



Walsh County
Grafton, North Dakota
Audit Report

For the Year Ended December 31, 2015

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

WALSH COUNTY
Grafton, North Dakota

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WALSH COUNTY
Grafton, North Dakota

COUNTY OFFICIALS

December 31, 2015

Karen Anderson	Chairman
Jack Karas	Commissioner
Ernie Barta	Commissioner
Luther Meberg	Commissioner
Lawrence Burianek	Commissioner
Kris Molde	Auditor
Jill Trender	Treasurer
Diane Link	County Recorder
Bev Stremick	Clerk of Court
Ron Jurgens	Sheriff
Barbara Whelan	State's Attorney

STATE AUDITOR

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MANAGER – DAVID MIX
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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR’S REPORT

Board of County Commissioners
Walsh County
Grafton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County, Grafton, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County, Grafton, North Dakota, as of December 31, 2015, 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.

WALSH COUNTY

Independent Auditor's Report - Continued

Emphasis of a Matter

As discussed in Note 25 to the financial statements, Walsh County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 35-42 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2016 on our consideration of Walsh 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 Walsh County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 15, 2016

WALSH COUNTY
Grafton, North Dakota
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities	Component Units		
		Water Resource District	Job Develop. Authority	Health District
ASSETS				
Cash, Cash Equivalents and Investments	\$ 7,785,599	\$ 582,943	\$ 607,067	\$ 598,589
Intergovernmental Receivable	451,809	26,657	-	29,639
Accounts Receivable	30,093	-	-	8,228
Due from County	-	695	619	660
Loans Receivable	-	-	302,340	-
Road Receivables	12,001	-	-	-
Taxes Receivable	121,033	4,375	3,832	4,400
Other Assets	-	754	800	34
Capital Assets (not being depreciated):				
Land	15,479	-	-	-
Easements	-	29,546	-	-
Construction in Progress	4,651,060	555,242	-	-
Capital Assets (net of accumulated depreciation):				
Buildings	1,128,248	-	-	-
Equipment	2,274,268	-	-	5,004
Infrastructure	11,738,963	5,702,857	-	-
Total Capital Assets	<u>\$ 19,808,018</u>	<u>\$ 6,287,645</u>	<u>\$ -</u>	<u>\$ 5,004</u>
Total Assets	<u>\$ 28,208,553</u>	<u>\$ 6,903,069</u>	<u>\$ 914,658</u>	<u>\$ 646,554</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	\$ 277,924	\$ 3,729	\$ -	\$ 19,236
Total Assets and Deferred Outflows of Resources	<u>\$ 28,486,477</u>	<u>\$ 6,906,798</u>	<u>\$ 914,658</u>	<u>\$ 665,790</u>
LIABILITIES				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 415,324	\$ 112,004	\$ -	\$ 6,372
Salaries Payable	4,375	5,666	-	-
Grants Received in Advance	122,750	-	-	-
Withholdings Payable	-	1,344	120	-
Liability for Cash Held as Agent	-	-	20,487	-
Retainage Payable	77,533	-	-	-
Interest Payable	9,700	104,290	-	-
<u>Non-Current Liabilities:</u>				
Due Within One Year:				
Capital Leases Payable	78,111	-	-	-
Loan Payable	36,579	1,078,208	-	-
Compensated Absences Payable	18,731	141	858	1,092
Due After One Year:				
Capital Leases Payable	246,640	-	-	-
Loan Payable	77,010	1,297,872	-	-
Compensated Absences Payable	168,577	1,267	7,726	9,826
Net Pension Liability	2,252,940	25,017	-	211,515
Total Liabilities	<u>\$ 3,508,270</u>	<u>\$ 2,625,809</u>	<u>\$ 29,191</u>	<u>\$ 228,805</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	\$ 293,343	\$ 5,389	\$ -	\$ 27,746
Taxes Received in Advance	879,299	-	-	-
Total Deferred Inflows of Resources	<u>\$ 1,172,642</u>	<u>\$ 5,389</u>	<u>\$ -</u>	<u>\$ 27,746</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,680,912</u>	<u>\$ 2,631,198</u>	<u>\$ 29,191</u>	<u>\$ 256,551</u>
NET POSITION				
Net Investment in Capital Assets	\$ 19,483,267	\$ 6,287,645	\$ -	\$ 5,004
Restricted for:				
Flood Repair	24,783	-	-	-
Health and Welfare	-	-	-	404,235
Conservation of Natural Resources	363,635	-	-	-
Emergencies	284,095	-	-	-
Economic Development	-	-	885,467	-
Capital Projects	1,573,636	-	-	-
Unrestricted	2,079,149	(2,012,045)	-	-
Total Net Position	<u>\$ 23,805,565</u>	<u>\$ 4,275,600</u>	<u>\$ 885,467</u>	<u>\$ 409,239</u>

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

WALSH COUNTY
Grafton, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Units		
						Water Resource District	Job Develop. Authority	Health District
Governmental Activities:								
General Government	\$ 2,052,322	\$ 119,703	\$ 65,500	\$ -	\$ (1,867,119)	\$ -	\$ -	\$ -
Public Safety	2,062,893	163,208	424,600	-	(1,475,085)	-	-	-
Highways	4,031,070	259,618	4,172,619	1,140,195	1,541,362	-	-	-
Flood Repair	41,989	-	203,740	-	161,751	-	-	-
Health and Welfare	1,650,918	-	354,326	-	(1,296,592)	-	-	-
Culture and Recreation	204,408	155,507	13,312	-	(35,589)	-	-	-
Conserv. of Natural Resources	323,974	-	51,523	-	(272,451)	-	-	-
Interest on Long-Term Debt	13,225	-	-	-	(13,225)	-	-	-
Total Governmental Activities	\$ 10,380,799	\$ 698,036	\$ 5,285,620	\$ 1,140,195	\$ (3,256,948)	\$ -	\$ -	\$ -
Component Unit:								
Water Resource District	\$ 616,026	\$ 1,000	\$ 107,303	\$ 337,384	\$ -	\$ (170,339)	\$ -	\$ -
Job Development Authority	147,051	7,432	36,430	-	-	-	(103,189)	-
Health District	621,661	104,239	338,151	-	-	-	-	(179,271)
Total Component Units	\$ 1,384,738	\$ 112,671	\$ 481,884	\$ 337,384	\$ -	\$ (170,339)	\$ (103,189)	\$ (179,271)
General Revenues:								
Taxes:								
Property taxes; levied for general purposes					\$ 451,132	\$ 665,443	\$ 181,970	\$ 191,779
Property taxes; levied for special purposes					4,767,143	-	-	-
Property taxes; levied for drain maintenance purposes					-	198,661	-	-
State aid & grants not restricted to specific programs					1,201,957	-	-	42,293
Unrestricted investment earnings					16,537	691	1,027	4,535
Miscellaneous revenue					68,767	2,660	-	3,600
Total General Revenues					\$ 6,505,536	\$ 867,455	\$ 182,997	\$ 242,207
Change in Net Position					\$ 3,248,588	\$ 697,116	\$ 79,808	\$ 62,936
Net Position - January 1					\$ 23,607,356	\$ 3,816,068	\$ 831,747	\$ 592,603
Prior Period Adjustments					(3,050,379)	(237,584)	(26,088)	(246,300)
Net Position - January 1, as restated					\$ 20,556,977	\$ 3,578,484	\$ 805,659	\$ 346,303
Net Position - December 31					\$ 23,805,565	\$ 4,275,600	\$ 885,467	\$ 409,239

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

WALSH COUNTY
Grafton, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	General	Highway Tax Distribution	Farm to Market Road	Social Services	General Obligation Bond	Flood Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$3,616,514	\$ 141,186	\$ 176,801	\$ 40,066	\$ 1,928,221	\$ 122,750	\$ 1,760,061	\$ 7,785,599
Intergovernmental Receivable	260,383	143,938	-	19,972	-	24,783	2,733	451,809
Accounts Receivable	-	-	-	-	-	-	30,093	30,093
Due from Other Funds	139,745	-	-	-	-	-	-	139,745
Road Receivables	-	12,001	-	-	-	-	-	12,001
Taxes Receivable	10,908	-	28,266	-	-	-	81,859	121,033
Total Assets	\$ 4,027,550	\$ 297,125	\$ 205,067	\$ 60,038	\$ 1,928,221	\$ 147,533	\$ 1,874,746	\$ 8,540,280
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 4,384	\$ -	\$ 42,036	\$ 13,172	\$ 354,585	\$ -	\$ 1,147	\$ 415,324
Salaries Payable	1,491	-	-	-	-	-	2,884	4,375
Due to Other Funds	-	-	-	-	-	-	139,745	139,745
Total Liabilities	\$ 5,875	\$ -	\$ 42,036	\$ 13,172	\$ 354,585	\$ -	\$ 143,776	\$ 559,444
Deferred Inflows of Resources:								
Road Receivables	\$ -	\$ 12,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,001
Grants Received in Advance	-	-	-	-	-	122,750	-	122,750
Taxes Received in Advance	310,044	-	210,914	-	-	-	358,341	879,299
Taxes Receivable	10,908	-	28,266	-	-	-	81,859	121,033
Total Deferred Inflows of Resources	\$ 320,952	\$ 12,001	\$ 239,180	\$ -	\$ -	\$ 122,750	\$ 440,200	\$ 1,135,083
Total Liabilities And Deferred Inflows of Resources	\$ 326,827	\$ 12,001	\$ 281,216	\$ 13,172	\$ 354,585	\$ 122,750	\$ 583,976	\$ 1,694,527
Fund Balances:								
Restricted for:								
Debt Service	-	-	-	-	-	-	195	195
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,319	\$ 461,319
Highways and Bridges	-	285,124	-	-	-	-	46,658	331,782
Flood Repair	-	-	-	-	-	24,783	-	24,783
Health and Welfare	-	-	-	46,866	-	-	195,362	242,228
Culture and Recreation	-	-	-	-	-	-	371	371
Conservation of Natural Resources	-	-	-	-	-	-	367,481	367,481
Emergencies	-	-	-	-	-	-	284,095	284,095
Capital Projects	-	-	-	-	1,573,636	-	-	1,573,636
General Government	-	-	-	-	-	-	65,247	65,247
Unassigned:	3,700,723	-	(76,149)	-	-	-	(129,958)	3,494,616
Total Fund Balances	\$ 3,700,723	\$ 285,124	\$ (76,149)	\$ 46,866	\$ 1,573,636	\$ 24,783	\$ 1,290,770	\$ 6,845,753
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,027,550	\$ 297,125	\$ 205,067	\$ 60,038	\$ 1,928,221	\$ 147,533	\$ 1,874,746	\$ 8,540,280

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

WALSH COUNTY
Grafton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total *Fund Balances* for Governmental Funds \$ 6,845,753

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

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

Cost of Capital Assets	\$ 30,390,823	
Less Accumulated Depreciation	<u>(10,582,805)</u>	19,808,018

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

Road Department Accounts Receivable	\$ 12,001	
Property Taxes Receivable	<u>121,033</u>	133,034

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

Deferred Outflows Related to Pensions	\$ 277,924	
Deferred Inflows Related to Pensions	<u>(293,343)</u>	(15,419)

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are the following:

Capital Leases Payable	\$ (324,751)	
Retainage Payable	(77,533)	
Loan Payable	(113,589)	
Interest Payable	(9,700)	
Compensated Absences	(187,308)	
Net Pension Liability	<u>(2,252,940)</u>	<u>(2,965,821)</u>

Total Net Position of Governmental Activities \$ 23,805,565

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

WALSH COUNTY
Grafton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General	Highway Tax Distribution	Farm to Market Road	Social Services	General Obligation Bond	Flood Funds	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 452,547	\$ -	\$ 1,224,873	\$ -	\$ 11	\$ -	\$ 3,534,191	\$ 5,211,622
Intergovernmental	1,435,729	1,316,705	10,587	345,150	4,089,819	203,740	318,622	7,720,352
Charges for Services	104,704	133,151	-	-	-	-	430,301	668,156
Licenses, Permits and Fees	1,175	-	-	-	-	-	17,117	18,292
Interest Income	12,513	-	-	-	4,020	-	4	16,537
Miscellaneous	11,273	-	11,187	3,939	-	-	42,370	68,769
Total Revenues	\$ 2,017,941	\$ 1,449,856	\$ 1,246,647	\$ 349,089	\$ 4,093,850	\$ 203,740	\$ 4,342,605	\$ 13,703,728
Expenditures:								
Current:								
General Government	\$ 1,074,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 967,343	\$ 2,042,205
Public Safety	1,169,357	-	-	-	-	-	853,091	2,022,448
Highways and Bridges	-	1,454,881	1,471,859	-	-	-	755,610	3,682,350
Flood Repair	-	-	-	-	-	41,989	-	41,989
Health and Welfare	-	-	-	1,550,476	-	-	143,229	1,693,705
Culture and Recreation	-	-	-	-	-	-	189,044	189,044
Conserv. of Natural Resources	-	-	-	-	-	-	305,579	305,579
Capital Outlay	-	-	-	-	4,267,326	-	-	4,267,326
Debt Service:								
Principal	-	70,353	-	-	-	-	135,620	205,973
Interest and Fees	-	2,060	-	-	-	-	8,281	10,341
Total Expenditures	\$ 2,244,219	\$ 1,527,294	\$ 1,471,859	\$ 1,550,476	\$ 4,267,326	\$ 41,989	\$ 3,357,797	\$ 14,460,960
Excess (Deficiency) of Revenues Over Expenditures	\$ (226,278)	\$ (77,438)	\$ (225,212)	\$(1,201,387)	\$ (173,476)	\$ 161,751	\$ 984,808	\$ (757,232)
Other Financing Sources (Uses):								
Transfers In	\$ 1,476,659	\$ -	\$ -	\$ 1,175,000	\$ 136,968	\$ -	\$ 43,155	\$ 2,831,782
Lease Financing	-	-	94,514	-	-	-	125,286	219,800
Transfers Out	(43,145)	-	-	-	-	(136,968)	(2,651,669)	(2,831,782)
Total Other Financing Sources and Uses	\$ 1,433,514	\$ -	\$ 94,514	\$ 1,175,000	\$ 136,968	\$(136,968)	\$(2,483,228)	\$ 219,800
Net Change in Fund Balances	\$ 1,207,236	\$ (77,438)	\$ (130,698)	\$ (26,387)	\$ (36,508)	\$ 24,783	\$ (1,498,420)	\$ (537,432)
Fund Balances - January 1	\$ 2,574,921	\$ 334,393	\$ 233,210	\$ 73,253	\$ 1,610,144	\$ 244,460	\$ 3,300,029	\$ 8,370,410
Prior Period Adjustment	(81,434)	28,169	(178,661)	-	-	(244,460)	(510,839)	(987,225)
Fund Balances - Jan. 1, as restated	\$ 2,493,487	\$ 362,562	\$ 54,549	\$ 73,253	\$ 1,610,144	\$ -	\$ 2,789,190	\$ 7,383,185
Fund Balances - December 31	\$ 3,700,723	\$ 285,124	\$ (76,149)	\$ 46,866	\$ 1,573,636	\$ 24,783	\$ 1,290,770	\$ 6,845,753

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

WALSH COUNTY
Grafton, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ (537,432)

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

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

Current Year Capital Outlay	\$ 4,038,276	
Capital Contributions	1,140,195	
Current Year Depreciation Expense	<u>(1,255,041)</u>	3,923,430

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (9,694)

Retainages payable is not an expenditure at the fund level. Retainages are paid or will be paid more than two months after year-end. This is the net change in retainages payable. (77,533)

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

Issuance of Debt - Capital Leases	\$ (219,800)	
Repayment of Debt - Capital Leases	170,638	
Repayment of Debt - Loans	<u>35,335</u>	(13,827)

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 Decrease in Compensated Absences	\$ 2,639	
Net Increase in Interest Payable	<u>(2,884)</u>	(245)

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

Net Increase in Road Department Receivables	\$ 11,587	
Net Decrease in Townships Receivable	(93,712)	
Net Increase in Taxes Receivable	<u>7,784</u>	<u>(74,341)</u>

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

Increase in Net Pension Liability	\$ (103,431)	
Increase in Deferred Outflows of Resources Related to Pensions	15,411	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>126,250</u>	<u>38,230</u>

Change in Net Position of Governmental Activities \$ 3,248,588

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

WALSH COUNTY
Grafton, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2015

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,752,043</u>
<u>Liabilities:</u>	
Due to Other Governments/Entities	<u>\$ 1,752,043</u>

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

WALSH COUNTY
Grafton, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. All of the component units have the same fiscal year end as Walsh County.

Walsh County Park: The Walsh County Park is governed by substantively the same governing board as the County. The County park does not have the right to sue in its own name without recourse to the County. The County Park is reported as if it were part of the County.

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

Walsh County Water Resource District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Water Resource District.

Walsh County Job Development Authority: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Job Development Authority.

Walsh County Health District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The County must also approve the tax levy established by the Health District.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Walsh County and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

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

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

The County reports the following major governmental funds:

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

Highway Tax Distribution Fund. This fund accounts for the repair and improvement of highways. This major source of revenue is restricted state highway tax funds.

Farm to Market Road Fund. This fund accounts for the costs of constructing and maintaining federal aid farm to market roads within the county. The major sources of revenues are a restricted tax levy and State/Federal grants/reimbursements.

Social Service Fund. This fund accounts for the costs of providing social service benefits to needy residents. The major sources of revenue are a restricted tax levy and State/Federal grants and reimbursements.

General Obligation Bond Fund. This fund accounts for the bond proceeds that were collected and for the construction of assets that the bond was appropriated to.

Flood Fund. This fund accounts for the revenue and costs of repairing flood damage to roads. The major source of revenue is restricted State/Federal grants and reimbursements.

Additionally, the County reports the following fund type:

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

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

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

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

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

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.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2015 consist of certificates of deposit stated at fair value with maturities in excess of 3 months.

E. Capital Assets

PRIMARY GOVERNMENT

Capital assets of the governmental activities, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

WALSH COUNTY

Notes to the Financial Statements – Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Assets	Years
Buildings	20-50
Vehicles and Equipment	5-50
Land	Indefinite
Infrastructure	15-20

DISCRETELY PRESENTED COMPONENT UNITSWalsh County Water Resource District:

Capital assets of the Walsh County Water Resource District, a discretely presented component unit of Walsh County, include drain infrastructure and Easements. Assets are reported in a discretely presented component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at 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.

Drain assets acquired prior to January 1, 2004 consisting of various drain projects are not reported in the financial statements, as the County was required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity.

Capital assets are depreciated using the straight-line method over 30 years and the easements are not amortized.

Walsh County Public Health District:

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

Capital assets are depreciated using the straight-line method over 5 years.

F. Compensated Absences

Annual leave is a benefit granted to full time and part time employees. Employees will accrue annual leave from the first day of work. Annual leave will be determined by years of service and will range from 8 hours to 16 hours per month. All new employees must complete 60 days of satisfactory service prior to using annual leave. A maximum of 200 hours may be carried beyond January 15th of each year. Hours in excess of 200 hours on January 16th will be lost (except for approval of the county board). Upon termination of employment, employees will be paid for unused vacation hours at that time. Sick leave benefits of one working day per month are allowed to accumulate without limit. No liability is recorded for sick leave benefits due to the fact that these hours will not be paid to an employee upon termination.

G. Long-Term Obligations

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

H. 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.

I. Fund Balances / Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of Walsh 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.

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (farm to market road, highway tax distribution, social services, GO Bond, and FEMA flood funds) are disclosed in more detail in Note 1B in the discussion of major funds.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.

WALSH COUNTY

Notes to the Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Walsh County reports restricted and unassigned fund balances at December 31, 2015.

Restricted fund balances are shown by primary function on the balance sheet for public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes FEMA funds, other grant funds, and highway tax distribution.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2015 consist of an amount in the general fund and amounts reported for negative fund balances in various non-major funds.

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, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements. Restrictions of net position in the statement of net position are shown by primary function and are restricted for highways and bridges, public safety, health & welfare, culture & recreation, conservation of natural resources, emergencies, and other purposes (health insurance, insurance reserve, veteran's service officer, and social security).

WALSH COUNTY

Notes to the Financial Statements – Continued

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

J. Interfund Transactions

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETSBUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2015 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Governmental Activities			
<u>Major Funds:</u>			
General Fund	\$ 2,460,139	\$ 112,188	\$ 2,572,327
<u>Nonmajor Special Revenue Funds</u>			
Insurance Reserve	85,000	8,019	93,019
Regional Correction Center	459,892	11,888	471,780

NOTE 3: DEPOSITS

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

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

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

At December 31, 2015, the county's carrying amount of deposits was \$8,675,873 and the bank balances were \$8,964,294. Of the bank balances, \$4,360,330 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

WALSH COUNTY

Notes to the Financial Statements – Continued

At December 31, 2015, Walsh County Water Resource District's carrying amount of deposits was \$582,943 and the bank balance was \$613,445. Of the bank balances, \$438,476 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. The Water Resource District does not have any investments.

At December 31, 2015, Walsh County Job Development Authority's carrying amount of deposits was \$607,067 and the bank balance was \$623,819. Of the bank balances, \$596,286 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. The Job Development Authority does not have any investments.

At December 31, 2015, Walsh County Public Health District's carrying amount of deposits was \$588,832 and the bank balance was \$581,052. Of the bank balances, \$341,163 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name. The Public Health District does not have any investments.

Credit Risk:

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

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

As of December 31, 2015, the county held certificates of deposit in the amount of \$471,110, which are all considered deposits. At December 31, 2015, the Public Health District held \$85,035 of certificates of deposit, which are all considered deposits.

Concentration of Credit Risk:

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

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable of the primary government consists of amounts due from other entities earned but not collected prior to year-end.

NOTE 5: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation various welfare, road, and emergency management programs. These amounts consist of a mix of state and federal dollars.

NOTE 6: ROAD RECEIVABLES

Road department receivables of the primary government consist of amounts due for road work for townships and individuals.

NOTE 7: TAXES RECEIVABLE

Taxes receivable included in the deferred inflows of resources on the balance sheet represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

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

WALSH COUNTY

Notes to the Financial Statements – Continued

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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 8: DUE FROM COUNTY

Due from county represents amounts held in county agency funds for taxes collected and not yet distributed to the aggregate discretely presented component units.

NOTE 9: JOB DEVELOPMENT LOANS RECEIVABLE

The Job Development Authority, a discretely presented component unit of Walsh County, 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 Authority had the following activity in loans outstanding for the year ended December 31, 2015.

Name/Business	Balance January 1	Additions	Principal Payments	Balance December 31
KBL Enterprises	\$ -	\$ 4,685	\$ -	\$ 4,685
Hoople Grocery	-	20,000	-	20,000
Jim's Super Valu	-	2,264	-	2,264
Lundquist Enterprises	-	4,934	-	4,934
Park River Equipment	12,500	-	-	12,500
Summertime Inc.	7,420	-	-	7,420
Golden Valley Veterinary	5,000	-	-	5,000
Kringstad/Safe-T-Pull	11,813	-	-	11,813
Walsh County Grain	154,737	-	19,341	135,396
Diverse Energy Systems	17,953	-	-	17,953
Nash Grain and Trading Company	2,307	-	2,307	-
Valentine Country #2	6,133	-	6,133	-
Kieley Electric	8,726	-	-	8,726
Side Track Bar	4,500	-	-	4,500
Pop's Bottle Shop	13,575	-	13,575	-
Northdale Oil	13,433	-	-	13,433
Kringstad Ironworks #3	6,039	-	-	6,039
Leo's Potato Dumplings	2,630	-	-	2,630
1st United/Irvine's	5,000	-	-	5,000
Beauties & Beasts	9,269	-	-	9,269
Harriston/Mayo #1	10,560	-	-	10,560
Harriston/Mayo #2	4,292	-	-	4,292
Irvine's Garden Center	1,685	-	1,100	585
Kringstad Ironworks	10,236	-	-	10,236
On the Level Construction	9,938	-	-	9,938
Sand Iron & Steel	1,442	-	-	1,442
True Value hardware	11,951	14,624	2,850	23,725
Total	\$ 331,139	\$ 46,507	\$ 45,306	\$ 332,340
Allowance for Doubtful Accounts	\$ (30,000)	\$ -	\$ -	(30,000)
Net Loans Receivable	\$ 301,139	\$ 46,507	\$ 45,306	\$ 302,340

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 10: CAPITAL ASSETS

PRIMARY GOVERNMENT

The following is a summary of changes in capital assets for Walsh County for the year ended December 31, 2015:

Governmental Activities:	Balance January 1	Adjustments	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 15,479	\$ -	\$ -	\$ -	\$ 15,479
Construction in Progress	-	235,210	4,415,850	-	4,651,060
Total Capital Assets, Not Being Depreciated	\$ 15,479	\$ 235,210	\$ 4,415,850	\$ -	\$ 4,666,539
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,449,216	\$ 42,349	\$ -	\$ -	\$ 2,491,565
Equipment	4,963,901	(131,026)	762,620	48,468	5,547,027
Infrastructure	17,504,759	180,934	-	-	17,685,693
Total Capital Assets, Being Depreciated	\$24,917,876	\$ 92,257	\$ 762,620	\$ 48,468	\$25,724,285
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,295,944	\$ 24,884	\$ 42,489	\$ -	\$ 1,363,317
Equipment	3,046,849	(54,649)	319,333	38,774	3,272,759
Infrastructure	4,966,567	86,944	893,219	-	5,946,730
Total Accumulated Depreciation	\$ 9,309,360	\$ 57,179	\$ 1,255,041	\$ 38,774	\$10,582,806
Total Capital Assets Being Depreciated, Net	\$15,608,516	\$ 35,078	\$ (492,421)	\$ 9,694	\$15,141,479
Governmental Activities Capital Assets, Net	\$15,623,995	\$ 270,288	\$ 3,923,429	\$ 9,694	\$19,808,018

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

Governmental Activities:	Amounts
General Government	\$ 19,781
Public Safety	112,832
Highways and bridges	1,080,961
Health and Welfare	8,236
Culture & Recreation	15,682
Conservation of Natural Resources	17,549
Total Depreciation Expense-Governmental Activities	\$ 1,255,041

DISCRETELY PRESENTED COMPONENT UNITS

Walsh County Water Resource District

The following is a summary of changes in capital assets for the Walsh County Water Resource District, a discretely presented component unit of Walsh County, for the year ended December 31, 2015:

Enterprise Activities:	Balance January 1	Adjustments	Increases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Easements	\$ -	\$ 26,644	\$ 2,902	\$ -	\$ 29,546
Construction in Progress	399,478	1,762	1,302,912	(1,148,910)	555,242
Total Capital Assets, Not Being Depreciated	\$ 399,478	\$ 28,406	\$1,305,814	\$ (1,148,910)	\$ 584,788
<i>Capital assets being depreciated:</i>					
Infrastructure	\$ 6,069,718	\$ (26,644)	\$ 29,080	\$ 1,148,910	\$ 7,221,064
<i>Less Accumulated Depreciation for:</i>					
Infrastructure	\$ 1,279,136	\$ (1,631)	\$ 240,702	\$ -	\$ 1,518,207
Total Accumulated Depreciation	\$ 1,279,136	\$ (1,631)	\$ 240,702	\$ -	\$ 1,518,207
Total Capital Assets Being Depreciated, Net	\$ 4,790,582	\$ (25,013)	\$ (211,622)	\$ 1,148,910	\$ 5,702,857
Governmental Activities Capital Assets, Net	\$ 5,190,060	\$ 3,393	\$1,094,192	\$ -	\$ 6,287,645

WALSH COUNTY

Notes to the Financial Statements – Continued

Depreciation expense totaling \$240,702 was charged to the conservation of natural resources function.

Walsh County Public Health District

The following is a summary of changes in capital assets for the Walsh County Public Health District, a discretely presented component unit of Walsh County, for the year ended December 31, 2015:

Enterprise Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets not being depreciated:</i>				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
<i>Capital assets being depreciated:</i>				
Equipment	\$ -	\$ 6,255	\$ -	\$ 6,255
Total Capital Assets, Being Depreciated	\$ -	\$ 6,255	\$ -	\$ 6,255
<i>Less Accumulated Depreciation for:</i>				
Equipment	\$ -	\$ 1,251	\$ -	\$ 1,251
Total Accumulated Depreciation	\$ -	\$ 1,251	\$ -	\$ 1,251
Total Capital Assets Being Depreciated, Net	\$ -	\$ 5,004	\$ -	\$ 5,004
<i>Governmental Activities Capital Assets, Net</i>	\$ -	\$ 5,004	\$ -	\$ 5,004

Depreciation expense totaling \$1,251 was charged to the health and welfare function.

NOTE 11: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences between actual and expected experience, changes in proportion and differences between employer contributions and proportionate share of contributions, and for contributions made to the plan for the period of July 1, 2015 through December 31, 2015.

NOTE 12: ACCOUNTS PAYABLE

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2015.

NOTE 13: SALARIES PAYABLE

Salaries payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the county prior to December 31 of each year-end.

NOTE 14: TAXES RECEIVED IN ADVANCE

Taxes received in advance consist of tax collections received in the current year not applicable as revenue until the next year at the fund level and government wide level. Taxes received in advance meet asset recognition criteria, but not revenue recognition criteria.

NOTE 15: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2015.

WALSH COUNTY

Notes to the Financial Statements – Continued

NOTE 16: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2015.

NOTE 17: RETAINAGES PAYABLE

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts at December 31, 2015 by the Water Resource District (component unit).

NOTE 18: LONG-TERM LIABILITIES**PRIMARY GOVERNMENT:**

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in long-term liabilities for Walsh County:

Governmental Activities - County:	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loans Payable	\$ 148,924	\$ -	\$ 35,335	\$ 113,589	\$ 36,579
Leases Payable	275,589	219,800	170,638	324,751	78,111
Compensated Absences *	189,947	-	2,639	187,308	18,731
Net Pension Liability *	2,149,509	103,431	-	2,252,940	-
Total Governmental Activities	\$ 2,763,969	\$ 323,231	\$ 208,612	\$ 2,878,588	\$ 133,421

* The change in compensated absences and net pension liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding long-term liabilities (excluding compensated absences and net pension liability) at December 31, 2015 consists of the following issues:

Loan Payable:

\$217,314 loan payable with First United Bank, payable in annual installments of \$40,497 through 2018; interest at 3.45%. \$113,589

Capital Leases Payable:

\$219,800 capital lease with Kinetic Leasing, due in annual installments of \$44,300 to \$45,566 through 2019; interest at 2.3%. \$175,500

\$187,026 capital lease with Kinetic Leasing, due in annual installments of \$37,775 to \$38,817 through 2019; interest at 2.16%. 149,251

Total Capital Leases \$324,751

Total Long-Term Liabilities (excluding compensated absences and net pension liability) \$438,340

WALSH COUNTY

Notes to the Financial Statements – Continued

The requirements to amortize loans payable and capital leases payable is as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Loans Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2016	\$ 36,579	\$ 3,918	\$ 78,111	\$ 8,517
2017	37,840	2,656	80,063	6,566
2018	39,170	1,326	82,194	4,435
2019	-	-	84,383	2,247
Total	\$ 113,589	\$ 7,900	\$ 324,751	\$ 21,765

DISCRETELY PRESENTED COMPONENT UNITS:

Walsh County Water Resource District

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in long-term liabilities for Walsh County Water Resource District:

Governmental Activities - WRD:	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loans Payable	\$ 1,703,104	\$ 958,600	\$ 285,624	\$ 2,376,080	\$ 1,078,208
Compensated Absences *	359	1,049	-	1,408	141
Net Pension Liability *	26,608	-	1,591	25,017	-
Total Governmental Activities	\$ 1,730,071	\$ 959,649	\$ 287,215	\$ 2,402,505	\$ 1,078,349

* The change in compensated absences and net pension liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding long-term liabilities (excluding compensated absences and net pension liability) at December 31, 2015 consists of the following issues:

Loans Payable – Water Resource District:

\$27,386 loan payable with First United Bank, due on demand; if no demand is made, payable in annual installments of \$20,000 through 2016; interest at 4.3%. \$ 8,576

\$282,955 loan payable with First United Bank, due on demand; if no demand is made, payable in annual installments of \$42,200 through 2019; interest at 4.3%. 253,024

\$81,402 loan payable with Bremer Bank, due on demand; if no demand is made, payable in annual installments of \$11,900 through 2025; variable interest rate of 5 year LIBOR rate plus 4%; interest at 5.635% at December 31, 2014. \$74,150

\$86,832 loan payable with First United Bank, due on demand; if no demand is made, payable in annual installments of \$23,575 and is due on June 1, 2016; interest at 4.3%. 67,032

\$451,061 loan payable with First United Bank, due on demand; if no demand is made, loan is due June 1, 2018, payable in annual installments of \$33,100; interest at 4.3%. 437,572

Continued on next page.....

WALSH COUNTY

Notes to the Financial Statements – Continued

Loans Payable – Water Resource District: Continued

\$45,758 loan payable with First United Bank, due on demand; if no demand is made, due June 1, 2018, payable in annual installments of \$9,761; interest at 4.3%.	\$ 37,987
\$29,107 loan payable with First United Bank, due on demand; if no demand is made, due June 1, 2017, payable in annual installments of \$10,840; interest at 4.3%.	19,533
\$142,550 loan payable with First United Bank, due on demand; if no demand is made, due June 1, 2016, payable in annual installments of \$90,600 through June 1, 2017; interest at 4.3%.	73,500
\$816,050 loan payable with First United Bank, due on demand; if no demand is made, due April 1, 2016; interest at 4.3%.	816,050
\$630,925 loan payable with First United Bank, due on demand; if no demand is made, payable in annual installments of \$69,700 through 2018; interest at 4.3%.	<u>588,656</u>
Total Long-Term Liabilities (excluding compensated absences and net pension liability)	<u>\$2,376,080</u>

The requirements to amortize WRD loans payable is as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2016	\$ 1,078,208	\$ 94,866
2017	141,037	66,461
2018	961,243	58,125
2019	168,063	12,277
2020	13,357	4,793
2021-2025	14,172	11,550
Totals	\$ 2,376,080	\$ 248,072

Walsh County Public Health District

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in long-term liabilities for Walsh County Public Health District:

Governmental Activities - Health:	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 17,173	\$ -	\$ 6,255	\$ 10,918	\$ 1,092
Net Pension Liability *	200,883	10,632	-	211,515	-
Total Governmental Activities	\$ 218,056	\$ 10,632	\$ 6,255	\$ 222,433	\$ 1,092

* The change in compensated absences and net pension liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

WALSH COUNTY

Notes to the Financial Statements – Continued

Operating Lease Payments:

Walsh County has an operating lease for copiers with Marco. The lease was entered into during 2012 for a term of 60 months with monthly payments of \$1,210. Lease payments made in 2015 totaled \$14,520.

The remaining operating lease rental payments at December 31, 2015 is outlined below:

Year(s)	Amount
2016	\$ 14,520
2017	7,260
Totals	\$ 21,780

NOTE 19: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 1,476,659	\$ 43,145
Social Services	1,175,000	-
General Obligation Bond	136,968	-
FEMA Flood Funds	-	136,968
Nonmajor Special Revenue Funds		
Human Services	9	1,175,000
Emergency Poor	-	9
Aid to Fair	-	39,340
Social Security	-	447,074
Advertising General	4,686	4,068
County Park	-	179,579
Health Insurance Fund	-	599,104
Regional Correction Center	-	129,191
Insurance Reserve	-	37,033
Chase Building	26,995	-
ROD-DOC Preserve	6,879	-
City Prosecution	-	6,392
Recorders Spec Trust	4,586	-
Debt Service Funds		
County Loan	-	34,879
Total Transfers	\$ 2,831,782	\$ 2,831,782

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

NOTE 20: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pension items for the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions.

WALSH COUNTY

Notes to the Financial Statements – Continued

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes, road accounts receivable, taxes received in advance, and grants received in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

NOTE 21: DUE TO/ FROM OTHER FUNDS

The due to/due from other funds represents the amounts of negative cash in several funds borrowed from the general fund in 2015.

	Due To	Due From
<u>Major Funds</u>		
General Fund	\$ -	\$ 139,745
<u>Nonmajor Funds</u>		
Aid to Fair	250	-
Social Security	36,668	-
Advertising General	652	-
County Park	842	-
Health Insurance Fund	21,301	-
Regional Correction Center	37,131	-
Insurance Reserve	6	-
Chase Building	27,988	-
Park River - Sheriff	10,487	-
City Task Force	4,378	-
Special Assessment	42	-
Total	\$ 139,745	\$ 139,745

NOTE 22: 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 seven 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; and one member elected by the retired public employees.

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 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

Member and Employer Contributions

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

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

At December 31, 2015, Walsh County reported a liability of \$2,252,940 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district'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, 2015, the Employer's proportion was .331323 percent, which was a decrease of .007331 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$206,484. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 65,361	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	45,058
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	3,831	47,559
Changes of Assumptions	-	200,726
District Contributions Subsequent to the Measurement Date	208,732	-
Total	\$ 277,924	\$ 293,343

\$208,732 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 pension liability in the year ended December 31, 2015.

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

2016	\$ (61,000)
2017	(61,000)
2018	(61,000)
2019	37,276
2020	(37,201)

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

WALSH COUNTY

Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$ 3,454,770	\$ 2,252,940	\$ 1,269,625

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 23: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Walsh County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF for automobile is limited to losses of one million dollars per occurrence and for general liability is limited to losses of two million dollars per occurrence. Mobile equipment and portable property (public assets) coverage is limited to \$2,898,850 for the county.

Walsh County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Walsh County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Walsh 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.

Walsh County has workers' compensation with the North Dakota Workforce, Safety and Insurance.

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

NOTE 24: JOINT VENTURES**Red River Joint Water Resource District**

Under authorization of state statutes, the Walsh County Water Resourced District joined Maple River Water Resource District, Rush River Water Resource District, Southeast Cass Water Resource District, North Cass Water Resource District, and the water resource districts of Richland County, Pembina County, Traill County, Steele County, Grand Forks County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management districts located with the Red River Valley. Known as the Red River Valley Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. 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 depends on where Red River Joint Water Resource Board projects are being undertaken. For more information, write the Red River Joint Water Resource Board, PO Box 10, Hillsboro, ND 58045.

WALSH COUNTY

Notes to the Financial Statements – Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2015:

	Red River Joint Water Resource Board
Total Assets	\$ 7,770,996
Total Liabilities	104,554
Net Position	\$ 7,666,442
Total Revenues	\$ 2,423,290
Total Expenses	2,582,765
Change in Net Position	\$ (159,475)

Complete financial information can be obtained from Lake Region District Health Unit, Courthouse, Devils Lake, ND 58301.

Park River Joint Water Resource District

On February 11, 2014, Walsh County and Pembina County formed the Park River Joint Water Resource District to address common water issues and problems with the portions of the Park River Watershed in those counties. The Joint District's Board consists of six members, three of which are appointed by each county. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2015:

	Park River Joint Water Resource Board
Total Assets	\$ 282
Total Liabilities	62,599
Net Position	\$ (62,317)
Total Revenues	\$ 142,269
Total Expenses	154,917
Change in Net Position	\$ (12,648)

NOTE 25: PRIOR PERIOD ADJUSTMENTS

The Modified Accrual Balance as of January 1, 2015 in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove prior year unearned revenue for Taxes Received in Advance in the General Fund (\$81,434), Demand Loan Payable in the Highway Tax Distribution Fund (\$28,169), Taxes Received in Advance in the Farm to Market Road Fund (\$178,661), Grants Received in Advance in the FEMA Fund (\$244,460), and Taxes Received in Advance in the Total Nonmajor Funds (\$510,839)

WALSH COUNTY

Notes to the Financial Statements – Continued

The effect of the prior period adjustment to beginning fund balance is as follows:

General Fund Balance:	Amounts
General Fund Balance, as previously reported	\$ 2,574,921
Adjustments to restate the January 1, 2015 Fund Balance:	
Taxes Received in Advance	(81,434)
Fund Balance January 1, as restated	\$ 2,493,487

Highway Tax Distribution Fund Balance:	Amounts
Highway Tax Distribution Fund Balance, as previously reported	\$ 334,393
Adjustments to restate the January 1, 2015 Fund Balance:	
Demand Loan Payable	28,169
Fund Balance January 1, as restated	\$ 362,562

Farm to Market Road Fund Balance:	Amounts
Farm to Market Fund Balance, as previously reported	\$ 233,210
Adjustments to restate the January 1, 2015 Fund Balance:	
Taxes Received in Advance	(178,661)
Fund Balance January 1, as restated	\$ 54,549

Flood Funds Fund Balance:	Amounts
Flood Fund Balance, as previously reported	\$ 244,460
Adjustments to restate the January 1, 2015 Fund Balance:	
Grants Received in Advance	(244,460)
Fund Balance January 1, as restated	\$ -

Non-Major Funds Fund Balance:	Amounts
Nonmajor Funds Balance, as previously reported	\$ 3,300,029
Adjustments to restate the January 1, 2015 Fund Balance:	
Taxes Received in Advance	(510,839)
Fund Balance January 1, as restated	\$ 2,789,190

Governmental Fund Balance - all funds:	Amounts
Total Governmental Funds	\$ 8,370,410
Adjustments to restate the January 1, 2015 Fund Balance:	
Taxes Received in Advance	(770,934)
Demand Loan Payable	28,169
Grants Received in Advance	(244,460)
Fund Balance January 1, as restated	\$ 7,383,185

WALSH COUNTY

Notes to the Financial Statements – Continued

Job Development Authority had an adjustment to beginning net position due to a correction to due from county amounts.

JDA - Net Position	Amounts
Beginning Net Position, as previously reported	\$ 831,747
Adjustments to restate the January 1, 2015 Net Position:	
Due from County	(26,088)
Fund Balance January 1, as restated	\$ 805,659

Change in Accounting Principle – GASB 68 & 71 - Pensions:

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68, correcting the Modified Accrual beginning and corrections to Capital Assets, Loan Payable, and Capital Leases Payable reduced beginning net position for the County.

The effect of the prior period adjustments to beginning net position is as follows:

Governmental Activities - County	Amounts
Beginning Net Position, as previously reported	\$ 23,607,356
Adjustments to restate the January 1, 2015 Net Position:	
Modified Accrual Balance	(987,225)
Capital Assets - Cost	327,466
Capital Assets - Depreciation	(57,179)
Loan Payable	(117)
Capital Leases Payables	(26,735)
Net Pension Liability	(2,149,509)
Deferred Outflows of Resources	262,513
Deferred Inflows of Resources	(419,593)
Net Position January 1, as restated	\$ 20,556,977

The result of implementing GASB 68 and corrections to due from county and capital assets reduced beginning net position for the Water Resource District.

The effect of the prior period adjustments to beginning net position is as follows:

Governmental Activities - WRD:	Amounts
Beginning Net Position, as previously reported	\$ 3,816,068
Adjustments to restate the January 1, 2015 Net Position:	
Due from County	(159,125)
Capital Assets - Cost	1,762
Capital Assets - Depreciation	1,631
Net Pension Liability	(26,608)
Deferred Outflows of Resources Related to Pensions	845
Deferred Inflows of Resources Related to Pensions	(56,089)
Net Position January 1, as restated	\$ 3,578,484

The result of implementing GASB 68 and corrections to due from county reduced beginning net position for the Public Health District.

WALSH COUNTY

Notes to the Financial Statements – Continued

The effect of the prior period adjustments to beginning net position is as follows:

Governmental Activities - Public Health:	Amounts
Beginning Net Position, as previously reported	\$ 592,603
Adjustments to restate the January 1, 2015 Net Position:	
Due from County	(25,017)
Net Pension Liability	(200,883)
Deferred Outflows of Resources Related to Pensions	18,813
Deferred Inflows of Resources Related to Pensions	(39,213)
Net Position January 1, as restated	\$ 346,303

NOTE 26: CONDUIT DEBT

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for various purposes. The loans are secured by the property financed and are payable solely from payments received on the underlying block grant loans. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the community development block grant loans are not reported as liabilities in the accompanying financial statements.

At December 31, 2015, there were three series of Community Development Block Grant Loans issued to Northern Valley Growers and Glacier Bay, Inc. with original principal balances totaling \$374,860, and remaining principal balances totaling \$368,586.

NOTE 27: OPEN CONSTRUCTION PROJECTS

The county had 6 construction projects open at year-end. The total amount of construction costs in progress was \$3,964,355 with contract amounts of \$4,706,066 leaving total construction commitments of \$741,711 at December 31, 2015. Additionally, retainages payable related to construction at December 31, 2015 totaled \$77,533.

Project	Contract Amount	Total Completed	Remaining Balance	Retainage
CNOA-SC-5018(073)	\$ 4,056,615	\$ 3,876,660	\$ 179,955	\$ 77,533
BRC-5006(063)	377,951	-	377,951	-
CNOC-0050(035)	104,650	26,163	78,487	-
CNOB-5006(062)	56,600	31,130	25,470	-
CNOC-5025(055)	56,800	17,040	39,760	-
CNOC-5047(055)	53,450	13,362	40,088	-
Total All Projects	\$ 4,706,066	\$ 3,964,355	\$ 741,711	\$ 77,533

WALSH COUNTY
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 510,611	\$ 510,611	\$ 452,547	\$ (58,064)
Intergovernmental	1,538,761	1,538,761	1,435,729	(103,032)
Licenses, permits and fees	2,200	2,200	1,175	(1,025)
Charges for services	119,500	119,500	104,704	(14,796)
Interest income	10,000	10,000	12,513	2,513
Miscellaneous	106,100	106,100	11,273	(94,827)
Total Revenues	\$ 2,287,172	\$ 2,287,172	\$ 2,017,941	\$ (269,231)
<u>Expenditures:</u>				
Current:				
General government	\$ 1,164,049	\$ 1,276,237	\$ 1,074,862	\$ 201,375
Public safety	1,296,090	1,296,090	1,169,357	126,733
Total Expenditures	\$ 2,460,139	\$ 2,572,327	\$ 2,244,219	\$ 328,108
Excess (Deficiency) of Revenues Over Expenditures	\$ (172,967)	\$ (285,155)	\$ (226,278)	\$ 58,877
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 1,476,659	\$ 1,476,659
Transfers out	-	-	(43,145)	(43,145)
Net Change in Fund Balances	\$ (172,967)	\$ (285,155)	\$ 1,207,236	\$ 1,492,391
Fund Balances - Restated January 1	\$ 2,493,487	\$ 2,493,487	\$ 2,493,487	\$ -
Fund Balances - December 31	\$ 2,320,520	\$ 2,208,332	\$ 3,700,723	\$ 1,492,391

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

WALSH COUNTY
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 1,561,932	\$ 1,561,932	\$ 1,316,705	\$ (245,227)
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,516,479	\$ 1,516,479	\$ 1,454,881	\$ 61,598
Principal	50,000	50,000	70,353	(20,353)
Interest	-	-	2,060	(2,060)
Total Expenditures	\$ 1,566,479	\$ 1,566,479	\$ 1,527,294	\$ 39,185
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,547)	\$ (4,547)	\$ (77,438)	\$ (72,891)
Fund Balances - January 1	\$ 362,562	\$ 362,562	\$ 362,562	\$ -
Fund Balances - December 31	\$ 358,015	\$ 358,015	\$ 285,124	\$ (72,891)

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

WALSH COUNTY
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,261,475	\$ 1,261,475	\$ 1,224,873	\$ (36,602)
Intergovernmental	2,571,175	2,571,175	10,587	(2,560,588)
Miscellaneous	30,000	30,000	11,187	(18,813)
Total Revenues	\$ 3,862,650	\$ 3,862,650	\$ 1,246,647	\$ (2,616,003)
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 4,886,988	\$ 4,886,988	\$ 1,377,345	\$ 3,509,643
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,024,338)	\$ (1,024,338)	\$ (130,698)	\$ 893,640
Fund Balances - January 1	\$ 54,549	\$ 54,549	\$ 54,549	\$ -
Fund Balances - December 31	\$ (969,789)	\$ (969,789)	\$ (76,149)	\$ 893,640

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

WALSH COUNTY
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 299,263	\$ 299,263	\$ 345,150	\$ 45,887
Miscellaneous	-	-	3,939	3,939
Total Revenues	\$ 299,263	\$ 299,263	\$ 349,089	\$ 49,826
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 1,576,779	\$ 1,576,779	\$ 1,550,476	\$ 26,303
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,277,516)	\$ (1,277,516)	\$ (1,201,387)	\$ 76,129
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 1,175,000	\$ 1,175,000
Net Change in Fund Balances	\$ (1,277,516)	\$ (1,277,516)	\$ (26,387)	\$ 1,251,129
Fund Balances - January 1	\$ 73,253	\$ 73,253	\$ 73,253	\$ -
Fund Balances - December 31	\$ (1,204,263)	\$ (1,204,263)	\$ 46,866	\$ 1,251,129

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

WALSH COUNTY
Grafton, North Dakota

BUDGETARY COMPARISON SCHEDULE
FEMA FLOOD FUNDS
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 203,740	\$ 203,740
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ -	\$ 41,989	\$ (41,989)
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 161,751	\$ 161,751
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (136,968)	\$ (136,968)
Net Change in Fund Balances	\$ -	\$ -	\$ 24,783	\$ 24,783
Fund Balances - January 1	\$ 244,460	\$ 244,460	\$ 244,460	\$ -
Prior Period Adjustment	-	-	(244,460)	(244,460)
Fund Balances - Jan. 1 as restated	\$ 244,460	\$ 244,460	\$ -	\$ (244,460)
Fund Balances - December 31	\$ 244,460	\$ 244,460	\$ 24,783	\$ (219,677)

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

WALSH COUNTY
Grafton, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2015

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

	2014	2015
District's proportion of the net pension liability (asset)	0.338654%	0.331323%
District's proportionate share of the net pension liability (asset)	\$ 2,149,509	\$ 2,252,940
District's covered-employee payroll	\$ 2,852,754	\$ 2,951,687
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

*Complete data for this schedule is not available prior to 2014.

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

	2014	2015
Statutorily required contribution	\$ 203,116	\$ 210,160
Contributions in relation to the statutorily required contribution	\$ (203,116)	\$ (210,160)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,852,754	\$ 2,951,687
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

WALSH COUNTY
Grafton, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The county commission adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. 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: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2015, Walsh County had the following fund expenditures in excess of budgeted amounts:

Special Revenue Funds:	Budget	Actual	Over Budget
FEMA Fund	\$ -	\$158,439	\$(158,439)
County Road Fund	246,000	264,737	(18,737)
County Library	-	116,744	(116,744)
Advertising Fund	-	27,090	(27,090)

No remedial action is anticipated or required regarding these excess expenditures

WALSH COUNTY

Notes to the Required Supplementary Information – Continued

NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

WALSH COUNTY
Grafton, North Dakota

SCHEDULE OF FUND ACTIVITY
CASH BASIS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Major Funds:						
General Fund	\$ 2,152,643.30	\$ 2,440,080.22	\$ 1,476,659.48	\$ 43,145.42	\$ 2,269,978.36	\$ 3,756,259.22
Highway Distribution	186,969.76	1,494,558.33	-	-	1,540,342.28	141,185.81
Farm to Market	233,131.40	1,278,978.64	-	-	1,335,308.92	176,801.12
Social Services	65,160.82	357,828.69	1,175,000.00	-	1,557,922.75	40,066.76
General Obligation Bond	1,609,956.75	4,094,036.82	136,968.27	-	3,912,740.66	1,928,221.18
FEMA Flood Funds	244,460.13	173,697.57	-	136,968.27	158,439.28	122,750.15
Total Major Funds	\$ 4,492,322.16	\$ 9,839,180.27	\$ 2,788,627.75	\$ 180,113.69	\$ 10,774,732.25	\$ 6,165,284.24
Nonmajor Funds:						
Special Revenue Funds:						
Victim Assistance	\$ 61,798.85	\$ 35,407.33	\$ -	\$ -	\$ 38,737.68	\$ 58,468.50
Road and Bridge	106,941.02	467,939.58	-	-	474,517.94	100,362.66
County Road Fund	77,846.88	260,332.44	-	-	264,736.99	73,442.33
County Poor	-	0.26	-	0.26	-	-
Human Services	497,707.33	988,826.94	9.13	1,175,000.00	-	311,543.40
Emergency	283,725.53	369.84	-	-	-	284,095.37
Historical Society	1,849.54	12,676.56	-	-	12,367.68	2,158.42
Emergency Poor	-	8.87	-	8.87	-	-
Senior Citizens	7,398.14	90,808.13	-	-	89,572.33	8,633.94
Veteran's Assistance	38,277.93	50,901.05	-	-	53,726.94	35,452.04
Aid to Fair	16,620.45	42,268.39	-	39,340.11	19,798.45	(249.72)
Social Security	451,791.07	490,913.65	-	447,072.88	532,300.19	(36,668.35)
County Library	16,505.20	119,378.44	-	-	116,743.98	19,139.66
County Agent	85,462.84	152,122.50	-	-	126,419.73	111,165.61
Advertising General	4,685.74	21,134.25	4,685.74	4,068.14	27,090.00	(652.41)
Weed Control	209,978.51	208,504.75	-	-	163,205.48	255,277.78
County Park	149,368.20	82,789.87	-	179,579.21	53,420.85	(841.99)
Health Insurance Fund	617,104.43	213,768.39	-	599,104.14	253,069.74	(21,301.06)
Regional Correction Center	109,078.23	454,761.34	-	129,191.10	471,779.80	(37,131.33)
Insurance Reserve	58,578.27	71,467.04	-	37,033.10	93,018.22	(6.01)
Chase Building	(26,994.68)	39,033.80	26,994.68	-	67,021.70	(27,987.90)
Park River - Sheriff	(9,092.18)	124,737.57	-	-	126,132.08	(10,486.69)
Walsh County Farm Account	3,603.80	1,710.00	-	-	1,330.00	3,983.80
Walsh County Haz Mat	43,557.30	27,740.95	-	-	32,151.91	39,146.34
Drug Task	-	4,066.00	-	-	4,066.00	-
City Task Force	(7,022.27)	36,069.31	-	-	33,424.71	(4,377.67)
County Agent Trust	13,357.08	11,257.88	-	-	11,666.49	12,948.47
ROD-DOC Preserve	40,921.44	7,800.75	6,879.00	-	3,993.23	51,607.96
City Prosecution	4,741.95	1,650.00	-	6,391.95	-	-
EWC Community Service Program	37.46	240.00	-	-	250.00	27.46
State's Attorney Special Drug Acct	4,097.21	7,672.80	-	-	1,000.00	10,770.01
Asset Forfeiture - Sheriff	3,185.73	3,572.96	-	-	(13,316.92)	20,075.61
Recorders Spec Trust	46,517.75	-	4,586.00	-	2,789.31	48,314.44
Juvenile Comm Service	330.00	1,290.00	-	-	-	1,620.00
Sheriff Drug Testing	34,973.82	37,291.35	-	-	25,478.75	46,786.42
E911 Emergency	138,211.10	47,219.29	-	-	44,867.18	140,563.21
E911 Cell Phones	134,986.97	86,235.75	-	-	97,140.11	124,082.61
Misc Sheriff Policing	-	450.00	-	-	450.00	-
Victim Impact Program	200.00	-	-	-	-	200.00
Total Special Revenue Nonmajor Funds	\$ 3,220,330.64	\$ 4,202,418.03	\$ 43,154.55	\$ 2,616,789.76	\$ 3,228,950.55	\$ 1,620,162.91
Debt Service Funds						
County Loan	\$ 33,307.00	\$ 42,263.47	\$ -	\$ 34,878.85	\$ 40,496.51	\$ 195.11
Special Assessment	(42.04)	-	-	-	-	(42.04)
Total Debt Service Nonmajor Funds	\$ 33,264.96	\$ 42,263.47	\$ -	\$ 34,878.85	\$ 40,496.51	\$ 153.07
Total Nonmajor Funds	\$ 3,253,595.60	\$ 4,244,681.50	\$ 43,154.55	\$ 2,651,668.61	\$ 3,269,447.06	\$ 1,620,315.98
Total Governmental Funds	\$ 7,745,917.76	\$ 14,083,861.77	\$ 2,831,782.30	\$ 2,831,782.30	\$ 14,044,179.31	\$ 7,785,600.22

Continued on next page.....

WALSH COUNTY
Grafton, North Dakota

SCHEDULE OF FUND ACTIVITY
CASH BASIS
For the Year Ended December 31, 2015

CONTINUED:	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Agency Funds:</u>						
County Health District	\$ 26,269.73	\$ 170,249.67	\$ -	\$ -	\$ 174,690.17	\$ 21,829.23
River Soil Con Dist Ins Re	369.93	2,167.46	-	-	2,527.63	9.76
River Soil Con Dist General	14,796.48	105,740.65	-	-	99,049.71	21,487.42
Joint Water Resource Board #2	7,871.97	3,518.61	-	-	4,900.00	6,490.58
Red River Basin Commission	-	4,283.00	-	-	4,283.00	-
Water Resource	29,467.50	203,896.29	-	-	198,844.09	34,519.70
Job Development Authority	26,779.43	177,372.07	-	-	181,108.95	23,042.55
Park River Joint Water Res Dist	7,147.53	49,898.70	-	-	48,445.00	8,601.23
Joint Water Resource Board - RR	13,904.48	99,036.04	-	-	96,768.35	16,172.17
State Revenue Tax	7,398.14	51,606.81	-	-	50,371.01	8,633.94
Forest River Joint Water Res Bd	-	8,438.83	-	-	-	8,438.83
County Sheriff Judgment Trust Acct	14,907.77	14,086.30	-	-	28,389.02	605.05
Game and Fish	17,320.57	40,173.05	-	-	37,361.05	20,132.57
Paid Under Protest	-	3,655.78	-	-	3,655.78	-
Treasurer's Misc	1,062.61	37,571.84	-	-	37,077.58	1,556.87
State Grant 2015	-	893.98	-	-	655.00	238.98
Drug Prevention	370.40	-	-	-	-	370.40
County Sheriff Jt Water Resource	223.00	-	-	-	-	223.00
Sheriff Drug Grant #4 & Cty DUI	-	3,968.20	-	-	3,968.20	-
Soc Service SP Trust Fund	3,447.24	0.26	-	-	299.11	3,148.39
Walsh Co EMS 1/4 Sales Tax	18,334.26	278,818.14	-	-	271,288.59	25,863.81
Payroll Deductions	(7.58)	11,167.64	-	-	11,160.06	-
Total Cities	140,033.94	1,792,821.47	-	-	1,763,721.00	169,134.41
Total Parks	38,284.90	429,788.85	-	-	420,299.54	47,774.21
Total Schools	850,092.10	5,881,517.85	-	-	5,700,147.42	1,031,462.53
Total Townships	100,449.98	1,375,742.51	-	-	1,365,873.93	110,318.56
Total Water Resource Districts	130,534.26	690,624.55	-	-	671,605.10	149,553.71
Total Ambulance	129.30	1,210.07	-	-	418.11	921.26
Total Fire Districts	33,389.18	229,814.92	-	-	221,690.37	41,513.73
Total Agency Funds	\$ 1,482,577.12	\$ 11,668,063.54	\$ -	\$ -	\$ 11,398,597.77	\$ 1,752,042.89
Total Primary Government	\$ 9,228,494.88	\$ 25,751,925.31	\$ 2,831,782.30	\$ 2,831,782.30	\$ 25,442,777.08	\$ 9,537,643.11

WALSH COUNTY
Grafton, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through State Department of Transportation:</u>		
Highway Planning and Construction	20.205	** \$ 1,140,195
National Priority Safety Programs	20.616	894
Total U.S. Department of Transportation		<u>\$ 1,141,089</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed through the State Department of Human Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 5,503
Temporary Assistance for Needy Families	93.558	115,388
Child Support Enforcement	93.563	730
Low-Income Home Energy Assistance	93.568	161
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	6,812
Stephane Tubbs Jones Child Welfare Services Program	93.645	1,363
Foster Care-Title IV-E - Recovery	93.658	71,937
Adoption Assistance	93.659	875
Medical Assistance Program	93.778	23,089
Maternal and Child Health Services Block Grant to the States	93.994	940
Total State Department of Human Services		<u>\$ 226,798</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through the State Department of Emergency Services:</u>		
Homeland Security Grant Program	97.067	\$ 24,460
Emergency Management Performance Grants	97.042	50,538
Total U.S. Department of Homeland Security		<u>\$ 74,998</u>
Total Expenditures of Federal Awards		<u>\$ 1,442,885</u>

** - Major Program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Walsh County under programs of the federal government for the year ended December 31, 2015. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portions of the operations of Walsh County, it is not intended to be and does not present the financial position or changes in net position of Walsh County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Walsh County
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit's, each major fund, and the aggregate remaining fund information of Walsh County as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Walsh County's basic financial statements, and have issued our report thereon dated August 15, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2015-001].

Compliance and Other Matters

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

WALSH 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

Walsh County's Response to Findings

Walsh County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Walsh 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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 15, 2016

STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Walsh County
Grafton, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Walsh County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Walsh County's major federal program for the year ended December 31, 2015. Walsh County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Walsh County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walsh County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Walsh County's compliance.

Opinion on Each Major Federal Programs

In our opinion, Walsh County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

WALSH COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance - Continued

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Walsh County as of and for the year ended December 31, 2015, and have issued our report thereon dated August 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 15, 2016

WALSH COUNTY
Grafton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ X Yes _____

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes X None noted

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? _____ Yes X None noted

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between Type A and B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ X Yes _____ No

WALSH COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II – Financial Statement Findings

2015-001 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS

Condition:

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 journals, 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 entities financial condition, whether due to error or fraud.

Cause:

Due to the client's size, complexity, organizational structure and the economic realities that the entities face, it is presently not economically feasible to have additional staff for the offices of the entities.

Criteria:

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

Recommendation:

Due to the size, complexity and the economic realities of the component units of Walsh County, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials / Planned Corrective Actions:

While we agree with the recommendation, due to the size and nature of the entities, it is not feasible for us to obtain proper segregation of duties.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Board of County Commissioners
Walsh County
Grafton, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Walsh County, Grafton, North Dakota, for the year ended December 31, 2015 which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2016. 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 THE UNIFORM GUIDANCE

As stated in our engagement letter dated June 8, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the 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 Walsh 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. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether Walsh 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Walsh County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on Walsh County's compliance with those requirements over each major federal program. While our audit provides a reasonable basis for our opinion over compliance for each major federal program, it does not provide a legal determination on Walsh County's compliance with those requirements.

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 Walsh County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. 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. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 August 15, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

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.

The following presents our informal recommendations:

OVERSPENT FUNDS

A review of client documentation indicated that Walsh County overspent four funds as noted: FEMA Flood Funds (\$158,439); County Road Fund (\$18,737); and the Advertising Fund (\$27,090).

NDCC section 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."

We recommend Walsh County carefully budget and amend the budget for any unforeseen expenditures in excess of budgeted amounts to comply with NDCC section 11-23-06.

PAYROLL DOCUMENTS

During testing it was found that personnel records did not contain all necessary and expected documents consistently in the personnel files kept in the Auditors Office. Documents such as performance reviews/comments, W4, job application, ethics policy acceptance, and resume would be expected to be in a locked location in each employee personnel file. If Personnel records are not complete that can cause errors in various payroll areas, a lack of noted issues or confrontations that may have to be reviewed at a later time, a lack of ethics policy acceptance documentation, absent information for background checks if they were needed, and a lack of employee evaluation information.

We recommend that Walsh County evaluate each employee's personnel file to ensure that all necessary documentation is obtained for adequate record retention. We further recommend to have the adequate files kept in one secure location safe from tampering or unauthorized review.

This information is intended solely for the use of the Board of County Commissioners and management of Walsh County, 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 Walsh 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 Walsh County.


Robert R. Peterson
State Auditor

Fargo, North Dakota
August 15, 2016

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