683,407.90</b>	<b>6,373,463.72</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	1,667,681.89				7,719.62	1,675,401.51
Public Safety	433,947.12				202,384.80	636,331.92
Highways and Public Improvement		914,553.90		325,848.99	261,986.54	1,502,389.43
Health and Welfare	10,359.42		806,327.01		92,726.13	909,412.56
Culture and Recreation	155,464.01				5,767.98	161,231.99
Conservation and Economic Development	37,980.96				293,197.99	331,178.95
Capital Outlay	39,093.00	34,000.00	55,100.00			128,193.00
<b>Debt Service:</b>						
Principal		1,035,584.20		264,861.90		1,300,446.10
Interest and Service Charges		2,738.86		15,228.07		17,966.93
<b>Total Expenditures</b>	<b>2,344,526.40</b>	<b>1,986,876.96</b>	<b>861,427.01</b>	<b>605,938.96</b>	<b>863,783.06</b>	<b>6,662,552.39</b>
Excess (Deficiency) of Revenues Over Expenditures	771,572.24	(1,379,619.66)	494,450.78	4,883.13	(180,375.16)	(289,088.67)
<b>Other Financing Sources (Uses):</b>						
Transfers In	1,354,250.66	1,038,333.06			1,390.95	2,393,974.67
Transfers Out	(1,039,724.01)		(1,354,250.66)			(2,393,974.67)
<b>Total Other Financing Sources (Uses)</b>	<b>314,526.65</b>	<b>1,038,333.06</b>	<b>(1,354,250.66)</b>	<b>-</b>	<b>1,390.95</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>1,086,098.89</b>	<b>(341,286.60)</b>	<b>(859,799.88)</b>	<b>4,883.13</b>	<b>(178,984.21)</b>	<b>(289,088.67)</b>
Fund Balance - January 1	2,501,264.39	11,195.61	1,454,031.29	213,493.96	1,170,008.90	5,349,994.15
Fund Balance - December 31	3,587,363.28	(330,090.99)	594,231.41	218,377.09	991,024.69	5,060,905.48

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

WELLS COUNTY  
Fessenden North Dakota

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

Net Change in Fund Balances - Total Governmental Funds		(1,206,699.43)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	109,842.00		
Current Year Depreciation Expense	<u>(371,088.00)</u>		(261,246.00)

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

Debt Proceeds	-		
Repayment of Debt	<u>113,779.42</u>		113,779.42

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

Net Increase in Compensated Absences	(26,727.13)		
Net Increase to Pension Expense	<u>(268,586.00)</u>		(295,313.13)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Decrease in Taxes Receivable			<u>(29,089.33)</u>
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Change in Net Position of Governmental Activities		<u>(1,678,568.47)</u>
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The accompanying notes to the financial statements are an integral part of these financial statements.



WELLS COUNTY  
Fessenden North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (289,088.67)

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

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

Current Year Capital Outlay	128,193.00	
Current Year Depreciation Expense	<u>(368,038.00)</u>	(239,845.00)

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

Debt Proceeds	-	
Repayment of Debt	<u>1,300,446.10</u>	1,300,446.10

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

Net Increase in Compensated Absences	(42,895.76)	
Net Decrease in Interest Payable	775.43	
Net Increase to Pension Expense	<u>(199,466.00)</u>	(241,586.33)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable		<u>2,454.86</u>
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Change in Net Position of Governmental Activities		<u>532,380.96</u>
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The accompanying notes to the financial statements are an integral part of these financial statements.

WELLS COUNTY  
Fessenden North Dakota

Statement of Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2019

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>1,855,874.74</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>1,855,874.74</u>

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

WELLS COUNTY  
Fessenden North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>2,319,252.63</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>2,319,252.63</u>

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

WELLS COUNTY  
Fessenden, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2019

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	6,386,643.22
State Medical Levy Collections	37,441.26
911 Excise Fees	26,466.50
Assessments/charges to patrons/businesses	<u>24,584.99</u>
 Total Additions	 <u>6,475,135.97</u>
 <u>Deductions:</u>	
Payments of property tax to other governments	6,850,110.76
Payments made for the purpose of public service/public safety	21,240.61
Payments of 911 excise taxes to ND Division of State Radio	27,377.00
Collections remitted to ND State Treasurer	<u>39,785.49</u>
 Total Deductions	 <u>6,938,513.86</u>
 Net Change in Assets and Liabilities	 <u>(463,377.89)</u>
 Assets and Liabilities - January 1	 <u>2,319,252.63</u>
 Assets and Liabilities - December 31	 <u><u>1,855,874.74</u></u>

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

WELLS COUNTY  
Fessenden, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities  
Custodial Funds  
December 31, 2018

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	6,306,160.21
State Medical Levy Collections	41,078.60
911 Excise Fees	31,421.18
Assessments/charges to patrons/businesses	<u>15,136.01</u>
 Total Additions	 <u>6,393,796.00</u>
 <u>Deductions:</u>	
Payments of property tax to other governments	5,707,300.95
Payments made for the purpose of public service/public safety	13,909.68
Payments of 911 excise taxes to ND Division of State Radio	29,661.18
Collections remitted to ND State Treasurer	<u>38,611.65</u>
 Total Deductions	 <u>5,789,483.46</u>
 Net Change in Assets and Liabilities	 <u>604,312.54</u>
 Assets and Liabilities - January 1	 <u>1,714,940.09</u>
 Assets and Liabilities - December 31	 <u><u>2,319,252.63</u></u>

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

WELLS COUNTY  
Fessenden, North Dakota

Notes to the Financial Statements  
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the county. The county has considered all potential component units for which the county is financially accountable and other organizations for which the nature and significance of their relationships with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include 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 Wells County.

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

**Discretely Presented Component Units:** The component units' columns in the basic financial statements include the financial data of the county's two component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

**Wells County Water Resource District:** The Wells County Water Resource District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the water resource district budget. The water resource district has the authority to issue its own debt.

**Wells County Health District:** The Wells County Health District's governing board is appointed by the county's governing board. The county's governing body has the authority to disapprove, amend, or approve the health district budget. The health district has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements. Additional information may be obtained from the Wells County Auditor, Fessenden, ND 58438.

## B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Wells County 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 nonexchange transactions.

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

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

The county reports the following major governmental 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.

*Road.* This is the county's primary road maintenance fund. It accounts for a special levy and all financial resources related to highway maintenance, except those required to be accounted for in another fund.

*Social Welfare.* This is the county's primary health and welfare fund. It accounts for a special levy and all financial resources related to health and welfare, except those required to be accounted for in another fund.

*Highway Tax.* This fund accounts for the highway tax distribution from the State of North Dakota to be used for the maintenance and repair of roads within the county.

The county reports the following type of fiduciary fund.

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

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

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

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

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

#### D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit stated at cost.

#### E. Capital Assets

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

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

Buildings	25 to 150 years
Vehicles	3 to 10 years

#### F. Compensated Absences

Regular non-social service employees earn vacation benefits of 7 to 20 days per year, depending on length of service with the county. Employees are eligible for vacation benefits after the first year of employment and may carry over up to 80 hours of vacation time each year. Upon non-disciplinary termination of employment, regular non-social service employees will be paid for unused vacation benefits. Full time social service employees are granted sick leave and vacation benefits from 8 to 16 hours per month, depending on tenure with the county. Upon termination of employment, social service employees will be paid for vacation benefits that have accrued to a maximum of 240 hours and 10% of accumulated sick leave. Full time health district employees are granted vacation and sick leave benefits of 8 hours per month and part time health district employees are granted vacation benefits of 4 hours per month. Vacation is allowed to accumulate with no maximum. Upon termination of employment, health district employees will be paid for vacation benefits that



have accrued. Sick leave is paid out at 10% upon termination. Vested or accumulated leave is reported in the government-wide statements.

#### G. Long-Term Obligations

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

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

#### H. Pension

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

#### I. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

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

#### J. Interfund Transactions

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

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

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

#### K. Use of Estimates

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

#### Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds,

bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of 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 any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2019 the county's carrying amount of deposits was \$6,619,344 and the bank balance was \$6,819,203. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$5,819,203 was collateralized with securities held by the pledging financial institution's agent in the government's name

At December 31, 2018 the county's carrying amount of deposits was \$8,136,811 and the bank balance was \$8,212,245. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$7,212,245 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

At December 31, 2019, the county held certificates of deposit in the amount of \$2,558,693, which are all considered deposits.

At December 31, 2018, the county held certificates of deposit in the amount of \$2,545,859, which are all considered deposits.

#### Concentration of Credit Risk

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

#### Note 3 TAXES RECEIVABLE

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

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

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

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

**Note 4** INTERFUND RECEIVABLE/PAYABLES

Interfund receivable/payables are created by a negative cash balance in various funds. The amounts shown as interfund payables represent the amount of negative cash in these funds. Interfund receivable/payables are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2018</u>		
General Fund	221,161.21	
Road		181,890.16
Federal Aid Road		39,271.05

**Note 5** CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended:

Primary Government  
December 31, 2019

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	32,940			32,940
<i>Capital assets being depreciated:</i>				
Buildings	1,073,126			1,073,126
Machinery and Vehicles	3,755,440	109,842	24,000	3,841,282
Total	<u>4,828,566</u>	<u>109,842</u>	<u>24,000</u>	<u>4,914,408</u>
<i>Less accumulated depreciation for:</i>				
Buildings	430,374	24,535		454,909
Machinery and Vehicles	1,790,412	346,553	24,000	2,112,965
Total	<u>2,220,786</u>	<u>371,088</u>	<u>24,000</u>	<u>2,567,874</u>

Total capital assets being depreciated, net	2,607,780	(261,246)	-	2,346,534
Governmental Activities Capital Assets, Net	<u>2,640,720</u>	<u>(261,246)</u>	<u>-</u>	<u>2,379,474</u>
 <u>December 31, 2018</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	32,940			32,940
 <i>Capital assets being depreciated:</i>				
Buildings	1,073,126			1,073,126
Machinery and Vehicles	3,655,432	128,193	28,185	3,755,440
Total	<u>4,728,558</u>	<u>128,193</u>	<u>28,185</u>	<u>4,828,566</u>
<i>Less accumulated depreciation for:</i>				
Buildings	404,959	25,415		430,374
Machinery and Vehicles	1,475,974	342,623	28,185	1,790,412
Total	<u>1,880,933</u>	<u>368,038</u>	<u>28,185</u>	<u>2,220,786</u>
Total capital assets being depreciated, net	<u>2,847,625</u>	<u>(239,845)</u>	<u>-</u>	<u>2,607,780</u>
Governmental Activities Capital Assets, Net	<u>2,880,565</u>	<u>(239,845)</u>	<u>-</u>	<u>2,640,720</u>

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

	<u>2019</u>	<u>2018</u>
<b><u>Governmental Activities:</u></b>		
General Government	6,256	6,256
Public Safety	23,010	28,480
Highways and Public Improvements	311,455	309,478
Health and Welfare	23,967	17,424
Culture and Recreation	6,400	6,400
Total Depreciation Expense	<u>371,088</u>	<u>368,038</u>

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the Wells County water resource district, a discretely presented component unit of Wells County, for the years ended:

December 31, 2019

**Discretely Presented Component Unit:**

*Capital Assets not being depreciated:*

Land		10,800		10,800
Construction in Progress	<u>106,157</u>	<u>582,037</u>		<u>688,194</u>
Discretely Presented Component Component Unit Capital Assets	<u>106,157</u>	<u>592,837</u>	<u>-</u>	<u>698,994</u>

December 31, 2018

**Discretely Presented Component Unit:**

*Capital Assets not being depreciated:*

Construction In Progress	<u>-</u>	<u>106,157</u>		<u>106,157</u>
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Note 6 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to December 31, 2019.

Note 7 UNAVAILABLE REVENUE

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

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

Note 8 CAPITAL LEASE PAYABLE

The county has entered into the following lease agreement:

Lease-Purchase of two Caterpillar 160M3 motor graders due in annual installments of \$88,122.06 through December December 1, 2020; payments include interest at 2.5%.	<u>85,972.74</u>
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This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2019;

<u>Year Ending December 31</u>	<u>Payments</u>
2020	88,122.06
Less: amount representing interest	<u>(2,149.32)</u>
Present value of future minimum lease payments	<u>85,972.74</u>

Note 9 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	<u>2019</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Leases Payable	199,752		113,779	85,973	85,973
Compensated Absences *	90,200	26,727		116,927	
<b>Total</b>	<b>289,952</b>	<b>26,727</b>	<b>113,779</b>	<b>202,900</b>	<b>85,973</b>

	<u>2018</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Leases Payable	1,500,198		1,300,446	199,752	113,779
Compensated Absences *	47,304	42,896		90,200	
<b>Total</b>	<b>1,547,502</b>	<b>42,896</b>	<b>1,300,446</b>	<b>289,952</b>	<b>113,779</b>

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities – Component Units:

<u>Water Resource District</u>	<u>2019</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Loan Payable		582,038		582,038	

<u>Health District</u>	<u>2019</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Compensated Absences *	15,061	2,929		17,990	

<u>Health District</u>	<u>2018</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Compensated Absences *	14,263	798		15,061	

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

Outstanding debt at December 31, 2019 for the Wells County water resource district consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019 is as follows:

Bank Loan Payable. The water resource district has entered into a loan agreement with 1<sup>st</sup> International Bank and Trust for an infrastructure project.

The Wells County Water Resource District is in the process of an infrastructure project and has obtained a line of credit from 1<sup>st</sup> International Bank and Trust with available funding of \$1,200,000. The district has accessed \$582,037.84 during the year ending December 31, 2019 to pay costs for the Hurdsfield drain project. The current interest rate for this loan is 3.5%. A debt repayment schedule is not currently available as the water resource district has not withdrawn all funds available. The balance outstanding at December 31, 2019 is \$582,037.84. The city has \$617,962.06 of drawdowns still available at December 31, 2019.

Note 10 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
Road	700,000.00	
Federal Aid Road	526,000.00	
General Fund		1,226,000.00
To subsidize expenditures.		
Wireless 911	3,838.60	
911 Fund		3,838.60
To subsidize expenditures.		
<u>December 31, 2018</u>		
General Fund	1,354,250.66	
Social Welfare		1,354,250.66
To transfer funds in excess of allowable threshold.		
Road	1,038,333.06	
Preservation Fund	1,390.95	
General Fund		1,039,724.01
To subsidize expenditures		



Note 11 DEFICIT FUND BALANCES

The following funds had a deficit balance as of December 31:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Road Fund		(330,090.99)
Federal Aid Road		(98,551.38)
County Agent	(10,596.25)	

The county plans on eliminating these deficit balances with future revenue collections and/or transfers from other funds.

Note 12 RELATED ORGANIZATIONS

The county is also responsible for levying a property tax for the Wells County Senior Citizens, Wells County Historical Society and Job Development. However, the county's accountability for these entities does not extend beyond levying the tax. In 2019 and 2018, the county remitted \$93,371.79 and \$92,726.13 to the Senior Citizens, \$5,933.05 and \$5,767.98 to the Historical Society, and \$64,528.28 and \$64,798.82 to the Job Development, respectively.

Note 13 RISK MANAGEMENT

Wells 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The county pays an annual premium to NDRF for its general liability, automobile and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$4,251,382 for public assets.

The county also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the county with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The county has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 14 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 NDPERS plan is financed by investment income and contributions.

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for

benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

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

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

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

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

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

- 1 to 12 months of service -  
Greater of one percent of monthly salary or \$25
  
- 13 to 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, Wells County reported a liability of \$2,700,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the county's proportion was .160004 percent, which was an increase of .008873 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2019, the county recognized pension expense of \$416,434. At December 31, 2019 the county reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	7,148	91,867
Changes in assumptions	974,731	38,541
Net difference between projected and actual earnings on pension plan investments		13,137
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,826	140,418
County contributions subsequent to the measurement date (see below)	<u>160,019</u>	
Total	<u>1,242,724</u>	<u>283,963</u>

\$160,019 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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:

<u>Year ended June 30:</u>	
2019	248,894
2020	213,668
2021	206,666
2022	116,583
2023	12,931
Thereafter	0

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

Inflation		3.50%
Salary increases	Service at	
	<u>Beginning of Year</u>	<u>Increase Rate</u>
	0	15.00%
	1	10.00%
	2	8.00%

Age *	
Under 30	10.00%
30 - 39	7.50%
40 - 49	6.75%
50 - 59	6.50%
60+	5.25%

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

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2018 funding actuarial valuation for NDPERS.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet

benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

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

**Sensitivity of the county's proportionate share of the net pension liability to changes in the discount rate.**

The following presents the county's proportionate share of the net pension liability calculated using the discount rate of 6.32%, as well as what the county's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease <u>(5.32%)</u>	Current Rate <u>(6.32%)</u>	1% Increase <u>(7.32%)</u>
The county's proportionate share of the net pension liability	3,669,127	2,700,242	1,891,739

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

WELLS COUNTY  
Fessenden, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	2,577,882.80	2,577,882.80	1,093,197.75	(1,484,685.05)
Licenses, Permits and Fees	7,000.00	7,000.00	4,080.00	(2,920.00)
Intergovernmental	385,515.00	385,515.00	454,872.67	69,357.67
Charges for Services	185,500.00	185,500.00	118,705.41	(66,794.59)
Miscellaneous	157,500.00	157,500.00	100,686.35	(56,813.65)
<b>Total Revenues</b>	<b>3,313,397.80</b>	<b>3,313,397.80</b>	<b>1,771,542.18</b>	<b>(1,541,855.62)</b>
<u>Expenditures:</u>				
Current:				
General Government	2,515,488.00	2,515,488.00	1,389,810.70	1,125,677.30
Public Safety	500,735.00	500,735.00	518,966.06	(18,231.06)
Health and Welfare	11,728.00	11,728.00	13,483.98	(1,755.98)
Culture and Recreation	151,500.00	151,500.00	123,114.15	28,385.85
Conservation and Economic Develop.	35,000.00	35,000.00	57,311.70	(22,311.70)
Other	20,000.00	20,000.00	19,844.96	155.04
Capital Outlay			36,643.00	(36,643.00)
<b>Total Expenditures</b>	<b>3,234,451.00</b>	<b>3,234,451.00</b>	<b>2,159,174.55</b>	<b>1,075,276.45</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>78,946.80</b>	<b>78,946.80</b>	<b>(387,632.37)</b>	<b>(466,579.17)</b>
<u>Other Financing (Uses):</u>				
Transfers out			(1,226,000.00)	(1,226,000.00)
<b>Net Change in Fund Balances</b>	<b>78,946.80</b>	<b>78,946.80</b>	<b>(1,613,632.37)</b>	<b>(1,692,579.17)</b>
<b>Fund Balance - January 1</b>	<b>3,587,363.28</b>	<b>3,587,363.28</b>	<b>3,587,363.28</b>	
<b>Fund Balance - December 31</b>	<b>3,666,310.08</b>	<b>3,666,310.08</b>	<b>1,973,730.91</b>	<b>(1,692,579.17)</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	2,481,702.90	2,481,702.90	2,330,079.71	(151,623.19)
Licenses, Permits and Fees	8,907.00	8,907.00	4,380.00	(4,527.00)
Intergovernmental	487,000.00	487,000.00	496,320.47	9,320.47
Charges for Services	129,148.00	129,148.00	85,289.45	(43,858.55)
Miscellaneous	307,283.00	307,283.00	200,029.01	(107,253.99)
<b>Total Revenues</b>	<b>3,414,040.90</b>	<b>3,414,040.90</b>	<b>3,116,098.64</b>	<b>(297,942.26)</b>
<u>Expenditures:</u>				
Current:				
General Government	2,472,285.00	2,472,285.00	1,667,681.89	804,603.11
Public Safety	415,034.00	415,034.00	433,947.12	(18,913.12)
Health and Welfare	11,528.00	11,528.00	10,359.42	1,168.58
Culture and Recreation	166,500.00	166,500.00	155,464.01	11,035.99
Conservation and Economic Develop.	35,000.00	35,000.00	37,980.96	(2,980.96)
Other	20,000.00	20,000.00		20,000.00
Capital Outlay			39,093.00	(39,093.00)
<b>Total Expenditures</b>	<b>3,120,347.00</b>	<b>3,120,347.00</b>	<b>2,344,526.40</b>	<b>775,820.60</b>
Excess (Deficiency) of Revenues Over Expenditures	293,693.90	293,693.90	771,572.24	477,878.34
<u>Other Financing Sources (Uses):</u>				
Transfers in			1,354,250.66	1,354,250.66
Transfers out			(1,039,724.01)	(1,039,724.01)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>314,526.65</b>	<b>314,526.65</b>
<b>Net Change in Fund Balances</b>	<b>293,693.90</b>	<b>293,693.90</b>	<b>1,086,098.89</b>	<b>792,404.99</b>
Fund Balance - January 1	2,501,264.39	2,501,264.39	2,501,264.39	
<b>Fund Balance - December 31</b>	<b>2,794,958.29</b>	<b>2,794,958.29</b>	<b>3,587,363.28</b>	<b>792,404.99</b>



WELLS COUNTY  
Fessenden, North Dakota

Budgetary Comparison Schedule  
Road Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	450,853.75	450,853.75	396,122.20	(54,731.55)
Licenses, Permits and Fees	148,152.00	148,152.00	12,048.53	(136,103.47)
Intergovernmental	350,000.00	350,000.00	168,916.91	(181,083.09)
Charges for Services	199,079.25	199,079.25	15,931.23	(183,148.02)
Miscellaneous	115,743.75	115,743.75	9,104.79	(106,638.96)
<b>Total Revenues</b>	<b>1,263,828.75</b>	<b>1,263,828.75</b>	<b>602,123.66</b>	<b>(661,705.09)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvements	1,016,125.00	1,016,125.00	846,782.23	169,342.77
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>247,703.75</b>	<b>247,703.75</b>	<b>(244,658.57)</b>	<b>(492,362.32)</b>
<u>Other Financing Sources:</u>				
Transfers In			700,000.00	700,000.00
<b>Net Change in Fund Balances</b>	<b>247,703.75</b>	<b>247,703.75</b>	<b>455,341.43</b>	<b>207,637.68</b>
Fund Balance - January 1	(330,090.99)	(330,090.99)	(330,090.99)	
<b>Fund Balance - December 31</b>	<b>(82,387.24)</b>	<b>(82,387.24)</b>	<b>125,250.44</b>	<b>207,637.68</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	447,153.05	447,153.05	384,855.27	(62,297.78)
Licenses, Permits and Fees	78,706.00	78,706.00	12,024.43	(66,681.57)
Intergovernmental	350,000.00	350,000.00	149,704.23	(200,295.77)
Charges for Services	356,491.00	356,491.00	56,101.61	(300,389.39)
Miscellaneous	27,778.00	27,778.00	4,571.76	(23,206.24)
<b>Total Revenues</b>	<b>1,260,128.05</b>	<b>1,260,128.05</b>	<b>607,257.30</b>	<b>(652,870.75)</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvements	1,117,500.00	1,117,500.00	914,553.90	202,946.10
Capital Outlay			34,000.00	(34,000.00)
Debt Service:				
Principal	375,000.00	375,000.00	1,035,584.20	(660,584.20)
Interest and Service Charges			2,738.86	(2,738.86)
<b>Total Expenditures</b>	<b>1,492,500.00</b>	<b>1,492,500.00</b>	<b>1,986,876.96</b>	<b>(494,376.96)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(232,371.95)</b>	<b>(232,371.95)</b>	<b>(1,379,619.66)</b>	<b>(1,147,247.71)</b>
<u>Other Financing Sources:</u>				
Transfers In			1,038,333.06	1,038,333.06
<b>Net Change in Fund Balances</b>	<b>(232,371.95)</b>	<b>(232,371.95)</b>	<b>(341,286.60)</b>	<b>(108,914.65)</b>
<b>Fund Balance - January 1</b>	<b>11,195.61</b>	<b>11,195.61</b>	<b>11,195.61</b>	
<b>Fund Balance - December 31</b>	<b>(221,176.34)</b>	<b>(221,176.34)</b>	<b>(330,090.99)</b>	<b>(108,914.65)</b>

WELLS COUNTY  
Fessenden, North Dakota

Budgetary Comparison Schedule  
Social Welfare Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes			6,556.41	6,556.41
Intergovernmental			1,529,189.53	1,529,189.53
Charges for Services			25,900.30	25,900.30
Miscellaneous			100,258.04	100,258.04
<b>Total Revenues</b>	-	-	1,661,904.28	1,661,904.28
<u>Expenditures:</u>				
Current:				
Health and Welfare	2,064,491.00	2,064,491.00	1,603,841.45	460,649.55
Capital Outlay	63,850.00	63,850.00	53,199.00	10,651.00
<b>Total Expenditures</b>	2,128,341.00	2,128,341.00	1,657,040.45	471,300.55
<b>Net Change in Fund Balances</b>	(2,128,341.00)	(2,128,341.00)	4,863.83	2,133,204.83
<b>Fund Balance - January 1</b>	594,231.41	594,231.41	594,231.41	
<b>Fund Balance - December 31</b>	(1,534,109.59)	(1,534,109.59)	599,095.24	2,133,204.83

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes			10,352.08	10,352.08
Intergovernmental			1,204,622.26	1,204,622.26
Charges for Services			124,798.50	124,798.50
Miscellaneous			16,104.95	16,104.95
<b>Total Revenues</b>	-	-	1,355,877.79	1,355,877.79
<u>Expenditures:</u>				
Current:				
Health and Welfare	1,300,699.00	1,300,699.00	806,327.01	494,371.99
Capital Outlay	83,023.00	83,023.00	55,100.00	27,923.00
<b>Total Expenditures</b>	1,383,722.00	1,383,722.00	861,427.01	522,294.99
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,383,722.00)	(1,383,722.00)	494,450.78	1,878,172.78
<u>Other Financing (Uses):</u>				
Transfers Out			(1,354,250.66)	(1,354,250.66)
<b>Net Change in Fund Balances</b>	(1,383,722.00)	(1,383,722.00)	(859,799.88)	523,922.12
<b>Fund Balance - January 1</b>	1,454,031.29	1,454,031.29	1,454,031.29	
<b>Fund Balance - December 31</b>	70,309.29	70,309.29	594,231.41	523,922.12

WELLS COUNTY  
Fessenden, North Dakota

Budgetary Comparison Schedule  
Highway Tax Fund  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	571,995.00	571,995.00	612,254.05	40,259.05
Miscellaneous			1,628.70	1,628.70
<b>Total Revenues</b>	<b>571,995.00</b>	<b>571,995.00</b>	<b>613,882.75</b>	<b>41,887.75</b>
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	665,100.00	665,100.00	556,538.53	108,561.47
Capital Outlay	24,941.25	24,941.25	20,000.00	4,941.25
Debt Service:				
Principal	133,020.00	133,020.00	113,779.42	19,240.58
Interest	8,313.75	8,313.75	4,993.79	3,319.96
<b>Total Expenditures</b>	<b>831,375.00</b>	<b>831,375.00</b>	<b>695,311.74</b>	<b>136,063.26</b>
<b>Net Change in Fund Balances</b>	<b>(259,380.00)</b>	<b>(259,380.00)</b>	<b>(81,428.99)</b>	<b>177,951.01</b>
Fund Balance - January 1	218,377.09	218,377.09	218,377.09	
<b>Fund Balance - December 31</b>	<b>(41,002.91)</b>	<b>(41,002.91)</b>	<b>136,948.10</b>	<b>177,951.01</b>

WELLS COUNTY  
Fessenden, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	575,607.00	575,607.00	610,822.09	35,215.09
<u>Expenditures:</u>				
Current:				
Highways and Public Improvement	355,000.00	355,000.00	325,848.99	29,151.01
Debt Service				
Principal			264,861.90	(264,861.90)
Interest			15,228.07	(15,228.07)
Total Expenditures	355,000.00	355,000.00	605,938.96	(250,938.96)
Net Change in Fund Balances	220,607.00	220,607.00	4,883.13	(215,723.87)
Fund Balance - January 1	213,493.96	213,493.96	213,493.96	
Fund Balance - December 31	434,100.96	434,100.96	218,377.09	(215,723.87)

WELLS COUNTY  
Fessenden, North Dakota.

Notes to the Budgetary Comparison Schedules  
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

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

	2019	2018
<u>Special Revenue Funds</u>		
Road		494,376.96
Highway Tax		250,938.96
Emergency	69,931.24	
Federal Aid Road	234,773.63	
* FEMA	15,829.31	8,925.00
County Agent	12,513.05	7,907.31
Weed Control	14,099.12	24,165.86
* Wireless 911	41,541.11	34,672.29
* Preservation Fund	5,925.13	7,719.62
Senior Citizens	33,371.79	27,726.13
Historical Society		67.98
* Sheriff		1,911.00

\* A budget was not prepared for this fund.

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

WELLS COUNTY  
Fessenden, North Dakota

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

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.160040%	0.151167%	0.165463%	0.154986%	0.186247%
County's proportionate share of the net pension liability	2,700,242	2,429,750	1,612,598	1,053,878	1,182,150
County's covered employee payroll	1,743,509	1,681,213	1,689,151	1,601,888	1,637,181
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	154.87%	144.52%	95.47%	65.79%	72.21%
Plan fiduciary net position as a percentage of the total pension liability	62.80%	61.98%	70.46%	77.15%	77.70%

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

	2019	2018	2017	2016	2015
Statutorily required contribution	124,138	119,702	120,268	114,054	108,645
Contributions in relation to the statutorily required contributions	(124,138)	(119,702)	(120,268)	(114,054)	(108,645)
Contribution deficiency (excess)	0	0	0	0	0
County's covered-employee payroll	1,743,509	1,681,213	1,689,151	1,601,888	1,637,181
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	6.64%

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

- For changes of assumptions, see Note 14 to the financial statements.



WELLS COUNTY  
Fessenden North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2019

	Balance 1/1/2019	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2019
<b>Major Governmental Funds</b>						
General Fund	3,977,872.32	1,992,179.38		1,226,000.00	2,159,174.55	2,584,877.15
Road	(181,890.16)	578,265.60	700,000.00		846,782.23	249,593.21
Social Welfare	594,231.41	1,661,904.28			1,657,040.45	599,095.24
Highway Tax	218,377.09	613,882.75			695,311.74	136,948.10
<b>Total Major Governmental Funds</b>	<b>4,608,590.66</b>	<b>4,846,232.01</b>	<b>700,000.00</b>	<b>1,226,000.00</b>	<b>5,358,308.97</b>	<b>3,570,513.70</b>
<b>Non-Major Governmental Funds</b>						
Emergency	416,266.32	4,099.01			74,431.24	345,934.09
Federal Aid Road	(39,271.05)	148,905.84	526,000.00		584,773.63	50,861.16
<b>FEMA Fund:</b>						
FEMA 2009	65,763.03					65,763.03
FEMA 2010	64,479.41					64,479.41
FEMA 2011	203,854.75				9,879.31	193,975.44
FEMA 2013	45,189.16				5,950.00	39,239.16
County Agent	37,191.71	73,903.61			97,445.05	13,650.27
Weed Control	76,542.38	153,685.70			134,813.12	95,414.96
Jail and Transportation	206,195.71	111,611.52			104,897.04	212,910.19
Job Development Authority	24,616.70	40,455.61			64,528.28	544.03
Wireless 911	5,014.41	36,898.75	3,838.60		41,541.11	4,210.65
911 Fund	72,799.71	67,243.12		3,838.60	57,855.06	78,349.17
Preservation Fund	12,746.46	5,230.40			5,925.13	12,051.73
Senior Citizens	22,499.05	90,642.08			93,371.79	19,769.34
Historical Society	2,263.88	5,459.63			5,933.05	1,790.46
Sheriff	286.69					286.69
<b>Total Non-Major Governmental Funds</b>	<b>1,216,438.32</b>	<b>738,135.27</b>	<b>529,838.60</b>	<b>3,838.60</b>	<b>1,281,343.81</b>	<b>1,199,229.78</b>
<b>Total Governmental Funds</b>	<b>5,825,028.98</b>	<b>5,584,367.28</b>	<b>1,229,838.60</b>	<b>1,229,838.60</b>	<b>6,639,652.78</b>	<b>4,769,743.48</b>
<b>Custodial Funds:</b>						
State Tax	14,988.80	37,441.26			39,785.49	12,644.57
ND 24/7	6,569.41	18,718.00			16,697.34	8,590.07
Paid Under Protest	7,727.23	5,614.97			5,614.97	7,727.23
Soil Conservation	17,483.16	46,123.70			48,312.08	15,294.78
Estimated Tax	5,378.00	12,799.03			17,276.80	900.23
Mobile Tax	26,099.77	11,140.26			24,605.72	12,634.31
Drains	68,227.62	125,771.37			144,156.28	49,842.71
County Agency	7,178.51	3,356.99			3,376.28	7,159.22
County Health District	71,264.49	173,439.54			186,807.67	57,896.36
Garrison Diversion	14,989.65	40,951.09			43,296.14	12,644.60
Hazardous Chemical	7,578.50	1,125.00				8,703.50

(continued)

WELLS COUNTY  
Fessenden North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2019  
(continued)

	Balance 1/1/2019	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2019
<u>Custodial Funds (continued):</u>						
Water Resource District	44,995.83	111,050.80			125,462.66	30,583.97
SIRN	4,285.50	26,466.50			27,377.00	3,375.00
SAAF	25.00	692.49			664.99	52.50
SAVIN	(155.00)	692.51			502.00	35.51
Total Cities	483,201.48	1,593,925.40			1,735,069.50	342,057.38
Total Schools	1,284,369.09	3,169,810.67			3,381,507.82	1,072,671.94
Total Townships	155,960.63	828,624.37			852,390.41	132,194.59
Total Ambulance Districts	66,941.72	178,374.98			190,852.60	54,464.10
Total Fire Districts	32,143.24	89,017.04			94,758.11	26,402.17
<b>Total Custodial Funds</b>	<b>2,319,252.63</b>	<b>6,475,135.97</b>	-	-	<b>6,938,513.86</b>	<b>1,855,874.74</b>
<b>Total Primary Government</b>	<b>8,144,281.61</b>	<b>12,059,503.25</b>	<b>1,229,838.60</b>	<b>1,229,838.60</b>	<b>13,578,166.64</b>	<b>6,625,618.22</b>
<u>Component Units:</u>						
Water Resource District	251,051.78	1,079,708.39			786,082.95	544,677.22
Wells County Health District	271,209.36	608,192.33			605,378.32	274,023.37
<b>Total Component Units</b>	<b>522,261.14</b>	<b>1,687,900.72</b>	-	-	<b>1,391,461.27</b>	<b>818,700.59</b>
<b>Total Reporting Entity</b>	<b>8,666,542.75</b>	<b>13,747,403.97</b>	<b>1,229,838.60</b>	<b>1,229,838.60</b>	<b>14,969,627.91</b>	<b>7,444,318.81</b>

WELLS COUNTY  
Fessenden North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018

	Balance 1/1/2018	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2018
<u>Major Governmental Funds</u>						
General Fund	3,247,994.65	2,759,877.42	1,354,250.66	1,039,724.01	2,344,526.40	3,977,872.32
Road	135,650.27	631,003.47	1,038,333.06		1,986,876.96	(181,890.16)
Social Welfare	1,454,031.29	1,355,877.79		1,354,250.66	861,427.01	594,231.41
Highway Tax	213,493.96	610,822.09			605,938.96	218,377.09
<b>Total Major Governmental Funds</b>	<b>5,051,170.17</b>	<b>5,357,580.77</b>	<b>2,392,583.72</b>	<b>2,393,974.67</b>	<b>5,798,769.33</b>	<b>4,608,590.66</b>
<u>Non-Major Governmental Funds</u>						
Emergency	410,832.17	5,434.15				416,266.32
Federal Aid Road	50,348.97	163,441.52			253,061.54	(39,271.05)
<u>FEMA Fund:</u>						
FEMA 2009	65,763.03					65,763.03
FEMA 2010	64,479.41					64,479.41
FEMA 2011	212,759.75	20.00			8,925.00	203,854.75
FEMA 2013	45,189.16					45,189.16
County Agent	42,482.13	81,209.89			86,500.31	37,191.71
Weed Control	64,597.51	153,843.73			141,898.86	76,542.38
Jail and Transportation	244,670.05	75,245.66			113,720.00	206,195.71
Job Development Authority	21,245.25	68,170.27			64,798.82	24,616.70
Wireless 911	2,836.97	36,849.73			34,672.29	5,014.41
911 Fund	72,162.94	52,718.28			52,081.51	72,799.71
Preservation Fund	11,644.13	7,431.00	1,390.95		7,719.62	12,746.46
Senior Citizens	19,232.78	95,992.40			92,726.13	22,499.05
Historical Society	1,886.09	6,145.77			5,767.98	2,263.88
Sheriff	2,167.69	30.00			1,911.00	286.69
<b>Total Non-Major Governmental Funds</b>	<b>1,332,298.03</b>	<b>746,532.40</b>	<b>1,390.95</b>	<b>-</b>	<b>863,783.06</b>	<b>1,216,438.32</b>
<b>Total Governmental Funds</b>	<b>6,383,468.20</b>	<b>6,104,113.17</b>	<b>2,393,974.67</b>	<b>2,393,974.67</b>	<b>6,662,552.39</b>	<b>5,825,028.98</b>
<u>Custodial Funds:</u>						
State Tax	12,521.85	41,078.60			38,611.65	14,988.80
ND 24/7	7,411.51	9,947.00			10,789.10	6,569.41
Paid Under Protest	7,727.23	3,944.62			3,944.62	7,727.23
Soil Conservation	13,451.37	47,308.28			43,276.49	17,483.16
Estimated Tax	8,361.87	10,042.48			13,026.35	5,378.00
Mobile Tax	25,360.65	23,655.57			22,916.45	26,099.77
Drains	24,126.81	108,030.16			63,929.35	68,227.62
County Agency	5,825.58	3,168.51			1,815.58	7,178.51
County Health District	60,707.75	195,315.42			184,758.68	71,264.49
Garrison Diversion	12,519.50	44,184.21			41,714.06	14,989.65
Hazardous Chemical	6,491.00	1,087.50				7,578.50

(continued)

WELLS COUNTY  
Fessenden North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018  
(continued)

	Balance 1/1/2018	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2018
<u>Custodial Funds (continued):</u>						
Water Resource District	38,345.09	130,466.02			123,815.28	44,995.83
SIRN	2,525.50	31,421.18			29,661.18	4,285.50
SAAF	83.50	466.50			525.00	25.00
SAVIN	158.50	466.50			780.00	(155.00)
Total Cities	226,417.32	1,356,463.95			1,099,679.79	483,201.48
Total Schools	1,053,818.64	3,448,908.24			3,218,357.79	1,284,369.09
Total Townships	124,656.78	645,802.30			614,498.45	155,960.63
Total Ambulance Districts	52,203.29	185,007.36			170,268.93	66,941.72
Total Fire Districts	32,226.35	107,031.60			107,114.71	32,143.24
<b>Total Custodial Funds</b>	<b>1,714,940.09</b>	<b>6,393,796.00</b>	<b>-</b>	<b>-</b>	<b>5,789,483.46</b>	<b>2,319,252.63</b>
<b>Total Primary Government</b>	<b>8,098,408.29</b>	<b>12,497,909.17</b>	<b>2,393,974.67</b>	<b>2,393,974.67</b>	<b>12,452,035.85</b>	<b>8,144,281.61</b>
<u>Component Units:</u>						
Water Resource District	319,376.14	190,833.74			259,158.10	251,051.78
Wells County Health District	294,415.54	564,289.16			587,495.34	271,209.36
<b>Total Component Units</b>	<b>613,791.68</b>	<b>755,122.90</b>	<b>-</b>	<b>-</b>	<b>846,653.44</b>	<b>522,261.14</b>
<b>Total Reporting Entity</b>	<b>8,712,199.97</b>	<b>13,253,032.07</b>	<b>2,393,974.67</b>	<b>2,393,974.67</b>	<b>13,298,689.29</b>	<b>8,666,542.75</b>

# Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Wells County  
Fessenden, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Wells County, Fessenden, North Dakota, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements, and have issued our report thereon dated May 8, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 8, 2020

WELLS COUNTY  
Fessenden, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2019 and 2018

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

*Financial Statements*

Type of Auditor’s Report Issued:

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

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

No matters were reported

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Governing Board  
Wells County  
Fessenden, North Dakota

Our audits of the financial records of Wells County, Fessenden, North Dakota, for the years ended December 31, 2019 and 2018 have disclosed opportunities for improvements in the operations of the county. The item which we believe should be brought to your attention is set forth below:

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## BUDGETS

The county's annual budget forms do not include all the required information. The county's budgets do not provide the detail for non-tax revenue and do not provide expenditure detail for county funds other than the general fund and the road & bridge fund. We recommend the county's future annual budgets be prepared using the forms required by NDCC 11-23-02. Also, the county is not budgeting for all special revenue funds. We recommend the county prepare a budget for all funds as required by the century code.

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We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the county during our audits.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the Governing Board, is a matter of public record.



Rath and Mehrer, P.C.

May 8, 2020