



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Nelson County

Lakota, North Dakota

Audit Report for the Years Ended December 31, 2020 and 2019

Client Code: PS32000



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Office of the
State Auditor

NELSON COUNTY

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NELSON COUNTY

County Officials and Audit Personnel
December 31, 2020 and 2019

COUNTY OFFICIALS

At December 31, 2020

Bruce Ellertson	Commissioner - Chairman
Nancy Marquart	Commissioner - Vice Chairman
Alan Klefstad	Commissioner
Don Fougner	Commissioner
Maynard Loibl	Commissioner
Jenny Wigen	Auditor
Bernadette Matejcek	Treasurer
Keith Olson	Sheriff
Erin Fossen	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney

At December 31, 2019

Bruce Ellertson	Commissioner - Chairman
Nancy Marquart	Commissioner - Vice Chairman
Alan Klefstad	Commissioner
Don Fougner	Commissioner
Maynard Loibl	Commissioner
Jenny Wigen	Auditor
Bernadette Matejcek	Treasurer
Keith Olson	Sheriff
Becky Nelson	Recorder/Clerk of Court
Jayme Tenneson	State's Attorney

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Brian Hermanson	Audit In-Charge



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nelson County
Lakota, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Nelson County, North Dakota, as of and for the years ended December 31, 2020 and December 31, 2019, and the related notes to the financial statements, which collectively comprise Nelson County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Nelson County, North Dakota, as of December 31, 2020 and December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of Nelson 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 Nelson County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 15, 2021

NELSON COUNTY

Statement of Net Position

December 31, 2020

	Primary Government	Component Units	
	Governmental Activities	Water Resource Board	Job Development Authority
ASSETS			
Cash and Investments	\$ 1,887,055	\$ 106,256	\$ 181,510
Intergovernmental Receivable	302,424	13,691	-
Road Receivable	37,608	-	-
Loan Receivable	-	-	58,059
Taxes Receivable	76,827	3,769	3,690
Capital Assets			
Nondepreciable	15,580	25,659	-
Depreciable, Net	3,515,173	4,250,963	-
Total Assets	\$ 5,834,667	\$ 4,400,338	\$ 243,259
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 2,946,072	\$ -	\$ -
Total Assets & Deferred Outflows of Resources	\$ 8,780,739	\$ 4,400,338	\$ 243,259
LIABILITIES			
Accounts Payable	\$ 70,222	\$ 5,292	\$ -
Salaries Payable	38,211	-	-
Payroll Liability	11,869	-	-
Interest Payable	-	5,398	-
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	-	159,301	-
Compensated Absences Payable	33,281	-	-
Due After One Year			
Long Term Debt	-	820,199	-
Compensated Absences Payable	49,922	-	-
Net Pension & OPEB Liabilities	4,991,048	-	-
Total Liabilities	\$ 5,194,553	\$ 990,190	\$ -
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 684,460	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 5,879,013	\$ 990,190	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 3,530,753	\$ 3,297,122	\$ -
Restricted for			
Flood Control	66,305	-	-
Conservation of Natural Resources	125,715	113,026	-
Emergencies	156,543	-	-
Economic Development	5	-	243,259
Unrestricted	(977,595)	-	-
Total Net Position	\$ 2,901,726	\$ 3,410,148	\$ 243,259

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

NELSON COUNTY

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource Board	Job Development Authority
Primary Government							
General Government	\$ 2,252,105	\$ 55,608	\$ 218,904	\$ -	\$ (1,977,593)	\$ -	\$ -
Public Safety	674,889	83,618	7,415	-	(583,856)	-	-
Highways	1,905,618	420,858	437,721	923,925	(123,114)	-	-
Flood Repair	-	-	194,066	-	194,066	-	-
Health and Welfare	692,722	4,177	161,234	-	(527,311)	-	-
Culture and Recreation	171,196	138,475	-	-	(32,721)	-	-
Conser. of Natural Resources	157,723	6,213	42,769	-	(108,741)	-	-
Economic Development	242,869	-	242,869	-	-	-	-
Emergencies	140,047	-	23,629	-	(116,418)	-	-
Total Primary Government	\$ 6,237,169	\$ 708,949	\$ 1,328,607	\$ 923,925	\$ (3,275,688)	\$ -	\$ -
Component Units							
Water Resource Board	\$ 481,207	\$ 16,414	\$ 33,779	\$ -	\$ -	\$ (431,014)	\$ -
Job Development Authority	120,739	8,132	-	-	-	-	(112,607)
Total Component Units	601,946	24,546	33,779	-	-	(431,014)	(112,607)
General Revenues							
Property Taxes					\$ 2,086,820	\$ 312,044	\$ 103,530
Unrestricted State Shared Revenue					1,284,890	-	-
Earnings on investments					27,241	169	537
Miscellaneous revenue					45,358	37,073	9,975
Debt Forgiveness Expense					-	-	(15,000)
Gain on Sale of Assets					2,425	-	-
Total General Revenues					\$ 3,446,734	\$ 349,286	\$ 99,042
Change in Net Position					\$ 171,046	\$ (81,728)	\$ (13,565)
Net Position - January 1					\$ 2,730,680	\$ 3,491,876	\$ 256,824
Net Position - December 31					\$ 2,901,726	\$ 3,410,148	\$ 243,259

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

NELSON COUNTY

Balance Sheet – Governmental Funds
December 31, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 556,083	\$ 1,330,972	\$ 1,887,055
Intergovernmental Receivable	140,551	161,873	302,424
Road Receivable	-	37,608	37,608
Taxes Receivable	48,449	28,378	76,827
Total Assets	<u>\$ 745,083</u>	<u>\$ 1,558,831</u>	<u>\$ 2,303,914</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 25,423	\$ 44,799	\$ 70,222
Salaries Payable	-	38,211	38,211
Payroll Liability	11,869	-	11,869
Total Liabilities	<u>\$ 37,292</u>	<u>\$ 83,010</u>	<u>\$ 120,302</u>
Deferred Inflows of Resources			
Road Receivable	\$ -	\$ 37,608	\$ 37,608
Taxes Receivable	48,449	28,378	76,827
Total Deferred Inflows of Resources	<u>\$ 48,449</u>	<u>\$ 65,986</u>	<u>\$ 114,435</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 85,741</u>	<u>\$ 148,996</u>	<u>\$ 234,737</u>
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 48,373	\$ 48,373
Highways	-	457,356	457,356
Flood Control	-	66,305	66,305
Health and Welfare	-	382,429	382,429
Conservation of Natural Resources	-	224,796	224,796
Economic Development	-	5	5
Emergencies	-	155,629	155,629
General Government	-	74,942	74,942
Unassigned	659,342	-	659,342
Total Fund Balances	<u>\$ 659,342</u>	<u>\$ 1,409,835</u>	<u>\$ 2,069,177</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 745,083</u>	<u>\$ 1,558,831</u>	<u>\$ 2,303,914</u>

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

NELSON COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2020

Total Fund Balances for Governmental Funds		\$2,069,177
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		3,530,753
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Certain Revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

Property Taxes Receivable	\$ 76,827	
Road Department Accounts Receivable	<u>37,608</u>	114,435

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

Deferred Outflows Derived From Pensions & OPEB	\$ 2,946,072	
Deferred Inflows Derived From Pensions & OPEB	<u>(684,460)</u>	2,261,612

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.

Net Pension Liability	\$(4,991,048)	
Compensated Absences	<u>(83,203)</u>	<u>(5,074,251)</u>

Total Net Position of Governmental Activities		<u><u>\$2,901,726</u></u>
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The notes to the financial statements are an integral part of this statement.

NELSON COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2020

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,299,536	\$ 789,104	\$ 2,088,640
Intergovernmental	1,048,554	1,564,944	2,613,498
Charges for Services	277,701	446,257	723,958
Interest Income	27,241	-	27,241
Miscellaneous	27,604	17,753	45,357
Total Revenues	<u>\$ 2,680,636</u>	<u>\$ 2,818,058</u>	<u>\$ 5,498,694</u>
EXPENDITURES			
Current			
General Government	\$ 2,054,585	\$ 200	\$ 2,054,785
Public Safety	425,122	121,735	546,857
Highways	-	1,703,409	1,703,409
Health and Welfare	-	566,555	566,555
Culture and Recreation	146,911	-	146,911
Conserv. of Natural Resources	-	124,925	124,925
Economic Development	-	242,869	242,869
Emergencies	-	140,047	140,047
Total Expenditures	<u>\$ 2,626,618</u>	<u>\$ 2,899,740</u>	<u>\$ 5,526,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 54,018</u>	<u>\$ (81,682)</u>	<u>\$ (27,664)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Assets	\$ -	\$ 8,000	\$ 8,000
Transfers In	10,517	20,000	30,517
Transfers Out	(20,000)	(10,517)	(30,517)
Total Other Financing Sources and Uses	<u>\$ (9,483)</u>	<u>\$ 17,483</u>	<u>\$ 8,000</u>
Net Change in Fund Balances	<u>\$ 44,535</u>	<u>\$ (64,199)</u>	<u>\$ (19,664)</u>
Fund Balance - January 1	<u>\$ 614,807</u>	<u>\$ 1,474,034</u>	<u>\$ 2,088,841</u>
Fund Balance - December 31	<u>\$ 659,342</u>	<u>\$ 1,409,835</u>	<u>\$ 2,069,177</u>

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

NELSON COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in *Fund Balances* - Total Governmental Funds **\$ (19,664)**

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

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

Current Year Capital Outlay	\$ 296,086	
Capital Contributions	923,925	
Current Year Depreciation Expense	<u>(240,953)</u>	979,058

In the statement of activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold

Gain on Sale of Capital Assets	\$ 2,425	
Proceeds from Sale of Capital Assets	<u>(8,000)</u>	(5,575)

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$(3,063,174)	
Net Change in Deferred Outflows of Resources	2,061,428	
Net Change in Deferred Inflows of Resources	<u>237,670</u>	(764,076)

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

Net Change in Compensated Absences Payable		(1,868)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	\$ (1,819)	
Net Change in Road Receivable	<u>(15,010)</u>	<u>(16,829)</u>

Change in *Net Position* of Governmental Activities **\$ 171,046**

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

NELSON COUNTY

Statement of Net Position

December 31, 2019

	Primary Government	Component Units	
	Governmental Activities	Water Resource Board	Job Development Authority
ASSETS			
Cash and Investments	\$ 2,010,131	\$ 121,904	\$ 192,198
Road Receivable	52,618	-	-
Loan Receivable	-	-	60,865
Taxes Receivable	78,646	3,784	3,761
Intergovernmental Receivable	177,770	-	-
Capital Assets			
Nondepreciable	15,580	-	-
Depreciable, Net	2,541,690	4,371,750	-
Total Assets	\$ 4,876,435	\$ 4,497,438	\$ 256,824
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 884,644	\$ -	\$ -
Total Assets & Deferred Outflows of Resources	\$ 5,761,079	\$ 4,497,438	\$ 256,824
LIABILITIES			
Accounts Payable	\$ 59,735	\$ 6,500	\$ -
Salaries Payable	30,762	6,516	-
Payroll Liability	8,563	-	-
Interest Payable	-	5,546	-
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	-	92,500	-
Compensated Absences Payable	32,534	-	-
Due After One Year			
Long Term Debt	-	894,500	-
Compensated Absences Payable	48,801	-	-
Net Pension & OPEB Liabilities	1,927,874	-	-
Total Liabilities	\$ 2,108,269	\$ 1,005,562	\$ -
DEFERRED INFLOWS OF RESOURCES			
Derived from Pension and OPEB	\$ 922,130	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 3,030,399	\$ 1,005,562	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 2,557,270	\$ 3,384,750	\$ -
Restricted for			
Highways	157,346	-	-
Conservation of Natural Resources	95,553	107,126	-
Emergencies	139,065	-	-
Economic Development	5	-	256,824
Unrestricted	(218,559)	-	-
Total Net Position	\$ 2,730,680	\$ 3,491,876	\$ 256,824

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

NELSON COUNTY

Statement of Activities

For the Year Ended December 31, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Component Units	
				Governmental Activities	Water Resource Board	Job Development Authority
Primary Government						
Governmental Activities						
General Government	\$ 2,071,964	\$ 51,244	\$ 182,172	\$ (1,838,548)	\$ -	\$ -
Public Safety	498,022	87,813	20,592	(389,617)	-	-
Highways	2,011,562	457,311	734,641	(819,610)	-	-
Health and Welfare	729,560	7,055	956,553	234,048	-	-
Culture and Recreation	183,853	130,854	-	(52,999)	-	-
Conser. of Natural Resources	150,940	4,933	46,051	(99,956)	-	-
Economic Development	28,651	-	28,651	-	-	-
Emergencies	34,743	-	15,940	(18,803)	-	-
Total Primary Government	<u>\$ 5,709,295</u>	<u>\$ 739,210</u>	<u>\$ 1,984,600</u>	<u>\$ (2,985,485)</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units						
Water Resource Board	\$ 473,277	\$ 6,416	\$ 32,472	\$ -	\$ (434,389)	\$ -
Job Development Authority	65,729	10,307	-	-	-	(55,422)
Total Component Units	<u>539,006</u>	<u>16,723</u>	<u>32,472</u>	<u>-</u>	<u>(434,389)</u>	<u>(55,422)</u>
General Revenues						
Property Taxes				\$ 2,143,653	\$ 317,554	\$ 101,742
Unrestricted State Shared Revenue				446,851	-	-
Earnings on investments				30,839	289	257
Miscellaneous revenue				63,098	5,988	-
Loss on Sale of Assets				(2,648)	-	-
Total General Revenues				<u>\$ 2,681,793</u>	<u>\$ 323,831</u>	<u>\$ 101,999</u>
Change in Net Position				<u>\$ (303,692)</u>	<u>\$ (110,558)</u>	<u>\$ 46,577</u>
Net Position - January 1				<u>\$ 3,034,372</u>	<u>\$ 3,602,434</u>	<u>\$ 210,247</u>
Net Position - December 31				<u>\$ 2,730,680</u>	<u>\$ 3,491,876</u>	<u>\$ 256,824</u>

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

NELSON COUNTY

Balance Sheet – Governmental Funds
December 31, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 524,830	\$ 1,485,301	\$ 2,010,131
Road Receivable	-	52,618	52,618
Taxes Receivable	51,135	27,511	78,646
Intergovernmental Receivable	126,387	51,383	177,770
 Total Assets	 <u>\$ 702,352</u>	 <u>\$ 1,616,813</u>	 <u>\$ 2,319,165</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 27,047	\$ 32,688	\$ 59,735
Salaries Payable	800	29,962	30,762
Payroll Liability	8,563	-	8,563
 Total Liabilities	 <u>\$ 36,410</u>	 <u>\$ 62,650</u>	 <u>\$ 99,060</u>
Deferred Inflows of Resources			
Road Receivable	\$ -	\$ 52,618	\$ 52,618
Taxes Receivable	51,135	27,511	78,646
 Total Deferred Inflows of Resources	 <u>\$ 51,135</u>	 <u>\$ 80,129</u>	 <u>\$ 131,264</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 87,545</u>	 <u>\$ 142,779</u>	 <u>\$ 230,324</u>
Fund Balances			
Restricted			
Public Safety	\$ -	\$ 38,344	\$ 38,344
Highways	-	759,159	759,159
Health and Welfare	-	336,302	336,302
Conservation of Natural Resources	-	147,163	147,163
Economic Development	-	5	5
Emergencies	-	138,119	138,119
General Government	-	54,942	54,942
Unassigned	614,807	-	614,807
 Total Fund Balances	 <u>\$ 614,807</u>	 <u>\$ 1,474,034</u>	 <u>\$ 2,088,841</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 702,352</u>	 <u>\$ 1,616,813</u>	 <u>\$ 2,319,165</u>

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

NELSON COUNTY

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

Total Fund Balances for Governmental Funds		\$2,088,841
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		2,557,270
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Certain Revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

Property Taxes Receivable	\$ 78,646	
Road Department Accounts Receivable	<u>52,618</u>	131,264

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

Deferred Outflows Derived From Pensions & OPEB	\$ 884,644	
Deferred Inflows Derived From Pensions & OPEB	<u>(922,130)</u>	(37,486)

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.

Net Pension Liability	\$(1,927,874)	
Compensated Absences	<u>(81,335)</u>	<u>(2,009,209)</u>

Total Net Position of Governmental Activities		<u><u>\$2,730,680</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	General	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,385,170	\$ 744,259	\$ 2,129,429
Intergovernmental	710,686	1,720,765	2,431,451
Charges for Services	269,911	456,816	726,727
Interest Income	30,839	-	30,839
Miscellaneous	36,088	27,010	63,098
Total Revenues	<u>\$ 2,432,694</u>	<u>\$ 2,948,850</u>	<u>\$ 5,381,544</u>
EXPENDITURES			
Current			
General Government	\$ 1,984,490	\$ 18,460	\$ 2,002,950
Public Safety	397,874	58,676	456,550
Highways	-	1,823,663	1,823,663
Health and Welfare	-	684,920	684,920
Culture and Recreation	158,571	-	158,571
Conserv. of Natural Resources	-	140,761	140,761
Economic Development	-	28,651	28,651
Emergencies	-	34,743	34,743
Total Expenditures	<u>\$ 2,540,935</u>	<u>\$ 2,789,874</u>	<u>\$ 5,330,809</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (108,241)</u>	<u>\$ 158,976</u>	<u>\$ 50,735</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 21,134	\$ 866	\$ 22,000
Transfers Out	-	(22,000)	(22,000)
Total Other Financing Sources and Uses	<u>\$ 21,134</u>	<u>\$ (21,134)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (87,107)</u>	<u>\$ 137,842</u>	<u>\$ 50,735</u>
Fund Balance - January 1	<u>\$ 701,914</u>	<u>\$ 1,336,192</u>	<u>\$ 2,038,106</u>
Fund Balance - December 31	<u><u>\$ 614,807</u></u>	<u><u>\$ 1,474,034</u></u>	<u><u>\$ 2,088,841</u></u>

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

NELSON COUNTY

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

Net Change in *Fund Balances* - Total Governmental Funds **\$ 50,735**

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

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

Current Year Capital Outlay	\$ 60,829	
Current Year Depreciation Expense	<u>(215,983)</u>	(155,154)

In the statement of activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposal of capital assets. (2,648)

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension & OPEB Liability	\$ 726,660	
Net Change in Deferred Outflows of Resources	(187,875)	
Net Change in Deferred Inflows of Resources	<u>(765,792)</u>	(227,007)

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

Decrease in Compensated Absences Payable	3,675
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	\$ 14,224	
Net Change in Road Receivable	<u>12,483</u>	<u>26,707</u>

Change in *Net Position* of Governmental Activities **\$ (303,692)**

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

NELSON COUNTY

Statement of Fiduciary Net Position-- Fiduciary Funds
December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,839,851	\$ 1,609,495
Accounts Receivable	-	20,842
Intergovernmental Receivable	55,147	49,625
Total Assets	<u>1,894,998</u>	<u>1,679,962</u>
LIABILITIES		
Liabilities		
Funds Held for Other Governmental Units	\$ 67,012	\$ 89,662
Funds Held for Other Purposes	<u>11,868</u>	<u>8,661</u>
Deferred Inflows of Resources		
Taxes Received in Advance	<u>1,816,118</u>	<u>1,581,639</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,894,998</u>	<u>\$ 1,679,962</u>

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

NELSON COUNTYStatement of Changes in Fiduciary Net Position— Fiduciary Funds
December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
ADDITIONS		
Tax Collections for Other Governments	\$ 6,248,053	\$ 5,278,890
Grant Collections for Other Governments	184,825	430,943
Miscellaneous Collections	8,547	7,890
Total Additions	<u>\$ 6,441,425</u>	<u>\$ 5,717,723</u>
DEDUCTIONS		
Tax Disbursements to Other Governments	\$ 6,248,053	\$ 5,278,890
Grant Disbursements to Other Governments	184,825	430,943
Miscellaneous Disbursements	8,547	7,890
Total Deductions	<u>\$ 6,441,425</u>	<u>\$ 5,717,723</u>
Net Increase (Decrease) in Fiduciary Net Position	\$ -	\$ -
Net Position - Beginning	\$ -	\$ -
Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>

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

NELSON COUNTY

Notes to the Financial Statements

For the Year Ended December 31, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

Discretely Presented Component Units - The component unit columns in the basic financial statements includes the financial data of the County's two discretely presented component units. These units are reported in separate columns to emphasize that it is legally separate from the County.

Nelson County Job Development Authority - The County's governing board appoints a voting majority of the members of the job development authority's board. The County has the authority to approve or modify the job development authority's operational and capital budgets. The County also must approve the tax levy established by the job development authority.

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

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 taxes, interest and non-restricted grants and contributions, are presented as general revenues.

NELSON COUNTY

Notes to the Financial Statements – Continued

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund type:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

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.

NELSON COUNTYNotes to the Financial Statements – Continued

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

Assets	Years
Buildings	40 - 75
Machinery & Equipment	5 - 15
Infrastructure	40
Vehicles	3 - 7
Office Equipment	3 - 5

Compensated Absences

Vacation leave is earned at the rate of 12 to 24 days per year depending on years of service; up to 30 days. Upon termination vacation benefits that have accrued through the last day of work will be paid; maximum of 30 days. Employees accrue sick leave benefits at the rate of 1 day per month, up to 60 days. Sick leave benefits for Social Service employees are allowed to accumulate an unlimited amount. Once an employee has reached their maximum accrued sick leave level, they are eligible to trade any additional sick leave awarded that year, at a rate of one day of vacation for six days of sick leave. Upon termination sick leave benefits that have accrued through the last day of work will be paid out at a rate of 10%.

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

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

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

NELSON COUNTY

Notes to the Financial Statements – Continued

Net Position

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

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted state and federal grants/reimbursements.

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

Interfund Transactions

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

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

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

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$3,725,432, and the bank balances totaled \$3,737,990. Of the bank balances, \$1,500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Nelson County Water Resource District's carrying amount of deposits totaled \$106,256, and the bank balances totaled \$139,716. All of the bank balances were covered by Federal Depository Insurance.

At year ended December 31, 2020, the Nelson County Job Development Authority's carrying amount of deposits totaled \$181,510, and the bank balances totaled \$181,510. All of the bank balances were covered by Federal Depository Insurance.

NELSON COUNTY

Notes to the Financial Statements – Continued

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$3,530,687, and the bank balances totaled \$3,536,695. Of the bank balances, \$1,385,725 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2019, the Nelson County Water Resource District's carrying amount of deposits totaled \$121,905, and the bank balances totaled \$133,929. All of the bank balances were covered by Federal Depository Insurance.

At year ended December 31, 2019, the Nelson County Job Development Authority's carrying amount of deposits totaled \$192,198, and the bank balances totaled \$199,756. All of the bank balances were covered by Federal Depository Insurance.

NOTE 3 PROPERTY TAXES

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

NOTE 4 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2020 and 2019:

Primary Government - 2020	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
Capital Assets, Being Depreciated				
Buildings	\$ 1,709,557	\$ -	\$ -	\$ 1,709,557
Equipment	1,343,697	51,675	-	1,395,372
Vehicles	751,260	26,701	27,874	750,087
Infrastructure	1,581,107	1,141,635	-	2,722,742
Total Capital Assets, Being Depreciated	\$ 5,385,621	\$ 1,220,011	\$ 27,874	\$ 6,577,758
Less Accumulated Depreciation				
Buildings	\$ 912,234	\$ 47,194	\$ -	\$ 959,428
Equipment	1,220,574	58,377	-	1,278,951
Vehicles	592,540	67,313	22,299	637,554
Infrastructure	118,583	68,069	-	186,652
Total Accumulated Depreciation	\$ 2,843,931	\$ 240,953	\$ 22,299	\$ 3,062,585
Total Capital Assets Being Depreciated, Net	\$ 2,541,690	\$ 979,058	\$ 5,575	\$ 3,515,173
Capital Assets - Net	\$ 2,557,270	\$ 979,058	\$ 5,575	\$ 3,530,753

NELSON COUNTY

Notes to the Financial Statements – Continued

Primary Government - 2019	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated				
Land	\$ 15,580	\$ -	\$ -	\$ 15,580
Capital Assets, Being Depreciated				
Buildings	\$ 1,709,557	\$ -	\$ -	\$ 1,709,557
Equipment	1,317,063	44,135	17,501	1,343,697
Vehicles	749,301	30,194	28,235	751,260
Infrastructure	1,581,107	-	-	1,581,107
Total Capital Assets, Being Depreciated	\$ 5,357,028	\$ 74,329	\$ 45,736	\$ 5,385,621
Less Accumulated Depreciation				
Buildings	\$ 864,043	\$ 48,191	\$ -	\$ 912,234
Equipment	1,171,765	55,809	7,001	1,220,573
Vehicles	542,673	72,455	22,588	592,540
Infrastructure	79,056	39,528	-	118,584
Total Accumulated Depreciation	\$ 2,657,537	\$ 215,983	\$ 29,589	\$ 2,843,931
Total Capital Assets Being Depreciated, Net	\$ 2,699,491	\$ (141,654)	\$ 16,147	\$ 2,541,690
Capital Assets - Net	\$ 2,715,071	\$ (141,654)	\$ 16,147	\$ 2,557,270

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

Primary Government	2020	2019
General Government	\$ 13,317	\$ 11,146
Public Safety	31,564	30,463
Highways	158,173	137,978
Health and Welfare	-	-
Culture and Recreation	34,285	32,782
Conservation of Natural Resources	3,614	3,614
Total Depreciation Expense	\$ 240,953	\$ 215,983

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the year ended December 31, 2020 and 2019 for the Water Resource District:

Water Resource District - 2020	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 25,659	\$ -	\$ 25,659
Capital Assets, Being Depreciated				
Infrastructure	\$ 4,657,582	\$ -	\$ -	\$ 4,657,582
Equipment	86,950	-	-	86,950
Total Capital Assets, Being Depreciated	\$ 4,744,532	\$ -	\$ -	\$ 4,744,532
Less Accumulated Depreciation				
Infrastructure	\$ 349,319	\$ 116,440	\$ -	\$ 465,759
Equipment	23,463	4,347	-	27,810
Total Accumulated Depreciation	\$ 372,782	\$ 120,787	\$ -	\$ 493,569
Total Capital Assets Being Depreciated, Net	\$ 4,371,750	\$ (120,787)	\$ -	\$ 4,250,963
Capital Assets - Net	\$ 4,371,750	\$ (95,128)	\$ -	\$ 4,276,622

NELSON COUNTY

Notes to the Financial Statements – Continued

Water Resource District - 2019	Balance January 1	Increases	Decreases	Balance December 31
Capital Assets, Being Depreciated				
Infrastructure	\$ 4,657,582	\$ -	\$ -	\$ 4,657,582
Equipment	86,950	-	-	86,950
Total Capital Assets, Being Depreciated	\$ 4,744,532	\$ -	\$ -	\$ 4,744,532
Less Accumulated Depreciation				
Infrastructure	\$ 232,879	\$ 116,440	\$ -	\$ 349,319
Equipment	19,115	4,348	-	23,463
Total Accumulated Depreciation	\$ 251,994	\$ 120,788	\$ -	\$ 372,782
Total Capital Assets Being Depreciated, Net	\$ 4,492,538	\$ (120,788)	\$ -	\$ 4,371,750
Capital Assets - Net	\$ 4,492,538	\$ (120,788)	\$ -	\$ 4,371,750

Depreciation expense was charged to conservation of natural resources function.

NOTE 5 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2020 and 2019, the following changes occurred in governmental activities long-term liabilities:

Primary Government - 2020	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 81,335	\$ 1,868	\$ -	\$ 83,203	\$ 33,281
Net Pension and OPEB Liability	1,927,874	3,063,174	-	4,991,048	-
Total Primary Government	\$ 2,009,209	\$ 3,065,042	\$ -	\$ 5,074,251	\$ 33,281

Primary Government - 2019	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 85,010	\$ -	\$ 3,675	\$ 81,335	\$ 32,534
Net Pension and OPEB Liability	2,654,534	-	726,660	1,927,874	-
Total Primary Government	\$ 2,739,544	\$ -	\$ 730,335	\$ 2,009,209	\$ 32,534

* The change to compensated absences are the net changes for the year.

Discretely Presented Component Unit

During the year ended December 31, 2020 and 2019, the following changes occurred in governmental activities long-term liabilities for the Water Resource District:

Water Resource District - 2020	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Warrants Payable	\$ 50,000	\$ -	\$ 12,500	\$ 37,500	\$ 12,500
Loans Payable	112,000	85,000	25,000	172,000	91,801
Bonds Payable	825,000	-	55,000	770,000	55,000
Total Long-Term Debt	\$ 987,000	\$ 85,000	\$ 92,500	\$ 979,500	\$ 159,301

NELSON COUNTY

Notes to the Financial Statements – Continued

Water Resource District - 2019	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Warrants Payable	\$ 82,500	\$ -	\$ 32,500	\$ 50,000	\$ 12,500
Loans Payable	30,000	112,000	30,000	112,000	25,000
Bonds Payable	880,000	-	55,000	825,000	55,000
Total Long-Term Debt	\$ 992,500	\$ 112,000	\$ 117,500	\$ 987,000	\$ 92,500

Debt service requirements on long-term liabilities is as follows:

Water Resource District						
Year Ending December 31	Warrants Payable		Loans Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 12,500	\$ 1,125	\$ 91,801	\$ 5,347	\$ 55,000	\$ 25,713
2022	12,500	750	7,899	2,406	55,000	24,338
2023	12,500	309	8,136	2,169	55,000	22,962
2024	-	-	8,375	1,930	55,000	21,312
2025	-	-	8,631	1,674	55,000	19,388
2026-2030	-	-	47,158	4,328	275,000	66,962
2031-2035	-	-	-	-	220,000	15,500
2036-2040	-	-	-	-	-	-
Total	\$ 37,500	\$ 2,184	\$ 172,000	\$ 17,854	\$ 770,000	\$ 196,175

NOTE 6 OPERATING LEASES

The County is engaged in various operating leases. Total lease payments made during 2020 and 2019 totaled \$178,391 and \$178,391 respectively. Future lease payments are as follows:

	Operating Leases
2021	178,391
2022	178,391
2023	178,391
Total	\$ 535,173

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

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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 salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

NELSON COUNTY

Notes to the Financial Statements – Continued

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

At December 31, 2020 and 2019, the County reported a liability of \$4,873,565 and \$1,812,118 respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020 and 2019 respectively, 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, 2020 and 2019, the County had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2020 Measurement	Pension Expense
County - 2020	0.154912%	0.000304%	\$ 887,706
County - 2019	0.154608%	0.003915%	349,532

At December 31, 2020 and 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 18,966	\$ 246,948
Changes in Assumptions	2,612,538	431,917
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	157,294	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	61,870	1
Contributions - Employer	61,183	-
Total	\$ 2,911,851	\$ 678,866

Primary Government - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,073	\$ 328,865
Changes in Assumptions	677,141	581,384
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	31,571	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	87,159	7,946
Contributions - Employer	59,022	-
Total	\$ 855,966	\$ 918,195

\$61,183 was 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.

NELSON COUNTY

Notes to the Financial Statements – Continued

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

2021	\$	655,762
2022		563,563
2023		452,647
2024		499,830

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount rate

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

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

NELSON COUNTY

Notes to the Financial Statements – Continued

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the Employer'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 4.64 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

Proportionate Share of the Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
County	\$ 6,323,084	\$ 4,873,565	\$ 3,687,505

Pension Plan Fiduciary Net Position

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

NOTE 8 OPEB PLAN**General Information about the OPEB Plan****North Dakota Public Employees Retirement System**

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

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

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

OPEB Benefits

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

NELSON COUNTY

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2020 and 2019, the County reported a liability of \$117,483 and \$115,756 respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 and 2019, the County had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2020 Measurement	OPEB Expense
County - 2020	0.139662%	0.0026410%	\$ 16,992
County - 2019	0.144121%	0.0026410%	16,057

At December 31, 2020 and 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

County - 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,609	\$ 2,817
Changes of Assumptions	15,752	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	4,040	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,024	2,777
Contributions - Employer	9,796	-
Total	\$ 34,221	\$ 5,594

NELSON COUNTY

Notes to the Financial Statements – Continued

County - 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,859	\$ 3,616
Changes of Assumptions	13,796	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	129	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,444	319
Contributions - Employer	9,450	-
Total	\$ 28,678	\$ 3,935

\$9,796 for the County was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

	County
2021	\$ 3,864
2022	4,909
2023	4,717
2024	3,587
2025	1,544
2026	210

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	21%	6.45%
Domestic Fixed Income	40%	1.15%

NELSON COUNTY

Notes to the Financial Statements – Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County	\$ 154,082	\$ 117,483	\$ 86,534

NOTE 9 JOB DEVELOPMENT AUTHORITY LOANS RECEIVABLE

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Development Authority receives applications from various businesses within the community and either approves or denies the applications based on majority board decision. The Job Development Authority had the following activity in loans outstanding for the years ended December 31, 2020 and 2019:

2020	Balance January 1	New Loans/ Additions	Write Offs	Principal Payments	Balance December 31
Loans Receivable Total	\$ 60,865	\$ 24,840	\$ 15,000	\$ 12,646	\$ 58,059

2019	Balance January 1	New Loans/ Additions	Write Offs	Principal Payments	Balance December 31
Loans Receivable Total	\$ 69,762	\$ 4,670	\$ -	\$ 13,567	\$ 60,865

NOTE 10 RISK MANAGEMENT

The County is exposed to various risks of loss related 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 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 inland marine insurance coverage. The coverage by NDRF is limited to losses of five million dollars per occurrence for general liability and automobile, and \$2,735,661, for public assets/mobile equipment and portable property.

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 \$2,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NELSON COUNTY

Notes to the Financial Statements – Continued

NOTE 11 JOINT VENTURESRed River Joint Water Resource Board

Under authorization of state statutes, the Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, Rush River Water Resource District, and the water resource districts of Richland County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Nelson County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2020.

	Red River Joint WRD
Total Assets	\$ 15,159,408
Total Liabilities	190,456
Net Position	\$ 14,968,952
Total Revenues	\$ 2,760,072
Total Expenses	1,168,138
Change in Net Position	\$ 1,591,934

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

Devils Lake Basin Joint Water Resource Board

Under authorization of state statutes, the Ramsey County Water Resource District joined Benson County, Cavalier County, Nelson County, Pierce County, Rolette County, Towner County, and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. Known as the Devils Lake Basin Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. One member of the directors for the joint venture is appointed by each government. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to lack of provisions being made for this in the joint powers agreement.

The following is summary financial information for the joint venture as of December 31, 2012, which is the most current audited information.

	Devils Lake Basin Joint WRD
Total Assets	\$ 203,175
Total Liabilities	-
Net Position	\$ 203,175
Total Revenues	\$ 133,439
Total Expenses	169,563
Change in Net Position	\$ (36,124)

Complete financial statements can be obtained by writing: Devils Lake Basin Joint Water Resource Board, 524 4th Avenue NE, #27, Devils Lake, ND 58301.

NELSON COUNTYNotes to the Financial Statements – Continued

Nelson – Griggs District Health Unit

Nelson County entered into a joint venture with Griggs County for the operation of the Nelson - Griggs District Health Unit. Each participating county's share of the cost operations and board member appointments is determined by the relative population of each county.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2019, which is the most current audited information available:

	Nelson - Griggs District Health Unit
Total Assets	\$ 348,551
Total Liabilities	-
Net Position	\$ 348,551
Total Revenues	\$ 485,936
Total Expenses	509,266
Change in Net Position	\$ (23,330)

Complete financial statement can be obtained by writing: Nelson – Griggs District Health Unit, PO Box 365, McVille, ND 58254.

NOTE 12 SUBSEQUENT EVENTS

The Nelson County Water Resource District issued two new loans in May of 2021 totaling \$190,800 for Snag and Clear Projects. During the same month, the Water Resource District issued a loan in the amount of \$350,000 for initial costs related to the Petersburg Infrastructure project.

NELSON COUNTY

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2020

	2020			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,301,500	\$ 1,301,500	\$ 1,299,536	\$ (1,964)
Intergovernmental	740,354	740,354	1,048,554	308,200
Charges for Services	289,050	289,050	277,701	(11,349)
Interest Income	11,500	11,500	27,241	15,741
Miscellaneous	56,650	56,650	27,604	(29,046)
Total Revenues	<u>\$ 2,399,054</u>	<u>\$ 2,399,054</u>	<u>\$ 2,680,636</u>	<u>\$ 281,582</u>
EXPENDITURES				
Current				
General Government	\$ 2,116,926	\$ 2,116,926	\$ 2,054,585	\$ 62,341
Public Safety	469,855	469,855	425,122	44,733
Culture & Recreation	189,300	189,300	146,911	42,389
Total Expenditures	<u>\$ 2,776,081</u>	<u>\$ 2,776,081</u>	<u>\$ 2,626,618</u>	<u>\$ 149,463</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (377,027)</u>	<u>\$ (377,027)</u>	<u>\$ 54,018</u>	<u>\$ 431,045</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 10,517	\$ 10,517
Transfers Out	-	-	(20,000)	(20,000)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,483)</u>	<u>\$ (9,483)</u>
Net Change in Fund Balances	<u>\$ (377,027)</u>	<u>\$ (377,027)</u>	<u>\$ 44,535</u>	<u>\$ 421,562</u>
Fund Balance - January 1	<u>\$ 614,807</u>	<u>\$ 614,807</u>	<u>\$ 614,807</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 237,780</u></u>	<u><u>\$ 237,780</u></u>	<u><u>\$ 659,342</u></u>	<u><u>\$ 421,562</u></u>

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

NELSON COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2020

	2020			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 728,083	\$ 728,083	\$ 789,104	\$ 61,021
Intergovernmental	772,897	772,897	1,564,944	792,047
Charges for Services	314,000	314,000	446,257	132,257
Miscellaneous	11,500	11,500	17,753	6,253
Total Revenues	<u>\$ 1,826,480</u>	<u>\$ 1,826,480</u>	<u>\$ 2,818,058</u>	<u>\$ 991,578</u>
EXPENDITURES				
Current				
General Government	\$ 1,000	\$ 1,000	\$ 200	\$ 800
Public Safety	159,533	159,533	121,735	37,798
Highways & Bridges	1,675,422	1,680,819	1,703,409	(22,590)
Health & Welfare	636,303	636,303	566,555	69,748
Conservation of Natural Resources	181,679	181,679	124,925	56,754
Economic Development	-	-	242,869	(242,869)
Emergency	20,000	147,761	140,047	7,714
Total Expenditures	<u>\$ 2,673,937</u>	<u>\$ 2,807,095</u>	<u>\$ 2,899,740</u>	<u>\$ (92,645)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (847,457)</u>	<u>\$ (980,615)</u>	<u>\$ (81,682)</u>	<u>\$ 1,084,223</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	\$ -	\$ -	\$ 8,000	\$ 8,000
Transfers In	-	-	20,000	20,000
Transfers Out	-	-	(10,517)	(10,517)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,483</u>	<u>\$ 17,483</u>
Net Change in Fund Balances	<u>\$ (847,457)</u>	<u>\$ (980,615)</u>	<u>\$ (64,199)</u>	<u>\$ 1,101,706</u>
Fund Balance - January 1	<u>\$ 1,474,034</u>	<u>\$ 1,474,034</u>	<u>\$ 1,474,034</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 626,577</u>	<u>\$ 493,419</u>	<u>\$ 1,409,835</u>	<u>\$ 1,101,706</u>

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

NELSON COUNTY

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,401,400	\$ 1,401,400	\$ 1,385,170	\$ (16,230)
Intergovernmental	563,784	563,784	710,686	146,902
Charges for Services	290,600	290,600	269,911	(20,689)
Interest Income	8,400	8,400	30,839	22,439
Miscellaneous	52,320	52,320	36,088	(16,232)
Total Revenues	\$ 2,316,504	\$ 2,316,504	\$ 2,432,694	\$ 116,190
EXPENDITURES				
Current				
General Government	\$ 1,885,145	\$ 1,928,308	\$ 1,984,490	\$ (56,182)
Public Safety	387,987	387,987	397,874	(9,887)
Culture & Recreation	189,000	189,000	158,571	30,429
Total Expenditures	\$ 2,462,132	\$ 2,505,295	\$ 2,540,935	\$ (35,640)
Excess (Deficiency) of Revenues Over Expenditures	\$ (145,628)	\$ (188,791)	\$ (108,241)	\$ 80,550
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 21,134	\$ 21,134
Net Change in Fund Balances	\$ (145,628)	\$ (188,791)	\$ (87,107)	\$ 101,684
Fund Balance - January 1	\$ 701,914	\$ 701,914	\$ 701,914	\$ -
Fund Balance - December 31	\$ 556,286	\$ 513,123	\$ 614,807	\$ 101,684

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

NELSON COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 673,048	\$ 673,048	\$ 744,259	\$ 71,211
Intergovernmental	548,511	548,511	1,720,765	1,172,254
Charges for Services	341,500	341,500	456,816	115,316
Miscellaneous	5,250	5,250	27,010	21,760
Total Revenues	<u>\$ 1,568,309</u>	<u>\$ 1,568,309</u>	<u>\$ 2,948,850</u>	<u>\$ 1,380,541</u>
EXPENDITURES				
Current				
General Government	\$ 30,000	\$ 30,000	\$ 18,460	\$ 11,540
Public Safety	143,500	143,500	58,676	84,824
Highways & Bridges	1,458,875	1,458,875	1,823,663	(364,788)
Health & Welfare	762,940	762,940	684,920	78,020
Conservation of Natural Resources	190,636	190,636	140,761	49,875
Economic Development	-	-	28,651	(28,651)
Emergency	10,000	10,000	34,743	(24,743)
Total Expenditures	<u>\$ 2,595,951</u>	<u>\$ 2,595,951</u>	<u>\$ 2,789,874</u>	<u>\$ (193,923)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,027,642)</u>	<u>\$ (1,027,642)</u>	<u>\$ 158,976</u>	<u>\$ 1,574,464</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 866	\$ 866
Transfers Out	-	-	(22,000)	(22,000)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,134)</u>	<u>\$ (21,134)</u>
Net Change in Fund Balances	<u>\$ (1,027,642)</u>	<u>\$ (1,027,642)</u>	<u>\$ 137,842</u>	<u>\$ 1,553,330</u>
Fund Balance - January 1	<u>\$ 1,336,192</u>	<u>\$ 1,336,192</u>	<u>\$ 1,336,192</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 308,550</u>	<u>\$ 308,550</u>	<u>\$ 1,474,034</u>	<u>\$ 1,553,330</u>

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

NELSON COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2020

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.154912%	\$ 4,873,565	\$ 1,708,869	285.19%	48.91%
2019	0.154608%	1,812,118	1,608,185	112.68%	71.66%
2018	0.150693%	2,543,109	1,548,098	164.27%	62.80%
2017	0.146503%	2,354,784	1,495,567	157.45%	61.89%
2016	0.138191%	1,346,806	1,392,642	96.71%	70.46%
2015	0.136437%	927,748	1,215,486	76.33%	77.15%
2014	0.142919%	907,137	1,203,918	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 121,003	\$ 119,312	\$ 1,691	\$ 1,702,443	7.01%
2019	117,085	115,343	1,742	1,677,741	6.87%
2018	114,024	106,394	7,630	1,548,098	6.87%
2017	108,447	105,221	3,226	1,495,567	7.04%
2016	99,156	99,156	-	1,392,642	7.12%
2015	86,543	86,543	-	1,215,486	7.12%
2014	85,719	85,719	-	1,203,918	7.12%

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

NELSON COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2020

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.139662%	\$ 117,483	\$ 1,592,104	7.38%	63.38%
2019	0.144121%	115,756	1,608,185	7.20%	63.13%
2018	0.141480%	111,425	1,548,098	7.20%	61.89%
2017	0.138243%	109,352	1,495,567	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 18,704	\$ 18,803	\$ (99)	\$ 1,702,443	1.10%
2019	18,703	18,468	235	1,677,741	1.10%
2018	18,158	17,035	1,123	1,548,098	1.10%
2017	17,385	16,847	538	1,495,567	1.13%

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

NELSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

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

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

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

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

The board of County commissioners amended the 2020 and 2019 General Fund and Special Revenue Fund budget for expenditures as follows:

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
2020			
Major Funds			
Special Revenue Fund	2,673,937	133,158	2,807,095

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
2019			
Major Funds			
General Fund	\$ 2,462,132	\$ 43,163	\$2,505,295

NELSON COUNTYNotes to the Required Supplementary Information - Continued

NOTE 6 EXPENDITURES IN EXCESS OF BUDGET

During fiscal years 2019 and 2020, Nelson County had the following fund expenditures in excess of budgeted amounts:

2020 Fund	Budget	Actual	Excess
Off Book - Red River Retention Council	\$ -	\$ 242,869	\$ 242,869

2019 Fund	Budget	Actual	Excess
General Fund	\$ 2,505,295	\$ 2,540,935	\$ 35,640
FEMA Administration	-	1,726	1,726
FEMA 2013	-	14,944	14,944
Road and Bridge	1,458,875	1,819,027	360,152
County Emergency	10,000	18,074	8,074
Off Book - Red River Retention Council	-	28,651	28,651
Total	\$ 3,974,170	\$ 4,423,357	\$ 449,187



**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

Board of County Commissioners
Nelson County
Lakota, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Nelson County as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Nelson County's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006 and 2020-007 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as item 2020-008 to be a significant deficiency.

NELSON COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nelson County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as 2020-001, 2020-002, and 2020-003.

Nelson County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 15, 2021

NELSON COUNTY

Summary of Auditor's Results

For the Years Ended December 31, 2020 and 2019

Financial Statements

Type of Report Issued:

Governmental Activities

Unmodified

Aggregate Discretely Presented Component Units

Unmodified

Major Funds

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified?

 X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses?

 X Yes None Noted

Noncompliance material to financial statements noted?

 X Yes None Noted

NELSON COUNTY

Schedule of Audit Findings

For the Years Ended December 31, 2020 and 2019

2020-001 – IMPROPER BIDDING OF ROAD EQUIPMENT – MATERIAL NONCOMPLIANCE - MATERIAL WEAKNESS

Condition

Nelson County entered into a five-year lease agreement for 5 motor graders in 2019 that had a total contracted cost of \$1,691,957 which included an \$800,000 purchase option price. The county did not advertise for bids for the lease agreements in accordance with N.D.C.C. §24-05-04(2).

Effect

Nelson County is not in compliance with N.D.C.C. §24-05-04(2)

Cause

Nelson County may have been unaware of the requirements of N.D.C.C. §24-05-04(2).

Criteria

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

Repeat Finding

No.

Recommendation

We recommend Nelson County carefully review upcoming road machinery purchases and leases to ensure compliance with N.D.C.C. §24-05-04(2) and resolve current circumstances if deemed appropriate by management.

Nelson County's Response

Agree. Nelson County will review future road equipment purchases and/or leases to ensure they comply with N.D.C.C. §24-05-04.

2020-002 – LEVY CALCULATION – MATERIAL NONCOMPLIANCE - MATERIAL WEAKNESS

Condition

Nelson County did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Effect

The attributes identified in N.D.C.C. §57-15-31(1) are key components in the tax levy calculation in any budget year. Thus, Nelson County may have improperly calculated the tax levies.

Cause

Nelson County may not have been aware of the requirements of N.D.C.C. §57-15-31(1).

Criteria

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Repeat Finding

No.

Recommendation

We recommend Nelson County maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1). Additionally, we recommend that Nelson County resolve any current circumstances if deemed appropriate by management.

Nelson County's Response

Agree. Nelson County will review the county's budget to ensure compliance with N.D.C.C. §57-15-31(1).

2020-003 – EXPENDITURES IN EXCESS OF APPROPRIATIONS – MATERIAL NONCOMPLIANCE - MATERIAL WEAKNESS

Condition

The Nelson County failed to amend its budget in 2019 and 2020, thus causing the following funds to be spent in excess of the appropriations:

2020 Fund	Budget	Actual	Excess
Off Book - Red River Retention Council	\$ -	\$ 242,869	\$ 242,869

2019 Fund	Budget	Actual	Excess
General Fund	\$ 2,505,295	\$ 2,540,935	\$ 35,640
FEMA Administration	-	1,726	1,726
FEMA 2013	-	14,944	14,944
Road and Bridge	1,458,875	1,819,027	360,152
County Emergency	10,000	18,074	8,074
Off Book - Red River Retention Council	-	28,651	28,651
Total	\$ 3,974,170	\$ 4,423,357	\$ 449,187

Effect

Nelson County is not in compliance with N.D.C.C §11-23-06.

Cause

Nelson County may have been unaware of N.D.C.C §11-23-06.

Criteria

N.D.C.C §11-23-06 states, " No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07."

Repeat Finding

No.

Recommendation

We recommend Nelson County carefully review the applicable budget and any ensuing budget amendments to ensure compliance with N.D.C.C §11-23-06. Furthermore, we recommend Nelson County work with the County's attorney to resolve any current circumstances if deemed appropriate by management.

Nelson County's Response

Agree. Nelson County will review budget to actuals to determine if budget amendments will be necessary at yearend. Furthermore, the County will work with the County's attorney to resolve any current circumstances if deemed appropriate.

2020-004 – MATERIAL AUDIT ADJUSTMENTS - MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

Nelson County management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

Criteria

Nelson County is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Repeat Finding

Yes.

Recommendation

We recommend Nelson County review all adjusting entries to the financial statements to properly reflect the financial statements are in accordance with GAAP.

Nelson County's Response

Agree. Nelson County will prepare and review all entries to ensure they are free of material misstatements.

2020-005 – LACK OF SEGREGATION OF DUTIES – WATER RESOURCE DISTRICT - MATERIAL WEAKNESS

Condition

The Nelson County Water Resource District has one Secretary/Treasurer responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Water Resource District's financial condition, whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Water Resource District.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Nelson County Water Resource District.

Repeat Finding

Yes.

Recommendation

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

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

Nelson County's Response

Agree. The Water Resource District will segregate duties when it becomes feasible. To hire more people is cost prohibitive for the Water Resource District.

2020-006 – CAPITAL ASSET MAINTENANCE – WATER RESOURCE DISTRICT - MATERIAL WEAKNESS

Condition

Nelson County Water Resource District did not include a Construction in Progress Project in the amount of \$25,659 in 2020.

Effect

Nelson County Water Resource District may not be in compliance with Generally Accepted Accounts Principles (GAAP), which increases the risk of material misstatement to its financial statements, whether due to fraud or error.

Cause

The Nelson County Water Resource District did not have another person other than the preparer review the capital assets listing.

Criteria

GAAP requires financial statements, which includes capital assets, to be presented free from material misstatements.

Repeat Finding

No.

Recommendation

We recommend the Nelson County Water Resource District carefully prepare and review capital asset schedules to ensure they are free of material misstatements.

Nelson County's Response

Agree. The Water Resource District will have another person/board review the listing as part of the year end financial review.

2020-007 – AUDIT ADJUSTMENTS – LOANS RECEIVABLE– JOB DEVELOPMENT AUTHORITY - MATERIAL WEAKNESS

Condition

Material auditor-identified loan receivable adjustments were proposed and accepted in the amount of \$15,000 for the Nelson County Job Development Authority.

Effect

Inadequate internal controls over recording of transactions affects Nelson County Job Development Authority's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

The loan forgiveness was not entered into the system which shows the loan balances at year-end.

Criteria

Nelson County is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend the Nelson County Job Development Authority conduct a review of the year-end balances of loans receivable to ensure that balances properly reflect the financial statements are in accordance with GAAP.

Nelson County's Response

Agree. Nelson County Job Development Authority will review current loans to ensure loan balances are free of material misstatements.

2020-008 – FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition

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

Effect

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

Cause

The county did not allocate resources to completing the risk assessment.

Criteria

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

Repeat Finding

Yes.

Recommendation

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

Nelson County's Response

Agree. Nelson County will conduct a fraud risk assessment at an upcoming county commission meeting.



GOVERNANCE COMMUNICATION

Board of County Commissioners
Nelson County
Lakota, North Dakota

We have audited the financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Nelson County, North Dakota, for the years ended December 31, 2020 and December 31, 2019 which collectively comprise Nelson County's basic financial statements, and have issued our report thereon dated December 15, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated October 5, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson County are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2020 and December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

2020 Adjustments	Audit Adjustments	
	Debit	Credit
Primary Government		
General Fund		
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	110,938	-
Revenue	-	110,938
<i>To Remove Interfund Loan Activity</i>		
Revenue	30,000	-
Expenditures	-	30,000
Special Revenue Fund		
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	161,873	-
Revenue	-	161,873
<i>To Remove Accounts Payable</i>		
Expenditures	-	178,391
Salaries Payable		-
Accounts Payable	178,391	-
Fiduciary Funds		
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	55,147	-
Revenue	-	55,147
Water Resource District		
<i>To Record Accounts Payable</i>		
Expenditures	5,292	-
Accounts Payable	-	5,292
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	13,691	-
Revenue	-	13,691
<i>To Record Construction In Progress</i>		
Capital Assets	25,659	-
Expenditures	-	25,659
Job Development Authority		
<i>To Remove Loan Receivable</i>		
Loan Receivable	-	15,000
Loan Forgiveness	15,000	-
2019 Adjustments		
	Debit	Credit
Primary Government		
General Fund		
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	126,387	-
Revenue	-	126,387
<i>To Remove Interfund Loan Activity</i>		
Revenue	30,000	-
Expenditures	-	30,000
Special Revenue Fund		
<i>To Record Intergovernmental Receivable</i>		
Intergovernmental Receivable	51,383	-
Revenue	-	51,383
<i>To Remove Accounts Payable</i>		
Expenditures	-	178,391
Accounts Payable	178,391	-
Fiduciary Funds		
<i>To Record Intergovernmental and Accounts Receivable</i>		
Intergovernmental Receivable	49,625	-
Accounts Receivable	20,842	-
Revenue	-	70,467
Water Resource District		
<i>To Record Accounts and Salaries Payable</i>		
Expenditures	13,016	-
Accounts Payable	-	6,500
Salaries Payable	-	6,516

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 15, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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